



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

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August 24, 2020

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Board of Education
Concord Academy-Boyne
Boyne City, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Concord Academy-Boyne for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Concord Academy-Boyne are described in Note 1 to the financial statements. During the fiscal year, the Township adopted GASB Statement No. 84 Fiduciary Activities, which establishes criteria for identifying fiduciary activities. More information and the stated impact on the District can be found in Note 3 – L within the audit report. The application of existing policies was not changed during 2019-2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments were a result of converting the entity's financial records from the cash basis to modified accrual basis of accounting.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Concord Academy-Boyne for the year ended June 30, 2020, we noted the following items which we feel deserve comment:

Budgeting

During the course of our audit, it was noted that various functions within the General Fund were over budget. We recommend that the Board monitor its budget on a monthly basis and amend the budget as soon as it becomes apparent expenditures will exceed appropriations.

Internal Controls over Information Technology (IT)

As a part of your on-going evaluation of internal controls, we recommend you carefully study your controls over Information Technology. The Entity should evaluate its response to potential risks related to manipulation of software programs themselves, manipulation of numbers within

unmodified software programs, security of entity data to the external world, security over physical hardware, and the potential risk associated with personal use of hardware and software. In today's world, IT risks are always changing, and the above potential risks are not all inclusive.

Limited Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the District.

At many school districts, internal controls over decentralized cash collections present a challenge for management. This condition was caused by limited personnel involved in the process and monies being collected at remote locations.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the Academy's bank accounts and go undetected in the financial recordkeeping process.

The issues noted above have been accentuated by the implementation of GASB Statement No. 84, in which certain funds that were historically not considered to be owned by the Academy are now considered Academy owned. It is imperative that the Academy consider the use of receipt books, receipt logs, and designing other internal controls (i.e. preparation of deposit slips by someone independent of the accounting or actual deposit process) in order to ensure the proper treatment of cash collections.

Condition of Accounting Records

The accounting records were found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Concord Academy-Boyne and is not intended to be, and should not be, used by anyone other than these specific parties.

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