

AUDIT COMMUNICATION LETTER

February 26, 2019

To the Board of Directors
Blue Water Community Action
Port Huron, Michigan

We have audited the financial statements of Blue Water Community Action (the “Agency”) for the year ended September 30, 2018 and have issued our report thereon dated February 26, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated April 26, 2018. 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 the Agency 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 2018. We noted no transactions entered into by the Agency 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:

Management’s estimate for depreciation, which is based on historical data and estimated useful lives.

Management’s estimate for donated services, which is based on the average teacher’s aids hourly rate.

Management’s estimates for administrative allocation are based on the percentage of wages of personnel.

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 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 February 26, 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 Agency'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 relevant facts. To our knowledge, there were no such consultations with other accountants.

Summary of Auditor's Results Related to the Single Audit

The program tested as a major program was:

CFDA# 93.600

Head Start

In the Independent Auditor's Report on Compliance On the Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance, an unmodified opinion was issued and no compliance findings were disclosed.

In the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, which is presented in the Agency's single audit, we noted no deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

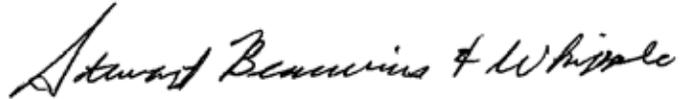
Other Matters

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 U.S. generally accepted accounting principles. The method of preparing it has not changed from the prior period, and, except for the effects on revenues and expenses to the children's services programs, due to the recognition of donated services, the information is fairly stated in all material respects in relation to the financial statements as a whole. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of Blue Water Community Action and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to Blue Water Community Action.

A handwritten signature in cursive script that reads "Stewart Benjamin & Whipple".

Certified Public Accountants