



JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2018

Board of Trustees
River Road Independent School District
9500 US 287 N
Amarillo, Texas 79108

Attention: Richard Kelley, Superintendent

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit **River Road Independent School District's** (the District) governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information as of and for the year ending June 30, 2018, which collectively comprise the basic financial statements.

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon. Required supplementary information includes:

1. Management's Discussion and Analysis (MD&A)
2. Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund
3. Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)
4. Schedule of District Contributions to TRS
5. Schedule of Delinquent Taxes Receivable
6. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Child Nutrition Program
7. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Debt Service Fund (if applicable)

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will also perform the audit of the District as of June 30, 2018 so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part

200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the Single Audit Act; Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the U.S. Office of Management and Budget's (OMB) Compliance Supplement. Those standards, regulations and supplements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board of Trustees (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the District and that are to be included as part of our audit are listed here (subject to change):

General Fund; Debt Service Fund; ESEA I, A Improving Basic Program; IDEA – Part B Formula; IDEA – Part B Preschool; National Breakfast and Lunch Program; Career and Technical – Basic Grant; ESEA II, A Training and Recruiting; State Textbook Fund; State Funded Special Revenue Funds; Campus Activity Funds; Insurance Fund (Internal Service Fund); Private Purpose Trust Fund; and Student Activity Account (Agency Fund).

The federal financial assistance programs and awards that you have told us that the District participates in and that are to be included as part of the single audit are listed here (subject to change):



<u>CFDA Number</u>	<u>Program or Cluster Title</u>
84.010A	ESEA, Title I, Part A – Improving Basic Programs
84.010A	ESEA, Title I, 1003(A) Priority Focus School Grant
84.027	IDEA – Part B, Formula (Special Education Cluster)
84.173	IDEA – Part B, Preschool (Special Education Cluster)
84.048	Career and Technical – Basic Grant
84.367A	ESEA, Title II, Part A, Teacher/Principal Training
10.553	School Breakfast Program (Child Nutrition Cluster)
10.565	National School Lunch Program – Non-Cash Assistance (Child Nutrition Cluster)
10.555	National School Lunch Program – Cash Assistance (Child Nutrition Cluster)
10.565	Commodity Supplemental – Non-Cash Assistance (Food Distribution Cluster)

We are responsible for the compliance audit of major programs under the Uniform Guidance, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities.

Our report(s) on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and regulations identified above. Our report(s) on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and regulations identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and



6. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the District complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse, or suspected fraud or abuse, affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the RSI and supplementary information and indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the RSI and supplementary information with the audited financial statements or, if the RSI and supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the RSI and supplementary information no later than the date of issuance of the RSI and supplementary information and the auditor's report thereon.

Because the audit will be performed in accordance with the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all federal awards received and expended; (b) preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with Uniform Guidance requirements; (c) internal control over compliance; (d) compliance with federal statutes, regulations, and the terms and conditions of federal awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (f) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan; and (g) submitting the reporting package and data collection form.



The Board of Trustees is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Our association with an official statement is a matter for which separate arrangements will be necessary. The District agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the District seeks such consent, we will be under no obligation to grant such consent or approval.

The District agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the District agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

We agree that our association with any proposed offering is not necessary, providing the District agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The District agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

Johnson & Sheldon, PLLC, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Johnson & Sheldon, PLLC also has not performed any procedures relating to this official statement.

Because Johnson & Sheldon, PLLC will rely on the District and its management and Board of Trustees to discharge the foregoing responsibilities, the District holds harmless and releases Johnson & Sheldon, PLLC and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the District's management that has caused, in any respect, Johnson & Sheldon, PLLC's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Records and Assistance

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with **Richard Kelley, Superintendent, and Andy Nies, Business Manager**. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report. Our work is tentatively scheduled as follows:



Planning	May thru August 2018
Fieldwork	September thru October 2018
Report Delivery	October thru November 2018

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including:

Preparation of the financial statements required by the Texas Education Agency (TEA), including the Electronic Annual Financial Report Submission to TEA and the Municipal Authority of Texas (where applicable) and the preparation of the GASB 34 Documentation Report; and Maintenance of Fixed Asset Detail.

The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the District, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The District has agreed that **Richard Kelley, Superintendent, and Andy Nies, Business Manager** possess suitable skill, knowledge or experience and that the individuals understands the Preparation of the financial statements required by the Texas Education Agency (TEA), including the Electronic Annual Financial Report Submission to TEA and the Municipal Authority of Texas (where applicable) and the preparation of the GASB 34 Documentation Report; and Maintenance of Fixed Asset Detail services to be performed sufficiently to oversee them. Accordingly, the management of the District agrees to the following:

1. The District has designated **Richard Kelley, Superintendent, and Andy Nies, Business Manager**, as senior members of management who possess suitable skill, knowledge and experience to oversee the services;
2. **Richard Kelley, Superintendent, and Andy Nies, Business Manager**, will assume all management responsibilities for subject matter and scope of the Preparation of the financial statements required by the Texas Education Agency (TEA), including the Electronic Annual Financial Report Submission to TEA and the Municipal Authority of Texas (where applicable) and the preparation of the GASB 34 Documentation Report; and Maintenance of Fixed Asset Detail;
3. The District will evaluate the adequacy and results of the services performed; and
4. The District accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the District's management of the objectives of the non-audit services, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

Other Relevant Information

In accordance with GAS, a copy of our most recent peer review report is attached for your information.



Fees, Costs, and Access to Workpapers

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus directly billed expenses. Our fee estimate for this engagement is as follows:

- Approximately \$34,000 - \$36,000, plus travel and direct expenses at cost;
- Plus an additional \$850 for the District's implementation of GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", including required audit procedures and preparation of additional required scheduled and footnotes; and
- In addition to the above, approximately \$1,500 for new bond issuances for required additional bond and asset capitalization accounting and testing in applicable years.

Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from District personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the District agrees it will compensate Johnson & Sheldon, PLLC for any additional costs incurred as a result of the District's employment of a partner or professional employee of Johnson & Sheldon, PLLC.

During the term of this agreement, and for the period of one year following its expiration or termination, you will not actively solicit, employ or otherwise engage any of our employees who were involved in this engagement. In event you breach this provision, you agree to pay to us within 30 days of notice, an amount of \$25,000.

In the event we are requested or authorized by the District or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the District, the District will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Johnson & Sheldon, PLLC. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so



by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Johnson & Sheldon, PLLC audit personnel and at a location designated by our firm.

Claim Resolution

The District and Johnson & Sheldon, PLLC agree that no claim arising out of services rendered pursuant to this arrangement letter shall be filed more than the earlier of two years after the date of the audit report issued by Johnson & Sheldon, PLLC or the date of this arrangement letter if no report has been issued. In no event shall either party be liable to the other for claims of punitive, consequential, special, or indirect damages. Johnson & Sheldon, PLLC's liability for all claims, damages and costs of the District arising from this engagement is limited to the amount of fees paid by the District to Johnson & Sheldon, PLLC for the services rendered under this arrangement letter.

Information Security - Miscellaneous Terms

Johnson & Sheldon, PLLC is committed to the safe and confidential treatment of the District's proprietary information. Johnson & Sheldon, PLLC is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The District agrees that it will not provide Johnson & Sheldon, PLLC with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the District's information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

Johnson & Sheldon, PLLC may terminate this relationship immediately in its sole discretion if Johnson & Sheldon, PLLC determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Johnson & Sheldon, PLLC client acceptance or retention standards, or if the District is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the District or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Trustees of the District. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the District's financial statements, we will also issue the following types of reports:

1. A report on the fairness of the presentation of the District's schedule of expenditures of federal awards for the year ending June 30, 2018;
2. Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal control;



3. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on each major program; and
4. An accompanying schedule of findings and questioned costs.

This letter constitutes the complete and exclusive statement of agreement between Johnson & Sheldon, PLLC and the District, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

Johnson & Sheldon, PLLC

Johnson & Sheldon, PLLC

Confirmed on behalf of the River Road Independent School District, by:

Richard Kelley, Superintendent



GLASS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

System Review Report

July 22, 2016

To the Shareholders of Johnson & Sheldon, PLLC
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Johnson & Sheldon, PLLC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control [SOC1]).

In our opinion, the system of quality control for the accounting and auditing practice of Johnson & Sheldon, PLLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Johnson & Sheldon, PLLC has received a peer review rating of *pass*.



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