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FELIX & GLOEKLER, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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April 20, 2016

Warren County School District  
6820 Market Street  
Russell, PA 16345

We are pleased to confirm our understanding of the services we are to provide for Warren County School District for the period ended June 30, 2016. We will audit the schedules for Project Accounting Based on final costs (J02 and J03) and the Financial Report (J04) for the Beaty - Warren Project for the period July 1, 2012 through June 30, 2016.

### **Audit Objectives**

The objective of our audit is the expression of an opinion about whether the aforementioned schedules are fairly presented, in all material respects, in conformity with the modified accrual of accounting. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the aforementioned schedules. Our report will be addressed to the Board of Directors of the Warren County School 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 or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules; therefore, our 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. We will plan and perform the audit to obtain reasonable 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 school district or to acts by management or employees acting on behalf of the school district.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted 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, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our 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. 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 require certain written representations from you about the schedules and related matters.

### **Audit Procedures - Internal Control**

Our audit will include obtaining an understanding of the school district 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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 AICPA professional standards.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Your responsibilities include adjusting the schedules to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the schedules taken as a whole.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the schedules, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the school district from whom we determine it necessary to obtain audit evidence.

You are 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 government including (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the schedules. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communication from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You agree to assume all management responsibilities for the tax services financial statement preparation services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

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

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

We will provide copies of our report to the Warren County School District; however, management is responsible for distribution of the reports and schedules. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

→ The audit documentation for this engagement is the property of Felix and Glokler, P.C. and constitutes ~~confidential~~ information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Commonwealth of Pennsylvania 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. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Felix and Glokler, P.C. personnel. Furthermore, upon request, we 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 governmental agencies.

Warren County School District

April 20, 2016

4 | Page

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Commonwealth of Pennsylvania. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party (ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fee for these services will be at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed completed upon notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Warren County School District and believe this letter accurately summarized the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

RESPONSE:

This letter correctly sets forth the understanding of Warren County School District.

Signature: \_\_\_\_\_

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

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