



# Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

October 6, 2021

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

To the Board of Education  
White Cloud Public Schools  
White Cloud, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the White Cloud Public Schools for the year ended June 30, 2021. 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 to you dated August 13, 2021. 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 White Cloud Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted. The application of existing policies was not changed during 2020-2021. We noted no transaction entered into by the school 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 governmental activities of the White Cloud Public Schools' financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the liability of the payout of employee compensated absences are based on expected payout. Management's estimates of unfunded liabilities related to the Michigan Public School Employees' Retirement System are based on actuarial valuations. 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. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of providing client assistance as the client knew the adjustment was necessary but requested our assistance. There were also several auditor proposed material adjustments to adjust the District's general ledger to the appropriate balances.

### *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 6, 2021.

### *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.

During the course of our audit of the basic financial statements of the White Cloud Public Schools for the year ended June 30, 2021, we noted the following items which we feel deserve comment:

#### Payroll Analysis and Benefit Accruals

We recommend the District allocate time to reconcile the payroll and benefit related withholding and liability accounts monthly, then, at least quarterly, prepare a payroll analysis to reconcile the general ledger wages, retirement reports and federal form 941's to each other. This is a repeat comment from last year.

#### Excess Food Service Fund Balance

The State of Michigan monitors the fund balance in the Food Service Fund. The District has excess fund balance and will be required to submit a plan to the State to Michigan related to spending down

its excess by June 30, 2021. The excess is approximately \$11,000 at June 30, 2021. This is a repeat comment from last year.

#### Year-End Accruals

At the end of each year, certain accruals are recorded as a part of the normal year end close out process. Many of these accruals need to be manually reversed in the new year. Some District's immediately reverse these entries on July 1 each year and other District's leave the accruals on the books as placeholders until the new year end entries are accrued for the new year end. In any case, the prior year accruals need to be reversed before the end of the new fiscal year by the time recording the new accruals so that two years' worth of accruals are not recorded at any one time. For the year ended June 30, 2021 some accruals were not properly reversed from the prior year creating inaccurate balances on the Balance Sheet.

#### Budgeting

Two functions within the General Fund had expenditures that exceeded appropriations during the year. The budget should be amended before expenditures are incurred that would exceed appropriations at the function level. The Food Service Fund also had expenditures that exceeded appropriations in total. The State of Michigan has adopted a zero-tolerance related to budget overages and will likely send a letter to the Board of Education asking for a corrective action plan. We also discovered that there was not an official, separate budget adopted for the Student Activities Fund. The District is required to adopt a budget for the Student Activities Fund (Fund 29) and should adopt one as soon as possible for the 2021-2022 fiscal year. This is a repeat comment from last year.

#### Personal Property Tax Reimbursement from the State (PPT)

Each year, the State of Michigan send the District funds to reimburse the District for lost revenue due to Personal Property Tax reform in the State. This revenue was inadvertently recorded in the General Fund and instead should have been recorded to the Debt Retirement Funds. This is a repeat comment from last year.

#### AFLAC Bank Account

The District should close the AFLAC bank account and deposit the money in the General Fund checking account.

#### "Due To" and "Due From" Accounts

During the audit it was noted that the amounts due between funds were out of balance. These accounts should be balanced monthly, at a minimum. We recommend recording the amounts due between funds in all of the funds involved in the transaction immediately when the transaction occurs and the balances be cleared in the following month as a part of the normal monthly close-out process. This is a repeat comment from last year.

#### Audit Preparedness

When we arrived to conduct the audit we felt like the District could have been more prepared for our arrival. We always send a letter listing the items the District needs to prepare in advance of our arrival. Many of the documents requested in the letter were not ready for us when we arrived. This is a repeat comment from last year.

#### Bank Reconciliations

During the audit we noted that the bank reconciliation for the general fund checking account and food service account had some unreconciled differences and/or were not completed timely. The bank accounts should be reconciled each month with zero unreconciled differences and approved by someone independent of the bank reconciliation process.

### Unrecorded Transactions in General Ledger

It was noted during the audit that November 2020 through June 2021 transactions for the Arbiter bank account were not being recorded. We recommend that all activity in this bank account get recorded in the District's general ledger on a monthly basis at a minimum. We also noted that commodities were not recorded in the Food Service Fund. We recommend that these amounts be recorded on a timely basis.

### Trial Balance and General Ledger Reports

Since the District converted to the new accounting software system, not all accounts listed in the trial balance and general ledger have account names. It was also noted that the incorrect accounts numbers were used when submitting the FID for 2019-2020. We recommend that the District go through their chart of accounts and put account names for all accounts listed and make sure the proper account numbers are being used to prevent future FID issues with the State of Michigan.

### Early Retirement Incentive

It was noted during the audit that the incorrect amount was paid to an employee for their early retirement incentive. There was already a payment schedule signed by the employee and approved by the superintendent which management was unaware of. Management is now aware of the correct payment schedule and future payments will be adjusted to account for the current year underpayment.

### Debt Retirement Funds

The District receives suggested allocations of its debt millage each year from its bond counsel. For the 2020 property tax levy, two amounts were combined into one line on form L-4029. While the proper amount was levied in total, the tax collections were recorded in incorrect accounts/Funds at the District and for incorrectly allocated amounts. The District should have created a 2020 Refunding Debt Retirement Fund and deposited the portion of the millage allocated to that fund into a separate bank account. This was corrected as a part of the audit process.

### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of Net OPEB Liability, and the Schedule of OPEB Contributions, and the Notes to Required Supplementary Information, 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 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 and Individual Fund Financial Statements, 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.

We were not engaged to report on the Other Information section, which accompany the financial statements but are not the RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the School Board and management of the White Cloud Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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