

Board of Education
Urbana School District No. 116
Urbana, Illinois

As part of our audits of the financial statements and compliance of Urbana School District No. 116 as of and for the year ended June 30, 2018, we wish to communicate the following to you.

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The District's significant accounting policies are described in Note 1 of the audited financial statements.

The District's financial statements are prepared under the modified accrual basis of accounting, which is not a generally accepted method of accounting in the United States of America.

Alternative Accounting Treatments

The District prepared its financial statements on the combined basis and does not present government-wide financial statements or fund financial statements of each major fund and aggregated nonmajor funds, which is a basis of accounting not in conformity with accounting principles generally accepted in the United States of America.

Management Judgments and Accounting Estimates

No matters are reportable.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Basis of accounting and presentation of financial statements
- Retirement contributions
- Over expenditure of budget or deficit fund balances by certain funds

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated.

The District's cash method of accounting was converted to the modified accrual basis by recording adjustments in the following areas:

- Property tax receivables
- Grant receivables
- Tuition receivables
- Bond issuance costs
- Accounts payable
- Vacation liability and other accrued liabilities

Auditor's Judgments About the Quality of the Entity's Accounting Principles

The District has chosen to prepare its financial statements on a basis of accounting that does not conform to accounting principles generally accepted in the United States of America.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- Management letter dated October 11, 2018

This letter is intended solely for the information and use of the Board of Education and management and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Decatur, Illinois
October 11, 2018