

RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT

1835 E. Military Avenue · Suite 121 · Fremont, Nebraska 68025
Telephone & Fax (402) 721-4224

September 12, 2016

Arlington Public Schools
Arlington, Nebraska 68002

Dear Members of the Board:

I take pleasure in submitting, at your request, this proposal to audit the financial statements of the Arlington Public Schools for the fiscal years ending August 31, 2016, 2017 and 2018.

The annual audits will be conducted in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and with the requirements set forth by the Auditor of Public Accounts of the State of Nebraska. My report will comply with the reporting model prescribed by Government Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" and Statement on Auditing Standards (SAS) No. 99, "Consideration of Fraud in a Financial Statement Audit".

The audits will include the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the financial statements of the Arlington Public Schools as of and for the years ended August 31, 2016, 2017 and 2018. Also, the document I submit to you will include supplemental information that will be subjected to limited procedures, which will consist principally of inquiries of management regarding the measurement and presentation of the supplementary information but will not be audited.

I have over thirty years auditing experience including auditing municipalities and other governmental entities. I bring with me two additional CPA's with experience in auditing governmental entities. We obtain more than the minimum continuing professional education required to perform such audits. We bring experience on audits of schools similar in size to the Arlington Public Schools as well as past experience on larger municipalities.

It is my philosophy to provide service to my clients, not only during an annual audit engagement, but also throughout the entire year. I, therefore, will maintain

communications as needed for problems arising during the year. Except in the case of specific special projects, I consider this service a part of the annual engagement and, accordingly, this element of my services is included in my proposal.

My fee for the audit of the financial statements of the Arlington Public Schools for the year ending August 31, 2016 will be \$5,700. The fee will be increased five and one half percent for each succeeding year. This proposed fee does not include meeting the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

If unanticipated circumstances develop and it is necessary to extend audit procedures I will discuss the circumstances and additional audit procedures before proceeding. If any fee adjustment is required because of the unanticipated circumstances and additional audit procedures such fee adjustments will also be discussed with you before proceeding.

I wish to express my appreciation for the opportunity of submitting this proposal. If you have any questions concerning my proposal or wish to discuss my firm and its services, I am available at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Ric Ortmeier". The signature is written in dark ink and is positioned above the printed name.

RIC ORTMEIER

Certified Public Accountant

RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT

1835 E. Military Avenue * Suite 121 * Fremont, Nebraska 68025
Telephone & Fax (402) 721-4224

September 21, 2016

Arlington Public Schools
Arlington, Nebraska

I am pleased to confirm my understanding of the services I am to provide the **Arlington Public Schools** for the year ended **August 31, 2016**. I will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (if applicable), each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the financial statements of the **Arlington Public Schools** as of and for the year ended **August 31, 2016**. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), to supplement the **Arlington Public School's** financial statements. As part of my engagement, I will apply certain limited procedures to the **Arlington Public School's** RSI. These limited procedures will consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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. Schedules of Receipts, Disbursements, and Fund Balance – Cash Basis – Budget and Actual

The following RSI required by generally accepted accounting principles will be subjected to certain limited procedures and I will provide an opinion on it in relation to the financial statements:

1. Schedule of Expenditures of Federal Awards (if applicable)

The following additional information accompanying the financial statements will not be subjected to the auditing procedures applied in my audit of the financial statements, and for which my auditor's report will disclaim an opinion:

1. Combining Schedule of Component Units (if applicable)
2. Combined Schedule of Receipts, Disbursements, and Fund Balances (if applicable)

Audit Objective

The objective of my audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 the **Arlington Public Schools** and other procedures I consider necessary

to enable me to express such opinions. I will issue a written report upon completion of my audit of the **Arlington Public School's** financial statements. My report will be addressed to the board of the **Arlington Public Schools**. 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 discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable to form or have not formed opinions, I may decline to express opinions or issue reports, or may withdraw from 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 the provisions of laws, regulations, contracts, and 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 on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during my audit I become aware that the **Arlington Public Schools** is subject to an audit requirement that is not encompassed in the terms of this engagement, I will communicate to management and those charged with governance 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 government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because 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 the appropriate level of management of any material errors, 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, and of any material abuse that comes to my attention. My responsibility as 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 Control

My audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that 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 or material weaknesses. However, during the audit, I will communicate to management and those charged with governance 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 the **Arlington Public School'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 financial statements and related notes of the **Arlington Public Schools** in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

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 the accuracy and completeness of that information. 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 we 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 written 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 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 government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that I 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 our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with 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) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to 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 and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to 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 our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements 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.

Audit Administration, Fees and Other

I may from time to time, and depending on the circumstances, use third-party service providers in serving your account. I may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service providers.

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

I will provide copies of the reports to you; 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 my reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Ric Ortmeier, CPA and constitutes confidential information. However, pursuant to authority given by law or regulation, I may be requested to make certain audit documentation available to the Nebraska Department of Education or Nebraska State Auditor's office, the U.S. Department of Education, 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 the supervision of Ric Ortmeier's personnel. 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 or for any additional period requested by the Nebraska Department of Education or the Nebraska State Auditor's office. If I am aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, I will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

My fee for these services will be **\$5,700** and does not include a Single Audit. 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 additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional cost. Additional fees will be charged at an hourly rate for auditing component units (if present) based on the amount of time incurred and the complexity of auditing the entity. A component unit is a legally separate organization for which the primary government is financially accountable or closely related. If I am unable to complete the audit I will bill you and you agree to pay me for my time expended at my normal hourly rate.

Government Auditing Standards require that I provide you with a copy of my most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. My latest peer review report is available upon request.

I appreciate the opportunity to be of service to the **Arlington Public Schools** 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.

Very truly yours,

A handwritten signature in cursive script that reads "Ric Ortmeier". The signature is written in black ink and is positioned above the printed name.

RIC ORTMEIER, CPA

RESPONSE:

This letter correctly sets forth the understanding of the **Arlington Public Schools**.

By: _____

Title: _____

Date: _____