



# BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Meridian Community Unit School District No. 223:

We have audited the financial statements of Meridian Community Unit School District No. 223 for the year ended June 30, 2017 and have issued our report thereon dated October 5, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated July 11, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting and regulatory provisions prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than, and differs from, accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our responsibility is also to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Meridian Community Unit School District No. 223. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Meridian Community Unit School District No. 223's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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## Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. We are not aware of any documents or other information containing audited financial statements, and furthermore management has not requested us to devote attention to any documents containing audited financial statements.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by Meridian Community Unit School District No. 223 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the 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 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 such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

- Adjustment of \$781,621 to reclassify principal and interest payments to agree to long-term debt repayment schedules.
- Adjustment of \$80,595 to reclassify capital outlay expenditures from purchased services.
- Adjustment of \$77,303 to capitalize a technology equipment lease.

- Adjustment of \$63,479 to the flex plan checking account and health insurance liability accounts.
- Adjustment of \$45,296 to reclassify miscellaneous revenue to proper accounts for reporting purposes.
- Several reclassification entries to properly record various expenditures.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 5, 2017.

#### *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 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 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.

#### *Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting and regulatory provisions prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than, and differs from, 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.

### *Internal Control Matters*

In planning and performing our audit of the financial statements of Meridian Community Unit School District No. 223 as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Meridian Community Unit School District No. 223'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Meridian Community Unit School District No. 223's internal control. Accordingly, we do not express an opinion on the effectiveness of the Meridian Community Unit School District No. 223's 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the following deficiencies in Meridian Community Unit School District No. 223's internal control to be a significant deficiencies:

#### **Financial Reporting & Material Adjustments**

The District lacks adequate procedures over financial reporting to identify potential adjustments throughout the year and during the year end reporting process, which in turn required several material adjusting journal entries during our audit as detailed above. The District also lacks adequate procedures to ensure necessary adjustments are made timely and appropriately to accurately present financial information from year to year. Appropriate procedures should be implemented to ensure proper financial reporting. The District has responded that Management will refrain from posting any adjustments directly to fund balance or posting adjustments after financial information has been provided to the auditors, as well as review the general ledger periodically to identify possible misclassifications and proper recording of transactions.

#### **State and Federal Award Program Expenditure Report Submissions**

The state guidelines require that expenditure reports for state and federal programs are to be submitted within 20 days after the quarter has ended. The District did not submit timely all quarterly expenditure reports for the Title I – Low Income, Title II – Teacher Quality, Title III –

LIPLEPS, Early Childhood Block Grant, Bilingual Education, and Agriculture Education programs during the current fiscal year. The District has responded that Management will implement controls to ensure timely filing in the future.

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We have attached to this letter our summary of comments and recommendations as a result of our procedures.

This information is intended solely for the use of the Board of Education, management, others within the organization, the Illinois State Board of Education, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Benning Group, LLC". The signature is written in a cursive, flowing style.

Freeport, Illinois  
October 5, 2017

**Meridian Community Unit School District No. 223**  
**Letter of Comments**  
**June 30, 2017**

1. Activity Funds

- Controls over cash receipts and disbursements in the activity funds has improved significantly, however we again noted instances of document exceptions, including a lack of supporting documentation and approved purchase orders.
- We noted continued instances in which disbursements issued to those in control of the activity fund were signed by the same individual. We recommend that any time a disbursement is made to an individual with control over the account, another authorized individual sign the check.

2. Internal Controls

As noted in prior years, numerous internal control deficiencies in the District's accounting system existed and have been reported as such. Although the District's controls improved significantly in FY16 and several items were corrected, we still noted a number of these deficiencies remain throughout FY17. The deficiencies that remain at June 30, 2017 are noted below.

- Liability Accounts – The District's payroll liability accounts contain several accounts with large debit balances and other accounts with large credit balances. These accounts should be reconciled monthly with the related payroll information to ensure that District expenses and employee withholding are accounted for properly.
- Cash Disbursements – We noted several long-outstanding checks (outstanding longer than one year) in both the District checking account and activity fund checking accounts. We recommend the District review outstanding checks at least annually and follow up with vendors on any checks outstanding longer than one year.

3. The Illinois General Assembly, pursuant to the Illinois Government Ethics Act (5 ILCS 420/4A-101), requires certain individuals, including District board members, certified school business officials, administrators, and those with responsibilities in regards to the District's procurement procedures, to annually file a statement of economic interest with the county clerk's office by May 1. Through our confirmation procedures with the county clerk's office, we discovered four individuals did not file timely. We recommend the District follow up with each individual annually to ensure the proper statements are being timely filed.