

Karl Kacir, CPA

P. O. Box 193
Rogers, Texas 76569
(254) 721-7228 cell
kwkacir@gmail.com

February 17, 2022

Board of Trustees and Superintendent
Buckholts Independent School District
203 South 10th Street
Buckholts, Texas 76518

Dear Trustees and Superintendent:

I am pleased to confirm my understanding of the services I am to provide Buckholts Independent School District (the "District") for the year ended August 31, 2022.

Audit Scope and Objectives

I will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements, of Buckholts Independent School District (the "District") as of and for the year ended August 31, 2022. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of my engagement, I will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis;
- 2) Budgetary Comparison Schedule - General Fund;
- 3) Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan - Teacher Retirement System of Texas Pension Plan;
- 4) Schedule of District Contributions to the Teacher Retirement System of Texas Pension Plan;
- 5) Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan - Texas Public School Retired Employees Group Insurance Program; and,
- 6) Schedule of District Contributions to the Texas Public School Retired Employees Group Insurance Program.

I have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and I will provide an opinion on it in relation to the financial statements as a whole, in a report combined with my auditor's report on the financial statements:

- 1) Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Funds;
- 2) Schedule of Delinquent Taxes Receivable;
- 3) Budgetary Comparison Schedule – Food Service Fund; and,
- 4) Budgetary Comparison Schedule - Debt Service Fund.

The following other information, either accompanying the financial statements or submitted separately, will not be

subjected to the auditing procedures applied in my audit of the financial statements, and my auditor's report will not provide an opinion or any assurance on that other information:

1) Schedule of Required Responses to Selected School First Indicators

The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes my opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

I will conduct my audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the *Uniform Guidance*, and will include tests of accounting records, a determination of major programs in accordance with *Uniform Guidance*, and other procedures I consider necessary to enable me to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, I exercise professional judgment and maintain professional skepticism throughout the audit.

I will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. I will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner to achieve fair presentation. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the District. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because I will not perform a detailed examination of all transactions, there is an unavoidable risk that material misstatements or noncompliance may exist and not be detected by me, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, I will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. I will include such matters in the reports required for a Single Audit. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

I will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. I may also request written representations from your attorneys as part of the engagement.

I have identified the following significant risks of material misstatement as part of my audit planning, based on prior year audits and which are likely to be relevant:

- 1) Misstatement of State foundation revenue;
- 2) Misstatement of accrued payroll;
- 3) Noncompliance with laws and regulations; and,

- 4) Incomplete, or inaccurate yearend closing entries.

I will communicate any significant changes resulting from my risk assessment in this audit.

Audit Procedures—Internal Control

I will obtain an understanding of the District and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that I consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, I will express no such opinion. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of The District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and I will not express such an opinion in my report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

I will assist in preparing the following, based on information provided by you:

- 1) The annual financial statements and related notes in conformity with U.S. GAAP;
- 2) Trial balances to use in preparation of financial statements;
- 3) GASB 34 adjustments and government-wide financial statements, including supporting workpapers for GASB 68 and GASB 75 entries; and,
- 4) The depreciation schedule for capital assets.

These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. I will perform the services in accordance with applicable professional standards. The other services are limited to those listed above. I, in my sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Responsibilities of Management for the Financial Statements

My audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to me and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing me with: (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation,

identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that I may request for the purpose of the audit; and, (3) unrestricted access to persons within the District from whom I determine it necessary to obtain audit evidence. At the conclusion of my audit, I will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that I report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include my report on the supplementary information in any document that contains, and indicates that I have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon.

Your responsibilities include acknowledging to me in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to me corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on my current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes, and any other nonaudit services I provide. You will be required to acknowledge in the management representation letter my assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

Distribution of Report Copies and Filings

I will have ten copies of the annual financial report printed which will include my reports on the financial statements, and on internal controls and compliance.

I will file the PDF copy of the annual financial report, and Exhibit L-1, with TEA, and will upload financial data for the data feed. The data feed will be available for final verification by the District in a reasonable amount of time prior to the submission due date. The District is responsible for verifying the accuracy of the data feed and performing the final submission steps.

The District is responsible for publishing a copy of Exhibit C-2 in a local paper, and distribution of the reports and the financial statements to any other required parties.

Unless restricted by law or regulation, or containing privileged and confidential information, copies of my reports are to be made available for public inspection.

Audit Documentation

The audit documentation for this engagement is my property and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the Texas Education Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. If requested, access to such audit documentation will be provided under my supervision. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Texas Education Agency or a federal agency. If I am aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, I will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Audit Schedule

I will perform planning and preparation work at my office upon receipt of an engagement letter. Much of my work will be done at my office. I intend to have an "interim phase" when I complete planning, risk assessment, and other work prior to yearend, and a "final phase," which will occur after the District has closed its books and is prepared for audit. I plan to spend some time during each phase at the District's offices. Audit work in your offices will be planned at mutually acceptable times. I will provide you with a draft of the financial statements prior to the board meeting for your review and approval. I am a sole proprietor, and, as such, am responsible for completing all of the engagement and signing the auditor's reports.

Estimated Fees and Invoicing

My fee for audit services is based on the estimated time to complete audit work at my standard hourly rate plus out-of-pocket costs, such as report reproduction and travel. The time to complete audit work is affected by various conditions. Conditions largely controllable by the District, include:

- Condition of the accounting records;
- Level of client assistance provided; and,
- Internal controls and procedures performed by management, including controls over compliance with laws and regulations.

Neither of us have control over the following conditions:

- Actions taken by regulatory agencies affecting regulatory, auditing and reporting requirements; and,
- Changes in accounting and auditing standards.

District staff are responsible for performing year end closing procedures to ensure a minimal number of adjustments are required as a result of audit testwork. This is necessary to minimize audit fees, but, more importantly, to maintain the independence of the auditor as required by *Government Auditing Standards*. An excessive number of audit adjustments is considered to be an indication the audited entity did not have staff with sufficient skills, knowledge, and experience for auditor independence.

Strong internal controls and compliance with laws and regulations reduces the required amount of testwork. Findings, questioned costs, or management letter comments due to deficiencies in internal controls and noncompliance with laws and regulations requires additional audit time.

My fee estimate for the 2021-22 audit is \$16,500. This fee is based on the assumption that the General Fund will be the major fund required for financial reporting. The fee will increase if there are additional major funds, to cover additional time required for planning, performing and documenting audit procedures, and for preparing the annual financial report. The additional fee will be a minimum of \$900.

I will remain committed to these amounts unless there is a significant change in time required to complete the audit due to the conditions noted above. I will advise the District of any situation that would impact fees. Additional accounting services required to complete the audit will be billed at \$125 per hour.

My invoices will be rendered as work progresses and are payable on presentation. Unless there are unusual circumstances, work progress will be based on the following schedule:

- 30% upon completion of interim testwork;
- 60% upon completion of final fieldwork;
- 90% upon report completion and presentation to the Board; and,
- 100% upon filing with TEA.

In accordance with my policies, work may be suspended if your account becomes sixty days or more overdue and may not be resumed until your account is paid in full. If I elect to terminate my services for nonpayment, my engagement will be deemed to have been completed upon written notification of termination, even if I have not completed my report. You will be obligated to compensate me for all time expended and to reimburse me for all out-of-pocket costs through the date of termination.

If I am unable to complete the audit due, or fail to complete the audit, due to any incapacity or personal decision on my part, any fees paid by the District will be refunded.

Reporting

I will issue a written report upon completion of my audit of the District's financial statements. My report will be addressed to the Board of Trustees and Superintendent of Buckholts Independent School District. Circumstances may arise in which my report may differ from its expected form and content based on the results of my audit. Depending on the nature of these circumstances, it may be necessary for me to modify my opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to my auditor's report, or if necessary, withdraw from this engagement. If my opinions are other than unmodified, I will discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to form or have not formed opinions, I may decline to express opinions or issue reports, or I may withdraw from this engagement.

I will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during my audit I become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, I will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

A copy of my most recent external peer review report accompanies this letter.

I appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of my engagement as described in this letter, please sign and return a copy of the signature page to me.

Sincerely,



Karl Kacir

RESPONSE:

This letter correctly sets forth the understanding of Buckholts Independent School District.

Board of Trustees

Management

By: _____

Title: _____

Superintendent

Date: _____
