



DENNIS, GARTLAND & NIERGARTH

*Celebrating 45 Years of Service*

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## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Elk Rapids Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Elk Rapids Schools (the "School District") for the year ended June 30, 2019. 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 September 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### ***Compliance and Internal Controls***

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, the objective of our audit was not to provide an opinion on compliance with such provisions.

In planning and performing our audit of the financial statements of the School District, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

We have issued our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* thereon dated October 24, 2019.

The following additional matters are not considered to be material weaknesses or significant deficiencies in internal control, but are opportunities to strengthen internal controls, reporting and operating efficiency:

*Budget Amendments*

During 2019, the General Fund had some functional expenditures that exceeded budgeted amounts. We recommend budget amendments be approved in the future. The overages have been disclosed in the notes to the financial statements as required by *Government Accounting Standards*.

*Bank Reconciliations*

Not all cash accounts were regularly reconciled during the year. We recommend that bank reconciliations be regularly performed for all of the School District's bank accounts.

*Approval of invoices*

Not all invoices paid with funds from the 2017 Renovations Bonds were initialed. We recommend that all invoices paid with bond proceeds be reviewed, approved and initialed before being paid.

*Approval of EFTs*

Not all EFT disbursements were properly approved and initialed before payment was made. We recommend that all disbursements be reviewed, approved and initialed before being paid.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School District 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 estimates affecting the financial statements were:

- *Accumulated leave liability*
- *Useful lives of depreciable assets and related depreciation expense*
- *Net pension liability*
- *Net OPEB liability*

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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- *Risk Management*
- *Commitments and Contingencies*
- *Pension*
- *Post-Employment Benefits other than Pensions*

#### ***No 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. Below is a summary of corrected adjustments of the financial statements.

##### *Corrected Adjustments*

- Record interest earned on certificate of deposit approximating \$4,500

#### ***No 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 October 24, 2019.

#### ***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 School District'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 School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Fiduciary Activities***

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, will be effective for the School District for the year ended June 30, 2020. This standard establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. The question of resource management will be a key factor which may result in student activities being recorded as a governmental fund.

### ***Leases***

Governmental Accounting Standards Board Statement No. 87, *Leases*, will be effective for the School District for the year ended June 30, 2021. This standard establishes revised standards on lease accounting and financial reporting requiring all capital and operating leases be recorded on the government-wide and proprietary fund statements as a right-to-use asset and offsetting lease liability. The standard does not apply to short-term leases under a year in length. The standard may have an effect on any future debt covenants compliance.

### ***Other Matters***

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedule(s) and the pension and other post-employment benefit contribution schedules, 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 our 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.

We were engaged to report on the combining financial statements of non-major funds and the statement of revenues, expenditures, and changes in fund balance for the 2017 Capital Projects Fund, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

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We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

*Dennis, Gartland & Niergarth*

October 24, 2019