

**BOARD OF TRUSTEES
AGENDA**

<input type="checkbox"/> Workshop	<input checked="" type="checkbox"/> Regular	<input type="checkbox"/> Special
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(A) Report Only Recognition

Presenter(s):

Briefly describe the subject of the report or recognition presentation.

(B) Action Item

Presenter(s): ISMAEL MIJARES, DEPUTY SUPERINTENDENT FOR BUSINESS & FINANCE

Briefly describe the action required.

CONSIDER AND TAKE APPROPRIATE ACTION ON THE REQUEST TO APPROVE THE CONTRACT FOR AUDITING SERVICES WITH THE FIRM, LEAL AND CARTER, PC, CERTIFIED PUBLIC ACCOUNTANTS.

(C) **Funding source: Identify the source of funds if any are required.**

FUNDING WILL BE FROM THE MAINTENANCE AND OPERATIONS FUND BUDGET.

(D) **Clarification: Explain any question or issues that might be raised regarding this item.**

IN ACCORDANCE WITH SECTION 44.008 (a)(b) OF THE TEXAS EDUCATION CODE AND BOARD POLICY CFC, THE BOARD SHALL HAVE THE DISTRICT'S FISCAL ACCOUNTS AUDITED ANNUALLY AT THE DISTRICT'S EXPENSE BY A TEXAS CERTIFIED OR PUBLIC ACCOUNTING FIRM HOLDING A PERMIT FROM THE STATE BOARD OF PUBLIC ACCOUNTANCY.

TO: Gilberto Gonzalez, Superintendent
FROM: Ismael Mijares, Deputy Superintendent for Business & Finance
SUBJECT: RENEWAL OF AUDITING SERVICES CONTRACT
DATE: October 29, 2015

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At this time, the renewal of the contract with the Auditing Firm is being submitted for consideration and approval. The fees and conditions will remain the same as the previous contract. Please be informed that the contract may be terminated at any time upon a *30-Day Notice*.

A copy of the *Contract* has been provided to our School District Attorney, Richard Strieber to review its appropriateness. The *Contract Renewal* may be subject to the modifications as recommended by our *School District Attorney*.

Please let me know if you should need further information regarding this contract.

LEAL & CARTER, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

FRANK J. LEAL, C.P.A.
ROBERTO CARTER, C.P.A.

16011 UNIVERSITY OAK
SAN ANTONIO, TEXAS 78249-4014
TELEPHONE (210) 696-6206
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October 22, 2015

Board of Trustees and
Mr. Gilberto Gonzalez, Superintendent
Eagle Pass Independent School District
1420 Eidson Road
Eagle Pass, TX 78852

RE: Engagement Letter to perform audit services for the Eagle Pass Independent School District for the fiscal years ending August 31, 2017, August 31, 2018, August 31, 2019, August 31, 2020 and August 31, 2021

Dear Mr. Gonzalez and Board of Trustees,

We are pleased to confirm our understanding of the services we are to provide the Eagle Pass Independent School District (the "District") for the fiscal years ending August 31, 2017, August 31, 2018, August 31, 2019, August 31, 2020 and August 31, 2021. We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the years ending August 31, 2017, August 31, 2018, August 31, 2019, August 31, 2020 and August 31, 2021. 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 our engagement, we 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited: Management's Discussion and Analysis.

The District may terminate this contract at any time upon 30-days notice to Leal & Carter, P.C. In the event of such termination, Leal & Carter P.C. shall be entitled to payment of fees earned up to the date of termination. Additionally, should any dispute arise under or pursuant to this agreement, venue shall exclusively be in the State District Courts of Maverick County, Texas.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Delinquent Taxes
2. Schedule of Expenditures for Computation of Indirect Cost
3. Budgetary Comparison Schedule – Child Nutrition Fund
4. Budgetary Comparison Schedule – Debt Service Fund
5. Schedule of Expenditures of Federal Awards
6. Schedule of Required Responses to Selected School First Questionnaire

The following other Information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our report will not provide an opinion or any other assurance on that other information. This Other information will be set forth in the following schedule: Fund Balance and Cash Flow Calculation Worksheet (Unaudited)

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to 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. The objective also includes reporting 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 in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the

Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) 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 or on compliance, and (2) 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 OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; 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 OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Trustees of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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. We will plan and perform the audit to obtain reasonable rather than absolute 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 government. Because the determination of

abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards 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 major programs. We will include such matters required to be reported in the reports required for a Single Audit. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of any inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we 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. Our 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 our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary

to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we 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*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we 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 we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards; and related notes of the District's in conformity with U.S. generally accepted accounting principles and OMB Circular A-133 based on information provided by you. 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*. *These other services will be billed at our standard hourly rates as specified under "Engagement Administration, Fees and Other" paragraph starting on page 8.*

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are

administered in compliance with compliance requirements; and (4) 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, schedule of expenditures of federal awards, 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 also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that 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 the design and implementation of programs and controls to prevent and detect fraud, and for informing us 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 us 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 we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review by the time of our audit fieldwork.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity

with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (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 us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us 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 us 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 us 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 our 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, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, 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

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The District will be responsible for ensuring that the audit report is received by the Texas Education Agency within 150 days of the close of the fiscal year. The District is further responsible for ensuring that the other appropriate governmental agencies receive copies of the audit report according to instructions in the *Texas Education Agency Financial Accountability System Resource Guide*.

The audit documentation for this engagement is the property of Leal & Carter, P.C., 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. We will notify you of any such request. If requested in writing, access to such audit documentation will be provided under the supervision of Leal & Carter, P.C.'s personnel. Furthermore, upon request, we 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 five years after the report release date or for any additional period requested in writing to Leal & Carter, P.C. by the Texas Education Agency or other federal oversight agency or pass-through entity. If we are made aware in writing that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit and issue our reports on mutually agreeable dates. Roberto Carter, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our audit report will be addressed to the Board of Trustees and delivered to Mr. Gilberto Gonzalez, Superintendent. A partner from our firm will be available to discuss the report with the Board of Trustees or the Board's designee at a time and place specified by the District.

Our fees for these services will be at our standard hourly rates plus actual out-of-pocket expenses (travel, etc). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our estimated fees for the audit are as follows:

	<u>Price Range:</u>
2017 fiscal year	\$57,000 - \$60,000 + no more than \$2,000 for travel and related costs
2018 fiscal year	\$57,000 - \$60,000 + no more than \$2,000 for travel and related costs
2019 fiscal year	\$57,000 - \$60,000 + no more than \$2,000 for travel and related costs
2020 fiscal year	\$57,000 - \$60,000 + no more than \$2,000 for travel and related costs
2021 fiscal year	\$57,000 - \$60,000 + no more than \$2,000 for travel and related costs

Any additional work required by the District will be billed at our standard billing rates plus out-of-pocket expenses. Currently, our billing rates are as follows:

Partner	\$225
Manager	\$185
Staff	\$110

These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. Additionally please note that the estimated fees for August 31, 2017, August 31, 2018, August 31, 2019, August 31, 2020, and August 31, 2021 assume the same level of activity as August 31, 2016. If significant additional time is necessary, or there is a significant increase in financial activity or new programs to be audited, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our audit. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to be of service to the Eagle Pass Independent School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to our office to the attention of Margaret Leal-Barrientos, Administrative Assistant.

Respectfully,

Leal & Carter, P.C.



Frank J. Leal, CPA, Managing Director

RESPONSE AND ACCEPTANCE:

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

Management Signature: _____

Print Name: _____

Title: _____

Date Signed: _____