

BROWARD COUNTY SCHOOL DISTRICT, FLORIDA

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

AUDIT PLANNING 2018

Year Ended June 30, 2018



August 9, 2018

Chairperson and Members of
The School Board of Broward County, Florida

Our professional standards require that we inform you of certain matters related to our audit of the School Board of Broward County, Florida's (the "School Board") financial statements for the fiscal year ended June 30, 2018. This document is intended to convey those matters to you.

Our audit is designed to express an opinion on the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information comprising the basic financial statements of the School Board. We have performed an initial assessment of risk areas we consider significant to the risk of material misstatement of the School Board's financial statements. Based on our assessment, we intend to execute our audit plan using procedures to mitigate those risks.

Communication is an essential part of the audit process. After reviewing our plan, if you have any questions, concerns, or would like us to consider other matters, please contact me at (800) 683-5401 or you can reach me directly on my cell phone at (407) 353-8053.

In addition, we are pleased to provide you with a copy of our most recent Peer Review Report attached to this letter. The public accounting industry has placed significant emphasis on strengthening the peer review process. This emphasis is focused on improving public accounting and audit standards to protect the public and ensure the reliability of audited financial information. With these more stringent requirements, we are excited to inform you that our 2017 peer review report had **no findings**. In accordance with *Peer Review Standards*, the selection of our governmental clients was also included in this review.

We are dedicated to delivering the quality service you expect and deserve. We appreciate the opportunity to serve the School Board.

Respectfully submitted,

A handwritten signature in blue ink that reads "Dan O'Keefe".

Dan O'Keefe, CPA, CFE, MBA
Engagement Shareholder

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Items to be communicated:

- ✓ Audit Schedule and Current Status
- ✓ Accounting and Reporting Issues Impacting Government Audits
- ✓ Internal Auditors
- ✓ Significant Audit and Financial Reporting Issues Identified
- ✓ Identification of Financial Statement Elements
- ✓ Auditor Responsibilities
- ✓ Audit Procedures – General
- ✓ Audit Procedures – Internal Controls
- ✓ Audit Procedures – Compliance
- ✓ Governance and Management Responsibilities
- ✓ Auditor General Requirements
- ✓ Independence Disclosure
- ✓ MSL 2017 Peer Review Report and Acceptance Letter of the AICPA

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Audit Schedule and Current Status

Below is a table of our agreed-upon audit schedule for the 2018 audit:

June 2018	Interim fieldwork
October 2018	Year-end fieldwork
November 2018	Final DRAFT CAFR review by the Audit Committee
December 2018	Complete CAFR review by auditors and final draft with audit opinion returned to the School Board

Accounting and Reporting Standards Impacting Governmental Audits

New Government Accounting Standards Issued

- *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for Other Postemployment Benefits (OPEB) plans. This standard will affect accounting and financial reporting by state and local governments for OPEB by requiring the immediate recognition of the entire net OPEB liability and a more comprehensive measurement of OPEB expense. Management is aware of this standard and intends to properly evaluate the impact and ensure that any accounting and reporting impact is properly addressed in the year the standard is anticipated to be implemented, which is fiscal year end June 30, 2018.
- *GASB 81 - Irrevocable Split-Interest Agreements.* This standard will become effective for fiscal year end June 30, 2018. This standard improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This standard will not impact the School Board's financial statements.
- *GASB 82 - Pension Issues.* This standard will become effective for fiscal year end June 30, 2018. This standard addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this standard addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This standard is not expected to materially impact the School Board's financial statements.

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Accounting and Reporting Standards Impacting Governmental Audits (Continued)

New Government Accounting Standards Issued (Continued)

- **GASB 83 - *Certain Asset Retirement Obligations*.** This standard will become effective for fiscal year end June 30, 2019. This standard addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This standard also establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. This standard is not expected to impact the School Board's financial statements.
- **GASB 84 - *Fiduciary Activities*.** This standard will become effective for fiscal year end June 30, 2020. This standard establishes criteria for identifying fiduciary activities of state and local governments. The focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This standard is not expected to impact the School Board's financial statements.
- **GASB 85 - *Omnibus 2017*.** This standard will become effective for fiscal year end June 30, 2018. This standard addresses practice issues that have been identified during implementation and application of certain GASB Statements. This standard addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. This standard is not expected to materially impact the School Board's financial statements.
- **GASB 86 - *Certain Debt Extinguishments*.** This standard will become effective for fiscal year end June 30, 2018. This standard provides guidance for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This standard also requires that prepaid insurance related to extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. This standard is not expected to materially impact the School Board's financial statements.
- **GASB 87 - *Leases*.** This standard will become effective for fiscal year end June 30, 2021. This standard changes the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This standard establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee government is required to recognize a lease liability and an intangible right-to-use asset and a lessor government is required to recognize a lease receivable and a deferred inflow of resources. Management is aware of this standard and intends to properly evaluate the impact and ensure that any accounting and reporting impact is properly addressed in the year the standard is required to be implemented.

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Accounting and Reporting Standards Impacting Governmental Audits (Continued)

New Government Accounting Standards Issued (Continued)

- *GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This standard will become effective for fiscal year end June 30, 2019. This standard improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This standard defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This standard requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.
- *GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period.* This standard will become effective for fiscal year end June 30, 2021. This standard changes accounting requirements for interest cost incurred before the end of a construction period. This standard requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund

New Auditing Standards Issued

- *Statement on Auditing Standards (SAS) SAS 132 - The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern.*
- *Statement on Auditing Standards (SAS) SAS 133 - Auditor Involvement with Exempt Offering Documents.*

We do not expect these standards to place any additional accounting or reporting burden on the School Board's management or staff.

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Internal Auditors

Under current auditing standards using the work of others, Moore Stephens Lovelace, P.A. (MSL) will coordinate the audit work with the internal auditors. Since the work of the internal auditors is expected to have an effect on MSL's procedures, it will be efficient for MSL and the internal auditors to coordinate our work by:

- Holding periodic meetings
- Scheduling audit work
- Providing access to internal auditors' working papers
- Reviewing audit reports
- Discussing possible accounting and auditing issues

We will perform procedures to evaluate the quality and effectiveness of the internal auditors' work that significantly affects the nature, timing, and extent of MSL's procedures. The nature and extent of the procedures MSL performs when making this evaluation are a matter of judgment, depending on the extent of the effect of the internal auditors' work on MSL's procedures for significant account balances or classes of transactions.

Significant Audit and Financial Reporting Issues Identified

The following is a listing of audit areas we consider significant to ensure that we plan our audit to properly address the risk of material misstatement and noncompliance affecting your financial statements. Please review this list. If you have any questions, or believe the list is incomplete, please contact us to ensure that we have properly identified all significant areas.

- Internal control over financial accounting and reporting
- Education Technology ("ET") systems
- Financial statement preparation procedures
- Capital assets accounting, including depreciation, project tracking, etc.
- Investment policies and procedures, portfolio management, income allocation, etc.
- Revenue recognition policies and procedures
- Debt, including compliance with applicable covenants
- Payroll processing
- Net Position/Fund Balance classifications
- Budgetary compliance and accountability
- Compliance with contracts, laws, regulations, and grant agreements

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Identification of Financial Statement Elements

We will audit the School Board's basic financial statements for the year ended June 30, 2018. The basic financial statements include Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), Single-Employer OPEB Plan trend data, and Pension schedules to accompany the basic financial statements. As part of our engagement, we will apply certain limited procedures to the School Board's RSI, but it will not be audited. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it.

Supplementary information other than RSI, such as combining and individual fund financial statements and the Schedule of Expenditures of Federal Awards, also accompanies the School Board's basic financial statements. We will subject this supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements. Such information will be subjected to the auditing procedures applied in the 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.

The introductory and statistical sections accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

Auditor Responsibilities

As your auditors, we are responsible for:

- Expressing opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP) and to report on the fairness of the additional information referred to under **Identification of Financial Statement Elements** when considered in relation to the basic financial statements taken as a whole.
- Reporting on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Informing you in our reports on internal control and compliance that the reports are intended for the information and use of the School Board, management, specific legislative or regulatory bodies; and is not intended to be, and should not be, used by anyone other than these specified parties.
- Informing you that we may decline to express opinions or to issue a report as a result of this engagement if we are unable to complete the audit or are unable to form, or have not formed, those opinions.

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Auditor Responsibilities (Continued)

- Conducting our audit in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Chapter 10.800, *Rules of the Auditor General*; and other procedures we consider necessary to enable us to express such opinions and to render the required reports.
- Communicating to you the planned audit schedule. Page 3 of this report documents the agreed-upon schedule with management for the June 30, 2018 audit.
- Communicating audit areas we consider significant to ensure that we plan our audit to properly address the risk of material misstatement to your financial statements. A listing of those areas can be found on page 6 of this report.
- Communicating the concept of materiality. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for the fair presentation of your basic financial statements in conformity with GAAP, while other matters are not important. In performing the audit, based on our professional judgment, we assess matters that, either individually or in the aggregate, could be material to the financial statements. Our consideration of materiality is based on our professional judgment.
- Informing you that at the completion of the audit we will be requesting certain representations from management at the conclusion of the audit.
- Informing you regarding some general audit procedures, as well as procedures related to internal controls and compliance. Discussion of those items follows.

Audit Procedures - General

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. 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 (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the School Board or to acts by management or employees acting on behalf of the School Board. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. 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 or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that comes 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.

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Audit Procedures - General (Cont.)

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, creditors, and financial institutions. We will request written representations from attorneys representing the School Board as part of the engagement, and they may bill the School Board for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from management about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the School Board 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 we 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. Our 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 our 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, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under 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, we will perform tests of the School Board's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

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Governance and Management Responsibilities

Those charged with governance and management, except where indicated, are jointly responsible for:

- The basic financial statements and all accompanying information, as well as all representations contained therein in conformity with GAAP.
- Making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions.
- Acknowledging in the management representation letter that it has reviewed and approved the financial statements and related notes prior to their issuance and has accepted responsibility for them.
- Management has designated the Chief Financial Officer and the Director of Accounting and Financial Reporting as the responsible party for oversight of its audit.
- Establishing and maintaining internal controls, including monitoring ongoing activities; the selection and application of accounting principles; and the fair presentation in the basic financial statements in conformity with GAAP.
- Making all financial records and related information available to us and for the accuracy and completeness of that information. Adjusting the financial statements to correct material misstatements and for confirming to us in the 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 basic financial statements.
- 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 School Board 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. This responsibility includes informing us of any allegations of fraud, or suspected fraud, affecting the School Board received in communications from employees, former employees, grantors, regulators, or others.
- Identifying and ensuring that the School Board complies with applicable laws, regulations, contracts, agreements, and grants, and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.
- Establishing and maintaining a process for tracking the status of audit findings and recommendations.
- Identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. Management is also responsible for providing its views on our current findings, conclusions, and recommendations, as well as planned corrective actions.

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Auditor General

The following are compliance areas identified by the Auditor General to test on an annual basis if they are applicable and are determined to have a direct and material effect on the financial statements:

- Consideration of technical advice included within the *Compliance Supplement for School Board Audits*, published annually by the Florida Auditor General.
- Determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding and second preceding annual financial audit reports.
- Address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls.
- Address violations of provisions of contracts and grant agreements or abuse that has an effect on the financial statements that is less than material but worthy of management's attention.
- Disclose in the management letter, or in the notes to the financial statements, the name or official title and legal authority for the primary government and each component unit of the reporting entity.
- Include a statement in the management letter as to whether or not the School Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met.
- Apply financial condition assessment procedures in connection with our audit.
- Include a statement in the management letter as to whether or not the School Board has complied with transparency requirements.

The following is a compliance area identified by the Auditor General where a separate opinion on compliance is reported:

- Review compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds.

Independence Disclosure

MSL and Moore Stephens Tiller LLC have been defined as a network within an association under the AICPA *Rules of Professional Conduct*. Management has confirmed to us that it is not aware of any prohibited relationship that would impair our independence under the AICPA *Rules of Professional Conduct* between our Firm and Moore Stephens Tiller LLC and its employees. We are also not aware of any such relationships.

Report on the Firm's System of Quality Control

To the Partners of
Moore Stephens Lovelace, PA
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moore Stephens Lovelace, PA (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017. 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. 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 and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated to 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 Moore Stephens Lovelace, PA applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017, 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*. Moore Stephens Lovelace, PA has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 8, 2017