



June 1, 2018

NEAH-KAH-NIE SCHOOL DISTRICT NO 56  
P.O. Box 28  
Rockaway, OR 97136

To the School Board and Management:

We are pleased to confirm our understanding of the services we are providing for NEAH-KAH-NIE SCHOOL DISTRICT NO 56 for the year ended June 30, 2018. We will audit the financial statements of the governmental 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 NEAH-KAH-NIE SCHOOL DISTRICT NO 56 as of and for the year ended June 30, 2018.

We also understand that supplementary information will accompany NEAH-KAH-NIE SCHOOL DISTRICT NO 56's basic financial statements. In accordance with auditing standards generally accepted in the United States of America (GAAS), we will apply auditing procedures and other additional procedures deemed necessary to the following supplementary information accompanying the basic financial statements in order to provide an opinion on this information in relation to the financial statements as a whole:

- Combining and Individual Fund Financial Statements and Schedules

The statements we present to you will include the following additional information that will not be subject to the auditing procedures applied in our audit of the basic financial statements and for which our report will disclaim an opinion:

- Introductory Section
- Other Information

### Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting and to report on the fairness of the additional supplementary information referred to above when considered in relation to the financial statements taken as a whole.

Our audit will be conducted in accordance with GAAS and the Minimum Standards for Audits of Oregon Municipal corporations. Our professional standards as defined by GAAS require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. As such, our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 and other procedures we consider necessary. The procedures we determine necessary will depend on our "auditor's" judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or form an opinion, we may disclaim an opinion or not issue a report.

## **Audit Procedures**

Our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 and other procedures we consider necessary. The procedures we determine necessary will depend on our "auditor's" judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether from errors, fraudulent financial reporting, misappropriations of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. 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. If we deem it appropriate, our procedures will also include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories, and will include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters. These representations will include acknowledging our assistance with the preparation of your financial statements, the supplementary information, and notes accompanying these documents, and that you have reviewed and approved these documents, approved their release, and that you have accepted responsibility for them.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS. 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. However, we will inform you of any material errors that come to our attention, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of the NEAH-KAH-NIE SCHOOL DISTRICT NO 56's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your internal control. In accordance with our professional standards, we will communicate in writing to the appropriate level of management and those charged with governance matters concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of NEAH-KAH-NIE SCHOOL DISTRICT NO 56's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion. Management maintains the responsibility for identifying and ensuring that NEAH-KAH-NIE SCHOOL DISTRICT NO 56 complies with applicable laws, regulations, contracts, and other agreements.

Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Brad Bingenheimer is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Boldt Carlisle + Smith's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

## **Other Services**

We will also assist in preparing the financial statements of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 in conformity with the modified cash basis of accounting based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our 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**

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, the management of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting remains with you. This responsibility includes the financial statements, all accompanying information, and the representations that accompany them. As such, the management of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the 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. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

By your signature below, you also acknowledge that the management of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements, and all accompanying information, that are free from material misstatement, whether due to fraud or error. This responsibility includes the fair presentation in the financial statements of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 and the respective changes in financial position in conformity with the modified cash basis of accounting. In addition, management is also responsible for having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization that involves management, employees who have significant roles in internal control, regulators, and others where fraud could have a material impact on the financial statements. The management of NEAH-KAH-NIE SCHOOL DISTRICT NO 56 is also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting NEAH-KAH-NIE SCHOOL DISTRICT NO 56 received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the NEAH-KAH-NIE SCHOOL DISTRICT NO 56 complies with applicable laws and regulations and for taking timely and appropriate actions to remedy any fraud, illegal acts, or violations of contracts and agreements. You agree that you will confirm your understanding of your responsibilities as defined in this letter to us in your representation letter.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with the modified cash basis of accounting. You agree that you will confirm your understanding of your responsibilities with respect to the supplementary information in your representation letter. You further agree to include our report on the supplementary information in any document that contains and indicates that we have reported on such supplementary information.

Management's responsibilities also include designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to

your designated employees who will type all confirmations we request.

### **Written Report**

We expect to issue a written report upon completion of our audit of NEAH-KAH-NIE SCHOOL DISTRICT NO 56's financial statements. Our report will be addressed to the School Board of NEAH-KAH-NIE SCHOOL DISTRICT NO 56. We cannot provide assurance that an unmodified opinion will be expressed on the financial statements. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs, decline to express an opinion or withdraw from the engagement.

### **Other Matters**

We understand that your employees will locate any documents selected by us for testing.

We will provide copies of our reports to the school 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.

We expect to begin our audit on approximately October 15, 2018 and to issue our report within 60 days of completion of audit procedures.

It is our policy to keep records related to this engagement for five years. However, Boldt Carlisle + Smith does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the five-year period Boldt Carlisle + Smith shall be free to destroy our records related to this engagement.

Our fee for these services will be \$27,485. Our invoices for these fees will be rendered as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before incurring additional costs.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

Should any litigation or adverse action (such as audits by outside organizations and/or threatened litigation, etc.), by third parties arise against the NEAH-KAH-NIE SCHOOL DISTRICT NO 56 or its officers subsequent to this engagement, which results in the subpoena of documents from Boldt Carlisle + Smith and/or requires additional assistance from us to provide information, depositions or testimony, NEAH-KAH-NIE SCHOOL DISTRICT NO 56 hereby agrees to compensate Boldt Carlisle + Smith (at our standard hourly rates) for additional time charges and other costs (copies, travel, etc.), and to indemnify us for any attorney's fees to represent Boldt Carlisle + Smith.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of Oregon. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We appreciate the opportunity to be of service to NEAH-KAH-NIE SCHOOL DISTRICT NO 56 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 us.

Very truly yours,

*Boldt Carlisle & Smith*

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon

RESPONSE:

This letter correctly sets forth the understanding of NEAH-KAH-NIE SCHOOL DISTRICT NO 56.

APPROVED:

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**Boldt Carlisle + Smith**  
CERTIFIED PUBLIC ACCOUNTANTS

The right people. The right answers.

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June 14, 2018

TCSD NO 56 NEAH-KAH-NIE  
MARK L SYBOUTS  
PO BOX 28  
ROCKAWAY BEACH, OR 97136-0028

As discussed at the municipal client meeting on June 13, 2018, the requirements of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting Postemployment Benefits Other Than Pensions* will be effective for the year ended June 30, 2018.

This represents a significant change in financial reporting for municipalities that provide other postemployment benefits to their employees. The municipalities that prepare their financial statements in accordance with generally accepted accounting principles will be required to report additional assets, liabilities and deferred outflows and inflows of financial resources, new disclosures in the footnotes, and new schedules presented as required supplementary information (RSI). Even if your local government doesn't prepare financial statements in accordance with generally accepted accounting principles the new footnote disclosures will need to be presented.

Because the scope of these changes is so significant, the scope of our audit work must be expanded to consider the requirements of GASB No. 75. Accordingly, our fee for audit services needs to be adjusted. The fee reflected in your audit engagement letter includes \$500.00 specifically for additional work we must perform as a result of this new accounting standard.

We look forward to working with you as we implement these new requirements.

Yours very truly,

*Boldt Carlisle & Smith*

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon