

**REQUEST FOR QUALIFICATIONS ANNUAL FINANCIAL AUDIT  
ITALY INDEPENDENT SCHOOL DISTRICT**

The Italy Independent School District is requesting qualifications from public accounting firms to perform the annual audit for fiscal year ending August 31, 2023.

**I. BACKGROUND INFORMATION**

Auditing requirements for Texas' public school districts are contained in the Texas Education Agency (TEA) Financial Accountability System Resource Guide (FASRG), which is the authoritative document, adopted by reference as a rule of the State Board of Education, through 19 Texas Administrative Code (TAC), §109.41.

The district's Comprehensive Annual Financial Report for the year ended August 31, 2022, has been included with this Request for Qualifications.

**A. Purpose of the Audit**

The purpose of the Request for Qualifications is to obtain the services of a public accounting firm for the annual audit for fiscal year ending August 31, 2023. The organization-wide audit will encompass the financial statements as required by GASB Statement No. 34 and the FASRG for the district for the fiscal year ending August 31, 2023. The audit is to be performed in accordance with generally accepted auditing standards and generally accepted government auditing standards contained in the FASRG.

As a part of the audit of the basic financial statements, the annual audit will also include obtaining an understanding of the school district's internal control and reporting any significant deficiencies or material weaknesses relating to the internal control systems coming to the attention of the auditors. To comply with 2 CFR, Subpart F, a study, and evaluation of internal control will include internal accounting and administrative controls for all major federal financial assistance programs, in accordance with standards for risk assessment for major federal financial assistance. Any material weakness noted during the study and evaluation of internal accounting and administrative controls and other kinds of noncompliance and questioned costs will be reported in compliance with the Single Audit Act.

As part of the audit of the financial statements, transactions and records pertaining to federal programs will be tested for material compliance with federal laws, rules, and regulations and all instances of noncompliance will be reported to the school district.

The audit will include the performance of certain audit procedures for the purpose of reviewing the accuracy of fiscal information provided by the district through the Public Education Information Management System (PEIMS/TSDS), as required by the Texas Education Code (TEC), §44.008(b).

The audit will include procedures applicable to compensatory education funds as required by Module 6 of the FASRG, if required.

**B. Other Requirements**

1. The accounting firm should provide an annual audit report in a form acceptable to the TEA and within the time frame stipulated in the TEC, §44.008(d), of 150 days subsequent to the close of the fiscal year for which the audit was made.
2. The Finance Business Manager and Superintendent would expect to meet with the auditor(s) at least annually. The meeting will be called by the Finance Business Manager and Superintendent.
3. Due to limited staff, the district can provide partially completed financial statements and supporting schedules for auditor review at the close of the fiscal year. Attachment B includes a listing of audit schedules that the district has prepared.
4. The district intends to sell bonds from time to time, which may require the audited financial statements and Auditors opinion to be printed in total or as a part of the section of or addendum to the official statement for bond issues. Also, certification may be required for interest and sinking fund reserve balances as a point in time other than year-end.
5. It is requested that the interested accounting firm include a detailed description of each step in the audit approach that will be taken in the audit engagement including estimated hours for each.
6. The firm upon being awarded this engagement will be expected to review the detailed audit work plan and schedule with the Finance Business Manager prior to commencing the audit assignment each year.
7. Financial statements developed by the Auditor must be in a form that complies with the requirements for the GFOA Certificate of Achievement, the ASBO Certificate of Excellence, and the TEA.
8. All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the district of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to auditors from the TEA, the U.S. Government Accountability Office, or other applicable governmental agencies, they are not otherwise considered to be records open to the general public.

### **C. Independent Auditor**

The interested accounting firm must demonstrate the capability to perform the annual audit in accordance with generally accepted government auditing standards and state board of education auditing rules. Public accounting firms that have performed annual audits for similar entities are encouraged to file a proposal.

### **D. Term of the Audit Engagement**

The contract for audit services based upon the board of trustees approval of the proposal will be for the fiscal year ending August 31, 2023. The district may request to extend this agreement for another four years through fiscal year August 31, 2027, following satisfactory delivery of the services specified in the proposal and engagement letter.

### **E. Dispute Resolution**

Disputes concerning the terms of contracted services that cannot be resolved will be brought before an independent mediation center, whose decision will be binding upon both parties.

## **II. PROPOSAL CONTENT**

### **A. Cover Letter**

See conditions for submission of proposal in Section III.

### **B. Technical Component**

To describe clearly the public accounting firm's understanding of the work to be done, the interested accounting firm will:

- provide a definition of the term "generally accepted government auditing standards" with clear distinctions between these standards and generally accepted auditing standards for nongovernmental engagements;
- explain the interested accounting firm's approaches to performing an annual audit, including the methodology, nature, timing, and extent of audit procedures to be performed;
- describe how the approach to performing the audit would be affected if this were a multiyear contract; and
- make a statement concerning the independence of the interested accounting firm, including direct and indirect financial interest, and the relationship of the proposed audit team to employees of the district and any of the board members.

### **C. Management Component**

The interested accounting firm will furnish satisfactory evidence of capability to provide in a professional and timely manner the services stated in the Request for Qualifications. To meet this requirement:

- provide the name of the external quality control review organization of which the interested accounting firm is a member and the interested accounting firm's length of membership; state the review organization's planned frequency of peer reviews;
- state whether the firm has received a peer review and whether in the most recent review an unqualified report was issued;
- state whether the interested accounting firm is a national, regional, or local public accounting firm;
- provide evidence that the interested accounting firm has experience in performing school district/government audits; list current and past audit clients along with the names and telephone numbers of contact persons and number of years of audit services were provided; state the average daily attendance of the public schools on the list;
- state whether the interested accounting firm is currently under the terms of a public or private reprimand by the Texas State Board of Public Accountancy or licensing boards of other states;
- describe the proposed audit team, in terms of job positions in the firm;
- list names of staff member(s) who will direct the overall audit throughout the duration of the engagement as well as those staff members who will be responsible for planning, directing, and conducting substantial portions of the fieldwork or reporting on this audit engagement; include the educational background of all staff members named and professional licenses held;
- describe continuing professional education in governmental accounting and auditing received by the proposed audit team during the last four years;
- provide the names and qualifications of any needed outside specialists and consultants that will assist the interested accounting firm's staff members;
- describe staff rotation plans for audit team members if this is to be a multiyear contract;
- describe the level of assistance that will be expected from district personnel, including internal audit staff; and
- provide evidence of the ability to comply with the requirements in Sections II and VI of the Request for Qualifications.

### **D. Task/Activity Plan**

The interested accounting firm will specify budgeted hours, timelines and sequence for audit procedures, and names of staff to be assigned.

#### **E. Evaluation**

Criteria used to evaluate the interested accounting firm's methodologies, products, and services are shown in Attachment A.

### **III. CONDITIONS FOR SUBMISSIONS OF PROPOSAL**

All qualifications in response to this request must meet the following conditions to be considered:

- A. Qualifications must include a cover letter clearly stating the name of the firm and the name, address, and telephone number of the interested accounting firm's representative.
- B. Qualifications must address each of the audit requirements as stated in this Request for Qualifications.
- C. The district reserves the right to reject any and all qualifications, and to negotiate portions thereof. Qualifications that address only part of the requirements contained in this Request for Qualifications will not be considered.
- D. The district reserves the right to select any proposal, considering the quoted estimated fee and other factors.
- E. The interested accounting firm shall furnish such additional information that the district may reasonably require.
- F. The district will not be liable for any cost incurred in the preparation of qualifications.
- G. The district may ask interested accounting firms to send a representative for an oral interview prior to board of trustee approval of a proposal. The district will not be liable for the costs incurred by the interested accounting firm in connection with such interview.
- H. The district and interested accounting firms may enter into discussions and revisions of proposal, as necessary. Discussions/negotiations may be conducted with interested accounting firms who are deemed to be within the final competitive range. However, EISD reserves the right to award a contract without discussions/negotiations. The best and final proposal may be required as early as 24 hours after completion of negotiations/discussions.
- I. Qualifications must be signed by an authorized individual to contractually bind their firm when submitting the qualifications. Failure to sign the qualifications will be considered as a "mistake in qualifications," and the qualifications will be rejected as "non-responsive."
- J. By submitting a proposal, the interested accounting firm affirms that its company, corporation, firm, partnership, or individual has not prepared this proposal in collusion with any other bidder and that the contents of this proposal as to prices, terms, or conditions have not been

communicated by the undersigned or by any employee or agent to any other person or firm engaged in this type of business prior to the official opening of this proposal.

- K. Upon notification of potential selections for award, the person or entity submitting this proposal must give notice to the district if the person or an owner or operator of the business entity has been convicted of a felony. The notice must include a general description of the conduct resulting in this conviction of a felony (this requirement does not apply to a publicly held corporation).

In the event that any one or more of the provisions contained in this Request for Qualifications (or resulting purchase order) shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, such provisions shall not affect any other provision hereof, and this Request for Qualifications (or any resulting purchase order) shall be construed as if the invalid, illegal, or unenforceable provision(s) had never been contained herein.

#### **IV. PROCEDURES FOR SUBMITTING PROPOSALS**

##### **A. Delivery**

Responses to the Request for Qualifications should be addressed to:

Italy Independent School District  
Attn: Reagan Cockerham  
300 South College Street  
Italy, Texas 76651

Qualifications must be received no later than 2:00 p.m., Tuesday, August 15, 2023. Qualifications received after the time and date specified above will not be considered and will be filed unopened.

Oral or telegraphic qualifications transmitted via the district's facsimile machine are not acceptable. Qualifications must be submitted to the district in a sealed envelope. **DO NOT FAX YOUR QUALIFICATIONS!**

##### **B. Number of Copies of Qualifications**

Submit ten (10) copies of the qualifications. The qualifications are to be bound and sealed.

#### **V. ASSISTANCE TO PROPOSERS**

Any person wishing to obtain additional information about the Request for Qualifications or about the operations of the district may contact:

Italy Independent School District  
Attn: Reagan Cockerham  
300 South College Street  
Italy, Texas 76651

The district will only respond to questions submitted via email.

The district will send addendums to the RFQ to potential accounting firms via email and upload to the district's website: [www.italyisd.org](http://www.italyisd.org). Please send an email to [rcockerham@italyisd.org](mailto:rcockerham@italyisd.org) containing firm contact name and email address.

**VI. STATEMENT OF REQUIREMENTS**

- A. The independent auditor will provide one (1) camera ready copy of the final comprehensive annual financial report that meets the requirements of the FASRG, the requirements for the GFOA Certificate of Achievement, and the ASBO Certificate of Excellence and a copy in PDF format.
- B. The independent auditor will be required to submit 20 copies of the final compensatory education audit, if applicable.
- C. A preliminary draft of the audit report(s) will be presented to the district prior to submission of the final draft. Timing of the submission must allow district personnel sufficient time to review the report.
- D. Satisfactory delivery of the services specified by the Request for Qualifications and the engagement letter shall be accomplished no later than the January meeting of the board of trustees for the financial audit.
- E. The independent auditor will be required to present the audit report to the board of trustees at the January meeting of the board of trustees.
- F. The independent auditor is required to provide a management letter containing comments oriented toward constructive improvements. Copies of selected audit working papers will be provided as requested by the district and as provided for in the engagement letter. If a management letter is issued, the auditor will provide twenty (20) copies to the district.
- G. The auditor will prepare and provide one (1) copy of the Data Collection Form for Reporting on Audits of States, Local Governments, and Nonprofit Organizations.

**VII. PROPOSED SCHEDULE**

Qualifications Timing

Qualifications due to the district	August 15, 2023
Approval of firm by Board of Trustees	August 21, 2023
Audit Timing (subject to change)	January 28, 2024
Start interim field work	August 22, 2023

Start final field work	November 1, 2023
Draft financial statements and management letter due to finance department for review	December 19, 2023
Presentation of issued financial statements to finance and Superintendent	January 10, 2024
Presentation of issued financial statements to the Board of Trustees	January 22, 2024

**VIII. BOARD OF TRUSTEE APPROVAL**

The board of trustees expects to engage an audit firm for five years. However, the board of trustees expressly reserves the right to reject all bids and to review the relationship on an annual basis and to formally approve each year's extension. The Italy Independent School District reserves the right to cancel any contract resulting from this Request for Qualifications at any time, for any reason (or for no reason) with a thirty (30) day written notice to the firm. The firm may cancel any resulting contract, at any time for any reason, or for no reason with a sixty (60) day written notice. Any notice required or permitted to be delivered to the firm shall be deemed to be delivered when mailed by registered or certified mail, return receipt requested, postage prepaid, and addressed to the bidder's address appearing on the face of the Request for Qualifications (or as subsequently revised or changed). Any compensation due the firm will be limited to items received and/or services performed and accepted by the district. It is possible that the board could terminate the relationship at any time. However, the board of trustees does not desire or expect that to be the case and assumes that a long and satisfactory relationship will be the experience.

**IX. OTHER INFORMATION**

Auditors will be allowed to work on site after 5:00 p.m. and on weekends if necessary and desirable. However, it cannot be guaranteed that Staff will be available to answer questions at those times. Arrangements should be made in advance if these after- hours periods are necessary.



**EVALUATION WORKSHEET**

This worksheet is to be used to document the district's evaluation of the interested accounting firms' qualifications. Points within the ranges specified are to be assigned to the listed criteria as a means for quantifying the relative strengths and weaknesses of the various qualifications.

In the event that oral interviews are necessary to break a tie or for making final clarification in the evaluation process, additional points may be awarded. It should be understood that while the total score is a significant factor, the requester of the services reserves the right to consider other factors in making a final selection.

**PROFESSIONAL QUALIFICATIONS**

The evaluation of professional qualifications of the interested accounting firms will be based on the following criteria.

**I. Mandatory Criteria**

Qualifications will not be considered for further evaluation unless there is compliance with all of the following criteria. The interested accounting firm:

- must be an independent auditor properly licensed for public practice;
- must meet the independence standards of Government Auditing Standards, U.S. Government Accountability Office (GAO);
- must not have a record of substandard work; and
- must submit a proposal meeting all the requirements of the Request for Qualifications.

**II. Technical Criteria**

**POINTS**

Qualifications which have met each of the criteria in Section I above will be evaluated on the following criteria:

A. Technical experience of the firm:

1. auditing experience in Texas public schools (0-15)
2. auditing experience in government (0-10)
3. entities (0-5)

B. Characteristics of the staff, including consultants to be assigned to the audit:

1. size and structure of the firm, including audit staff positions (0-5)
  2. qualifications of supervisory personnel, consultants, and the field audit team (0-20)
    - education, including continuing education courses taken during the past two years
    - years and types of experience
  3. general direction and supervision to be exercised over the audit team by the firm's management personnel (0-15)
- C. clear understanding of the work to be performed:
1. comprehensiveness of the audit work plan (0-5)
  2. realistic time estimates of each major segment of the work plan, and the estimated number of hours for each staff level including consultants assigned (0-10)

Total Technical Points:

### **III. Oral Interviews (If Necessary)**

Interview Points Awarded (0-15)

Total Points:

**Audit Schedules that Have Been Prepared by the District**

**GENERAL FUND**

1. Trial Balance: Assets, Liabilities, Fund Equity, Revenues and Expenditures
2. Detail of Actual Expenditures by function and object code (and budget amounts, if applicable)
3. Revenues by Source

**INTERNAL SERVICE FUND**

4. Trial Balance: Assets, Liabilities, Retained Earnings, Revenues and Expenses
5. Statement of Revenues Expenses and Changes in Retained Earnings
6. Statement of Cash Flows (by fund and in total)
7. TASB Workers' Compensation Report—Actuarial Study (if one has been performed this year)

**AGENCY FUNDS**

8. Trial Balance: Assets, Liabilities, Fund Equity and Statement of Changes in Assets & Liabilities
9. Trial Balance: Escrow

**SPECIAL REVENUE FUNDS**

10. Trial Balance: Assets, Liabilities, Fund Equity and Combining Statement of Revenues, Expenditures and Changes in Fund Balance (both by function and Budget vs. Actual)
11. Schedule of Expenditure of Federal Awards
12. Schedule of Expenditures for Computation of Indirect Cost

**CAPITAL PROJECT FUNDS**

13. Trial Balance: Assets, Liabilities, Fund Equity, Revenues and Expenditures
14. Summary of Rebatale Arbitrage

**CAPITAL ASSETS**

15. Summary of Changes
16. Schedule by Function and Source

17. Schedule by Function and Activity
18. Schedule of Changes in Capital Assets by Function and Activity
19. Summary of Construction in Progress
20. Construction in Progress Schedule
21. Major Commitments for Construction in Progress

#### **DEBT SERVICE FUND**

22. Trial Balance: Assets, Liabilities, Fund Equity, Revenues and Expenditures

#### **DEBT**

23. Bond Payment Amortization Schedules
24. Trial Balance: Balance Sheet
25. Bond Schedule for ACFR
26. Bond Schedule (Debt Service Requirements through Maturity)
27. Schedule of Leases Payable (Current Year through Total Future Payments)
28. Schedule of Refunded Debt Outstanding

#### **MISCELLANEOUS**

29. Summary of Bank Reconciliations
30. Interbank Transfers
31. Test of Accrued Interest
32. Schedule of Delinquent Taxes Receivable
33. Schedule of Prepaid Insurance
34. Interfund Receivables/Payables (Due To/From)
35. Sick Leave Pay
36. Outstanding Purchase Order Listing
37. TRS Schedule

38. Interest and Income Average Yield
39. Detail of Other Sources (Uses)
40. Combined Balance—All Fund Types and Account Groups
41. Combined Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Fund Types
42. Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget (GAAP Basis) and Actual—All Governmental Fund Types
43. Budget Amendments

**STATISTICAL SECTION (ITEMS #44–55)**

44. Property Tax Levies and Collections
45. Ratio of Net General Bonded Debt to Assessed Value
46. Computation of Legal Debt Margin
47. Ratio of Annual Debt Service for General Bonded Debt to Total General Expend
48. Demographic Statistics
49. Construction and Property Value
50. Principal Taxpayers
51. Miscellaneous Statistics
52. General Governmental Expenditures by Function
53. General Governmental Revenues by Source
54. Assessed Taxable Value by Type of Property
55. Property Tax Rates—Direct and All Overlapping Governments
56. Computation of Direct and Overlapping Debt
57. Property Value, Construction and Bank Deposits
58. Schedule of Test of Property Tax Allocation
59. Optimum Fund Balance Calculation Schedule (optional)

60. PEIMS/TSDS report

61. Final Financial report—All Funds—Revenues & Expenditures

**MISCELLANEOUS**

62. Various Confirmations

63. Board Minutes—through the date of report issuance

## Sample Engagement Letter

Date

Italy Independent School District  
300 S. College  
Italy, Texas 76651

Dear \_\_\_\_\_:

We are pleased to serve as independent accountants and auditors for the Italy Independent School District (the "District") for the year ended August 31, 2023.

\_\_\_\_\_ will be the partner in charge of all work we perform for you. We believe that frequent and timely communication throughout the year reduces the problems that are often associated with an annual audit. In addition, we have found that we can often assist clients on current problems as they arise. We hope you will call \_\_\_\_\_ whenever you feel that she can be of assistance.

### Report on Audit of Financial Statements

The purpose of our engagement is to audit the basic financial statements of the district as of and for the year ended August 31, 2023. Other information accompanying the basic financial statements will subject to the auditing procedures applied in the audit of the basic financial statements, except for the Optimum Fund Balance Calculation schedule which will be unaudited.

Our audit will be a single audit conducted in accordance with generally accepted auditing standards: 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 2 Code of Federal Regulations (CFR), §200, Subpart F, and 2 CFR Part 200, Appendix XI— Compliance Supplement (2017 and 2018 Supplements). Our audit will include tests of the accounting records of the district and such other procedures that we consider necessary to enable us (1) to express an unqualified opinion that the financial statements are fairly presented and in all material respects, in conformity with generally accepted accounting principles; and (2) to report on the Schedule of Federal Financial Assistance, on the district's compliance with laws and regulations, and on internal controls as required under the Single Audit Act. If your opinion is other than unqualified, we will discuss the reasons therefore with you in advance.

Our auditing 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, 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 also request certain written representations from you about the financial statements and related matters. Such representations will include matters relating to compliance with state and local laws and regulations and compliance with the requirements governing the federal financial assistance programs administered by the district.

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. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us.

As required by the Single Audit Act, our audit will also include tests of transactions related to federal assistance programs for compliance with applicable laws and regulations. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. We will advise you, however, of any matters of that nature that come to our attention and will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that arise during any later periods for which we are not engaged as auditors.

Our 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. As required by 2 CFR, §200, Subpart F, 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 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.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 American Institute of Certified Public Accountants (AICPA) professional standards, Government Auditing Standards, and 2 CFR, §200, Subpart F.

Our audit will also include the performance of certain audit procedures for the purpose of reviewing the accuracy of fiscal information provided by the district through the Public Information Education Management System/Texas Student Data System (PEIMS/TSDS), as required by the Texas Education Code, §44.008(b).

It is our understanding that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about accounting principles and preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related controls relevant to an audit of financial statements, the selection and application of appropriate accounting principles, and the safeguarding of assets.

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 other appropriate governmental agencies receive copies of the audit report according to instructions in the Texas Education Agency Financial Accountability System Resource Guide.



We understand that your employees will type all cash or other confirmations that we request and will locate any invoices selected by us for testing.

Because, in addition to our report on the general-purpose financial statements, the scope of the engagement includes an audit in accordance with Government Auditing Standards and the requirements of the Single Audit Act, we are required to issue reports on compliance with federal and state/local laws and regulations, including legal compliance and reports on your systems of internal control. These reports may be accompanied by observations (findings) on your compliance or on your systems of internal control and a schedule of questioned costs, if the results of our audit procedures require such observations or questioned costs. If any observations or findings are reported to you, you must provide a written corrective action plan under the requirements of the Single Audit Act.

We will maintain the working papers for a minimum of five years from the date of our reports. These working papers will be available to representatives of the cognizant audit agency (or its designee), other government audit staffs and/or the U.S. Government Accountability Office upon their request and after they have properly notified you of their request to review the working papers.

#### **Other Communications Arising from the Audit**

We will provide copies to school district officials (preferably the superintendent or his designee, such as the chief business official) of all adjusting entries, closing entries and adjustments to closing that were made by our firm in the course of the audit engagement. We will provide this information to the district in both written (hard copy) and electronic form, including a formatted spreadsheet file(s). The adjusting entries will be provided to the district no later than 60 calendar days after presentation of the annual financial report to the board of trustees of the school district.

In connection with the planning and the performance of our audit, generally accepted auditing standards require that we communicate certain matters to the board of trustees. We will communicate to the board, to the extent that they come to our attention, irregularities and illegal acts that are clearly not inconsequential, and significant deficiencies and material weaknesses. A significant deficiency is a control deficiency or a combination of control deficiencies that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In addition, to the extent they are applicable we will communicate to the board certain other matters related to the conduct of our audit, including:

- significant accounting policies
- management judgments and accounting estimates
- significant audit adjustments (recorded and unrecorded)
- consultation by management with other accountants on significant matters
- difficulties encountered in performing the audit
- major issues discussed with management prior to our retention as auditor

We may also have other comments for management on matters we have observed and possible ways to improve the efficiency of your operations or other recommendations concerning the internal control.

With respect to these other communications, it is our practice to discuss all comments, if appropriate, with the level of management responsible for the matters prior to their communication to senior management and/or the board.

**Schedule of the Audit**

Our audit is tentatively scheduled for performance and completion as follows.

Audit Performance Schedule Benchmark	Begin	Complete
Planning		
Interim		
Year-end Audit Communications		
Report on Audit of Financial Statements		
Other Communications		
Any Significant Deficiencies or Material Weaknesses		
Conduct of the Auditor Matters		
Other Management Comments		

Assistance to be supplied by your personnel, including preparation of schedules and analyses of accounts, is to be approximately the same as that which you have planned to provide in the past. Timely completion of this work will facilitate the conclusion of our audit.

**Fees**

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses (travel, typing, telephone, etc.). We estimate that our total fees for this audit will be \$XX,XXX. We will notify you immediately of any circumstances we encounter which could significantly affect our estimate. These fees are dependent upon our receiving XXX hours of assistance from the internal audit department.

This 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 we incur the additional costs.

We appreciate the opportunity to be of service to the district, and we 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.

**RESPONSE:**

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

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

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

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