



NIGRO & NIGRO^{PC}

A PROFESSIONAL ACCOUNTANCY CORPORATION

March 23, 2016

San Rafael City Elementary School District
310 Nova Albion Way
San Rafael, CA 94903

We are pleased to confirm our understanding of the services we are providing for San Rafael City Elementary School District for the fiscal year ended June 30, 2016 through 2019. We will audit the financial statements of the Measure "A" Building Fund of San Rafael City Elementary School District as of and for the fiscal year ended June 30, 2016 through 2019. We will also conduct an annual performance audit in accordance with *Government Auditing Standards* to ensure that bond proceeds have been spent only on allowable costs.

Objective

The objective of our financial audit is the expression of an opinion about whether the financial statements of the Measure "A" Building Fund are fairly presented, in all material respects, in conformity with generally accepted accounting principles.

The objective of our performance audit is the expression of an opinion about whether the expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "A".

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records of San Rafael City Elementary School District and other procedures we consider necessary to enable us to express an opinion on whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or form an opinion, we may disclaim an opinion or not issue a report.

Audit Procedures

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 rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or 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. An audit is not designed, though, 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, 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 misstatements may exist and not be detected by us. We will inform you of any material errors, fraudulent financial reporting or misappropriation of assets that come to our attention. In addition, we will inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Rafael City Elementary School District's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion. Management maintains the responsibility for identifying and ensuring that San Rafael City Elementary School District complies with applicable laws, regulations, contracts, and other agreements.

Our procedures will also include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories, and will include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

An audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. 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 internal control-related matters to management and those charged with governance as required by professional standards.

Management Responsibilities

We understand that you will make all financial records and related information available to us for our audit and that you are responsible for the accuracy and completeness of that information. The management of San Rafael City Elementary School District has the responsibility for the proper recording of transactions in the books of account, for establishing and maintaining effective internal controls, including monitoring ongoing activities, for the safeguarding of assets, for ensuring compliance with applicable laws and regulations, and for the preparation and substantial accuracy of the financial statements, in accordance with generally accepted accounting principles. Although we may advise you about appropriate accounting principles and their application, the selection and method of application are the sole responsibility of the San Rafael City Elementary School District's management. As part of our engagement, we may also propose standard, adjusting, or correcting journal entries on your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing all services performed as part of this engagement as well as evaluating the adequacy and results of those services and accepting responsibility for the services. In addition, management is responsible for adjusting the financial statements for all material adjustments and for confirming to us in the management representation letter that all uncorrected misstatements aggregated by us during the current audit engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

By your signature below, you acknowledge that 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 that involves management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government that have been received in communications from employees,

former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations and for taking timely and appropriate actions to remedy any fraud, illegal acts, or violations of contracts and agreements. You agree that you will confirm to us in your management representation letter your understanding of your responsibilities as defined in this letter.

Other

We understand that your employees will type all confirmations we request and will locate any documents we select for testing. Kevin Brejnak is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Nigro & Nigro's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

It is our policy to keep records related to this engagement for seven (7) years. However, Nigro & Nigro does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the seven-year period Nigro & Nigro shall be free to destroy our records related to this engagement.

The maximum annual fee under this contract shall be \$7,500 for 2015-16, \$7,500 for 2016-17, \$7,500 for 2017-18, and \$7,500 for 2018-19 with the exception that any auditing services provided for significant changes in audit requirements as stated in *Government Auditing Standards* or other professional standards shall be in addition to the above maximum fee. In addition to such payment for auditing services, the auditor shall be reimbursed for such travel and mileage as may be necessary. Travel costs to be billed to the District include: air fare, lodging, per diem meal allowances, transportation, and other incidental costs. Mileage on vehicles will be billed at the standard IRS rate. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. 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 incurring additional costs.

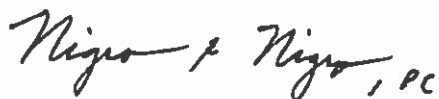
If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

The first period to be audited shall be for the fiscal year ended June 30, 2016, and is subject to annual extension, if agreeable to the auditors and the District.

We appreciate the opportunity to be of service to San Rafael City Elementary School District and 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.

Very truly yours,

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Nigro & Nigro, PC

RESPONSE:

This letter correctly sets forth the understanding of San Rafael City Elementary School District.

APPROVED:

San Rafael City Elementary School District

Date