



JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2015

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

Attention: Randy Owens, Superintendent

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of **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-ended June 30, 2015 which collectively comprise the basic financial statements. Management is responsible for the preparation of the required supplementary information (RSI) in accordance with accounting principles generally accepted in the United States of America.

Management agrees to include the auditors' report on the RSI or supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such RSI or supplementary information. Required supplementary information which 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 Delinquent Taxes Receivable
4. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Child Nutrition Program
5. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Debt Service Fund

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, 2105, so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

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 of America; the provisions of the Single Audit Act, OMB Circular A-133, and OMB's Compliance Supplement. Those standards, circulars 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, Government Auditing Standards do 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 District'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 Programs; IDEA - Part B Formula; IDEA - Part B Preschool; National Breakfast and Lunch Program; Summer Feeding Program; Career and Technical - Basic Grant; ESEA II, A Training and Recruiting; Other Federal Special Revenue Funds; State Textbook Fund; Campus Activity Funds; and Internal Service Funds.



The federal and state 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 as follows (subject to change):

<u>CFDA Number</u>	<u>Program or Cluster Title</u>
84.048	Career and Technical - Basic Grant
84.010A	ESEA, Title I, Part A - Improving Basic Programs
84.010A	ESEA, Title I, 1003(A) Priority and Focus Grant
84.027	IDEA - Part B, Formula
84.173	IDEA - Part B, Preschool
84.367A	ESEA, Title II, Part A, Teacher/Principal Training
10.553	School Breakfast Program
10.555	National School Lunch Program Cash Assistance
10.555	National School Lunch Program - Non-Cash Assistance
10.559	Summer Feeding Program - Cash Assistance

Our reports 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 circulars identified above. Our reports 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 circulars 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 they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. 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; and
- c. To provide us with:
 - (1) 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;
 - (2) Additional information that we may request from management for the purpose of the audit; and
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
 - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
 - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.



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:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. 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, and for informing us about all known or suspected fraud affecting the District involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, analysts, regulators, short sellers, or others.

Management is responsible for the preparation of the 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 auditors' report on the RIS or supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such RSI or 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 auditors' report thereon.

The board of trustees is responsible for informing us of its views about the risks of fraud within the District, and its knowledge of any fraud or suspected fraud affecting the District.

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.

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.

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, 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 which 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.



The District's 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, issue a report, or withdraw 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 Lori Vickers, First Assistant. 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 audit is tentatively scheduled as follows:

Planning	May thru June 2015
Preliminary Fieldwork	June thru September 2015
Fieldwork	August thru September 2015
Report Delivery	October thru November 2015

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee for this engagement will be approximately \$32,000 to \$34,000, plus direct expenses at cost. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from District personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

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.

The audit documentation for the engagement is the property of Johnson & Sheldon, PLLC and constitutes confidential information. However, as required by the Texas Education Agency (TEA) Financial Accountability System Resource Guide (FASRG), we are required to make certain audit documentation available to appropriate state and federal auditing authorities upon request for their regulatory oversight purposes. Access to the requested audit documentation will be provided to appropriate state and federal auditing authorities under the supervision of Johnson & Sheldon, PLLC audit personnel and at a location designated by our Firm.

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.

Claim Resolution

The District and Johnson & Sheldon, PLLC agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than 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. The District waives any claim for punitive 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 or the services rendered under this arrangement letter.

If any term or provision of this Agreement 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:

A report on the fairness of the presentation of the District's schedule of expenditures of federal awards for the year ending June 30, 2015.

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.

Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a material effect, as defined by OMB Circular No. A-133, on each major program.

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.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is attached, for your information.

Please sign and return the attached 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:

Randy Owens, Superintendent



GLASS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

System Review Report

August 7, 2013

To the Shareholders of Johnson & Sheldon, PC
and the Peer Review Committee of the TSCPA

We have reviewed the system of quality control for the accounting and auditing practice of Johnson & Sheldon, PC (the firm) in effect for the year ended March 31, 2013. 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 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 (SOC) 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Johnson & Sheldon, PC in effect for the year ended March 31, 2013, 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, PC has received a peer review rating of *pass*.

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