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August 3, 2018

INDEPENDENT AUDITOR'S 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

To the Board of Education  
Mesick Consolidated Schools  
Mesick, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mesick Consolidated Schools' basic financial statements, and have issued our report thereon dated August 3, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Mesick Consolidated Schools' internal control over financial reporting (internal control) to determine the 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 Mesick Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Mesick Consolidated Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below to be significant deficiencies:

2007-001 Auditor Identified Adjusting Journal Entry

Type: Significant Deficiency

Criteria: Governmental Accounting Standards require the District to evaluate expenditures and classify in the proper period. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Condition: A material transaction related to the purchase of a School Bus was recorded as an expenditure for the year ending June 30, 2018. The payment made on June 29, 2018 should have been recorded as a prepaid expenditure.

Cause: This condition was caused by the District failing to follow proper accounting procedures and standards.

Effect: Auditors were relied upon to make a material journal entry in order to properly record above-noted transaction.

Recommendation: We recommend the District utilize available resources in the future as needed to obtain information related to proper accounting techniques.

View of Responsible Officials: Management of the District believes this is a one-time isolated instance and does not anticipate this occurring in the future.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mesick Consolidated Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MESICK CONSOLIDATED SCHOOLS' RESPONSE TO FINDINGS

Mesick Consolidated Schools' response to the findings identified in our audit is described in a separate letter. Mesick Consolidated Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

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# Mesick Consolidated Schools

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## CORRECTIVE ACTION PLAN

2018-001

This finding originated in the 2017-2018 fiscal year. The corrective action has already occurred. The corrective action was simply accessing the proper resources to determine the proper accounting for the transaction. The contact person responsible for the corrective action is the Business Manager of the District. The anticipated completion date of the corrective action plan is immediate. The plan for monitoring adherence to the above corrective action is to utilize available resources before posting transactions as deemed appropriate.