

# Karl Kacir, CPA

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

March 7, 2018

Board of Trustees and Superintendent Darrell Evans  
Dew Independent School District  
606 CR 481  
Teague, Texas 75860

Dear Trustees and Superintendent Evans:

I am pleased to confirm my understanding of the services I am to provide Dew Independent School District for the year ended August 31, 2018.

## **Audit Services**

I will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Dew ISD as of and for the year ended August 31, 2018.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI) to supplement Dew Independent School District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of my engagement, I will apply certain limited procedures to Dew Independent School District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund.
- 3) Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan - Teacher Retirement System Of Texas (TRS); and,
- 4) Schedule of District Contributions to the Teacher Retirement System Pension Plan.

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

- 1) Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Funds;
- 2) Schedule of Delinquent Taxes Receivable;
- 3) Schedule of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual - Food Service Fund;

- 4) Schedule of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual - Debt Service Fund;  
and,
- 5) Schedule of Required Responses to Selected School First Indicators.

### **Audit Objectives**

The objective of my audit is the expression of opinions as to whether your basic 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 additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. My audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Dew ISD and other procedures I consider necessary to enable me to express such opinions. My audit and reports will comply with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide*. I cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for me to modify my opinions or add emphasis-of-matter or other-matter paragraphs. If my opinions on the financial statements are other than unmodified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to form or have not formed opinions, I may decline to express opinions or to issue a report as a result of this engagement.

I will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during my audit I become aware that Dew ISD is subject to an audit requirement that is not encompassed in the terms of this engagement, I will communicate to management and the Board of Trustees that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my 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. I 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 entity or to acts by management or employees acting on behalf of the entity. 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 I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me, 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. However, I will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as your auditor is limited to the period covered by my audit and does not extend to later periods for which I am not engaged as auditor.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. I 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 my audit, I will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures - Internal Controls**

My audit will include obtaining an understanding of the entity 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 I consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, I will communicate to management and the Board of Trustees internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures - Compliance**

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

### **Other Services**

I will also assist in preparing the following information based on information provided by you in connection with the preparation of the annual financial statements:

- 1) The annual financial statements and related notes of Dew Independent School District in conformity with U.S. generally accepted accounting principles;
- 2) GASB 34 adjustments and financial statements, including supporting workpapers for GASB 68 and GASB 75 entries; and,
- 3) The depreciation schedule for capital assets.

I will perform these services in accordance with applicable professional standards. 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*. The nonaudit services are limited to these identified services. I, in my sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to me and for ensuring that management and financial information is reliable and properly recorded. You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that I may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to me

in the representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

You are responsible for the preparation of the supplementary information, which I have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include my report on the supplementary information in any document that contains and indicates that I have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon. Your responsibilities include acknowledging to me in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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

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

## **Engagement Administration, Fees, and Other**

### Client Assistance

Your employees will complete the year-end close out for the District's financial reporting, including posting of all significant transactions, preparation of supporting reconciliations and schedules, and preparation of other workpapers necessary for completion of the annual financial report. Copies of documents will be provided to me as requested.

Your employees will prepare all cash or other confirmations I request and will locate any documents selected by me for testing.

### Distribution of Report Copies

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

I will be responsible for filing one PDF copy with TEA, and uploading accurate financial data for the GASB data feed. The GASB data feed will be available for final verification by the District in a reasonable amount of time prior to the submission due date. Dew ISD is responsible for verifying the accuracy of the GASB data feed and performing the final submission steps.

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

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

#### Audit Documentation

The audit documentation for this engagement is my property and constitutes confidential information. However, pursuant to authority given by law or regulation, I may be requested to make certain audit documentation available to TEA or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. If requested, access to such audit documentation will be provided under my supervision. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If I am aware that TEA or a federal awarding agency is contesting an audit finding, I will contact the party or parties contesting the audit finding for guidance prior to destroying the audit documentation.

#### Audit Schedule

I will perform planning and preparation work at my office upon receipt of an engagement letter. Interim phase and final phase audit work in your offices will be planned at mutually acceptable times. I will provide you with a draft of the financial statements prior to the board meeting for your review and approval. I am a sole proprietor, and, as such, am responsible for completing all of the engagement and signing the auditor's reports.

The current time frame planned for the audit is:

- Interim work this summer;
- Final field work will be in November; and,
- Annual financial reports presented to the Board at the December 2018 meeting.

#### Estimated Fees and Invoicing

My fee for audit services is based on the time to complete audit work at my standard hourly rate plus out-of-pocket costs, such as report reproduction and travel. The time to complete audit work is affected by the conditions of the accounting records, the level of client assistance, and the levels of internal control and procedures performed by management. Fees are also affected by regulatory requirements and actions taken by regulatory agencies, and changes in accounting and auditing standards.

I provide a fee estimate prior to the start of each engagement and will remain committed to that amount unless the District does not provide financial records or support to the level represented to me, the District requests additional services in conjunction with my audit, or there are changes in regulatory or other requirements that arise after the fee estimate was provided. I will immediately advise the District of any situation that would impact fees and we will arrive at a mutually agreeable fee estimate before performing any additional work.

Additional accounting services required to complete the audit due to unforeseen problems will be billed at \$75 per hour. The need for additional services would be discussed with management prior to performing work.

My fee estimate for the 2017-18 audit is \$9,400, subject to the conditions in the preceding paragraphs.

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

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

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

Other

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

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

Sincerely,



Karl Kacir

RESPONSE:

This letter correctly sets forth the understanding of Dew ISD.

**Board of Trustees**

**Management**

By: \_\_\_\_\_

\_\_\_\_\_

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

Superintendent  
\_\_\_\_\_

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

\_\_\_\_\_

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**Report on the Firm's System of Quality Control**

January 17, 2017

To the Practitioner,  
Karl Kacir, CPA  
and the Texas Society of CPA's Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Karl Kacir, CPA (the firm) in effect for the year ended August 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

**Firm's Responsibility**

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

**Peer Reviewer's Responsibility**

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.

**Required Selections and Considerations**

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

## Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Karl Kacir, CPA in effect for the year ended August 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*. Karl Kacir, CPA has received a peer review rating of *pass*.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants