

**WHITE CLOUD PUBLIC SCHOOLS**

**WHITE CLOUD, MICHIGAN**

**SINGLE AUDIT**

**JUNE 30, 2022**



**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](http://www.bcbcpa.com)



WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGES</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8-9
Summary Schedule of Prior Audit Findings	10-12
Schedule of Findings and Questioned Costs	13-17
Corrective Action Plan	18





# 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 5, 2022

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  
White Cloud Public Schools  
White Cloud, 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 White Cloud Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise White Cloud Public Schools' basic financial statements, and have issued our report thereon dated October 5, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered White Cloud Public 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 White Cloud Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of White Cloud Public 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. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 and 2022-002.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether White Cloud Public 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 two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004.

#### WHITE CLOUD PUBLIC SCHOOLS' RESPONSE TO FINDINGS

*Government Auditing Standards* requires the auditor to perform limited procedures on the White Cloud Public Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The White Cloud Public Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### 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.

*Baird, Cotter & Bishop, P.C.*



# 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 5, 2022

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

#### OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited White Cloud Public Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of White Cloud Public Schools' major federal programs for the year ended June 30, 2022. White Cloud Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, White Cloud Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of White Cloud Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of White Cloud Public Schools' compliance with the compliance requirements referred to above.

#### RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws,

statutes, regulations, rules, and provisions of contracts or grant agreements applicable to White Cloud Public Schools' federal programs.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on White Cloud Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about White Cloud Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding White Cloud Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of White Cloud Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of White Cloud Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control



over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Cloud Public Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise White Cloud Public Schools' basic financial statements. We issued our report thereon dated October 5, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2022	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
<b>U.S. Department of Education</b>										
Passed Through Michigan Department of Education (M.D.E.)										
Title I Part A - Improving Basic Programs	84.010	211530-2021	\$ 381,426	\$ 105,345	\$ 345,345	\$ 0	\$ 0	\$ 105,345	\$ 0	\$ 0
Title I Part A - Improving Basic Programs	84.010	221530-2122	407,963	0	0	0	375,800	121,282	254,518	0
Total Title I Part A			789,389	105,345	345,345	0	375,800	226,627	254,518	0
Title V Part B Rural and Low Income	84.358	210660-2021	24,249	4,840	9,840	0	0	4,840	0	0
Title V Part B Rural and Low Income	84.358	220660-2022	0	0	0	0	13,518	0	13,518	0
Total Title V Part B			24,249	4,840	9,840	0	13,518	4,840	13,518	0
Title II Part A Improving Teacher Quality	84.367	210520-2021	71,372	18,369	58,369	0	0	18,369	0	0
Title II Part A Improving Teacher Quality	84.367	220520-2122	78,760	0	0	0	71,961	27,083	44,878	0
Total Title II Part A			150,132	18,369	58,369	0	71,961	45,452	44,878	0
Title IV Part A Student Support & Academic Enrichment	84.424A	210750-2021	26,656	5,930	14,930	0	0	5,930	0	0
Title IV Part A Student Support & Academic Enrichment	84.424A	220750-2122	39,089	0	0	0	37,542	22,866	14,676	0
Total Title IV Part A			65,745	5,930	14,930	0	37,542	28,796	14,676	0
Education Stabilization Fund										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	275,429	429	275,429	0	0	429	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	1,301,099	238,205	238,205	0	606,674	576,942	267,937	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery)	84.425D	213752-2122	25,000	0	0	0	11,166	5,274	5,892	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,948,056	0	0	0	927,531	627,845	299,686	0
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	76,570	70,689	76,569	0	0	70,689	0	0
Total			3,626,154	309,323	590,203	0	1,545,371	1,281,179	573,515	0
Total Passed Through M.D.E.			4,655,669	443,807	1,018,687	0	2,044,192	1,586,894	901,105	0
Passed Through Newaygo County Intermediate School District (I.S.D.)										
Education Stabilization Fund										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - Summer Programming K-8)	84.425D	213722-2122	44,000	0	0	(10,699)	33,301	44,000	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - Credit Recovery 9-12)	84.425D	213742-2122	22,000	0	0	(4,337)	17,663	22,000	0	0
COVID-19 Governor's Emergency Education Relief Fund (GEER II - Teacher and Support Staff Payments)	84.425C	211202-2122	16,750	0	0	0	12,000	12,000	0	0
Total			82,750	0	0	(15,036)	62,964	78,000	0	0
Total Education Stabilization Fund			3,708,904	309,323	590,203	(15,036)	1,608,335	1,359,179	573,515	0
Special Education Cluster										
Special Education - Flowthrough - IDEA	84.027	210450-2021	154,523	24,365	154,523	0	0	24,365	0	0
Special Education - Flowthrough - IDEA	84.027	220450-2022	152,508	0	0	0	152,508	149,435	3,073	0
Total			307,031	24,365	154,523	0	152,508	173,800	3,073	0
Total Passed Through I.S.D.			389,781	24,365	154,523	(15,036)	215,472	251,800	3,073	0
<b>Total U.S. Department of Education</b>			<b>5,045,450</b>	<b>468,172</b>	<b>1,173,210</b>	<b>(15,036)</b>	<b>2,259,664</b>	<b>1,838,694</b>	<b>904,178</b>	<b>FALSE</b>

The accompanying notes are an integral part of this schedule.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2022	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
<b>U.S. Department of Agriculture</b>										
Passed Through Michigan Department of Education (M.D.E.)										
Child Nutrition Cluster										
Non-Cash Assistance (Commodities):										
Entitlement Commodities	10.555	N/A	40,199	0	0	0	40,199	40,199	0	0
Cash Assistance:										
School Breakfast Program	10.553	211970	150,430	0	128,728	0	21,702	21,702	0	0
School Breakfast Program	10.553	221970	153,751	0	0	0	153,751	146,191	7,560	0
National School Lunch Program	10.555	211960	322,944	0	274,554	0	48,390	48,390	0	0
National School Lunch Program	10.555	211965-2021	5,885	0	0	0	5,885	5,885	0	0
National School Lunch Program	10.555	220910-2022	37,285	0	0	0	37,285	37,285	0	0
National School Lunch Program	10.555	221960	350,231	0	0	0	350,231	334,260	15,971	0
Summer Food Service Program	10.559	210904	33,354	0	0	0	33,354	33,354	0	0
Total Cash Assistance			1,053,880	0	403,282	0	650,598	627,067	23,531	0
Total Child Nutrition Cluster			1,094,079	0	403,282	0	690,797	667,266	23,531	0
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT)	10.649	210980-2021	614	0	0	0	614	614	0	0
Total Passed Through M.D.E.			1,094,693	0	403,282	0	691,411	667,880	23,531	0
Passed Through Newaygo County										
Forest Service Schools and Roads Cluster										
Schools and Roads										
National Forest Land	10.665	N/A	37,197	0	0	0	37,197	37,197	0	0
<b>Total U.S. Department of Agriculture</b>			1,131,890	0	403,282	0	728,608	705,077	23,531	0
<b>Total Federal Financial Assistance</b>			\$ 6,177,340	\$ 468,172	\$ 1,576,492	\$ (15,036)	\$ 2,988,272	\$ 2,543,771	\$ 927,709	\$ 0
						(C)	(D)	(E)		

The accompanying notes are an integral part of this schedule.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**(A) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of White Cloud Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“the Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of White Cloud Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of White Cloud Public Schools.

**(B) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. White Cloud Public Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**(C) Adjustments**

During the year, the District received funds in excess of expenditures from Newaygo County Intermediate School District. The District is aware of this issue and is returning the funds to the District and the \$15,036 is included in the District’s liabilities as of June 30, 2022.

**(D) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs**

Revenues from Federal Sources - Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 2,988,272</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,988,272</u>

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**(E) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards**

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds to sub recipients.

Current Cash Payments per Grant Auditor Report		\$ 2,238,106
Add Items Not on Grant Auditor Report:		
Amounts Received Through Intermediate School District		
Special Education IDEA	\$ 173,800	
23b(2b)	22,000	
23c Teacher Stipends	12,000	
23b(2a)	44,000	
Food Distribution Program		
Entitlement Commodities	40,199	
Amounts Received Through Newaygo County Schools and Roads - National Forest Land	37,197	
Timing Differences on Grant Auditor Report	<u>(23,531)</u>	<u>305,665</u>
		<u><u>\$ 2,543,771</u></u>

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

---

**Section I - Financial Statement Findings**

---

2021-001 Segregation of Incompatible Duties and Documented Independent Review

Type: Material Weakness

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the District. A key element of internal control is the segregation of incompatible duties.

Condition: The District has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of a staff person leaving the business office and not being able to be replaced timely.

Effect: As a result of this condition, the District is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: We recommend the District evaluate the need for additional business office staffing to mitigate this risk. We also encourage the District to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: The District recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the District's resources to provide an appropriate balance between sound internal controls and fiscal prudence. The District will evaluate its internal control structure based on current staffing and determine what additional steps are needed in order to correct this.

Status: Uncorrected

2021-002 Auditor Identified Material Adjusting Journal Entries

Type: Material Weakness

Criteria: The District is responsible for making adjusting journal entries as needed.

Condition: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Cause: Many balance sheet accounts were not reconciled at the end of the year.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the District implement procedures to ensure that all balance sheet accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The District now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

Status: Uncorrected

2021-003 Unfavorable Budget Variance

Type: Material Noncompliance

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the District from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

Condition and Context: The District had adopted budget items that were exceeded by actual expenditures by a material amount.

Cause: The condition was caused by the District ineffectively monitoring the adopted budget against actual expenditures.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

Status: Uncorrected

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Section II - Federal Award Findings and Questioned Costs**

---

2021-004 U.S. DEPARTMENT OF AGRICULTURE

Program Title: Child Nutrition Cluster

CFDA Number(s): 10.553, 10.555, & 10.559

Federal Award Number: 200902, 201960, 201922, 201970, 211970, & 200900

Federal Award Year: July 1, 2021 to June 30, 2022

Pass-Through Entity: Passed-Through Michigan Department of Education

Type of Compliance: Immaterial Noncompliance (Special Test & Provisions)

Criteria: The USDA requires that the ending balance of the non-profit school food service fund does not exceed three months' average of operating expenses [7 CFR Part 210.14(b)].

Condition: As of June 30, 2022, the District's fund balance exceeded three months' average of operating expenses.

Cause: This condition appears to be the result of additional revenues received from the summer food service program.

Effect: As a result of this condition, the District did not fully comply with USDA fund balance requirements.

Questioned Costs: None

Perspective Information: The District's fund equity of \$214,415 at fiscal year-end exceeded the allowable three months of expenditures threshold by \$10,715.

Recommendations: We recommend the District closely monitor its budget for the year ended June 30, 2022, to ensure that fund balance is reduced to an appropriate level.

Views of Responsible Officials: The Food Service Director is developing a spend down plan which includes purchasing equipment and various renovations. The District expects these updates to reduce the fund balance within the food service fund to an appropriate level for the year ending June 30, 2022.

Status: Uncorrected



WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Section I - Summary of Auditor's Results**

---

***Financial Statements***

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified:     X     Yes            No

Significant deficiency(ies) identified?            Yes     X     None Reported

Noncompliance material to financial statements noted?     X     Yes            No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified:            Yes     X     No

Significant deficiency(ies) identified?            Yes     X     None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?

           Yes     X     No

Identification of major programs

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C, 84.425D, & 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low risk auditee under 2 CFR section 200.520?

           Yes     X     No

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Section II - Financial Statement Findings**

---

2022-001 Segregation of Incompatible Duties and Documented Independent Review

Type: Material Weakness

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the District. A key element of internal control is the segregation of incompatible duties.

Condition: The District has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of a staff person leaving the business office and not being able to be replaced timely.

Effect: As a result of this condition, the District is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: We recommend the District evaluate the need for additional business office staffing to mitigate this risk. We also encourage the District to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: The District recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the District's resources to provide an appropriate balance between sound internal controls and fiscal prudence. The District will evaluate its internal control structure based on current staffing and determine what additional steps are needed in order to correct this.

2022-002 Auditor Identified Material Adjusting Journal Entries

Type: Material Weakness

Criteria: The District is responsible for making adjusting journal entries as needed.

Condition: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the District's general ledger to the appropriate balances.

Cause: Many balance sheet accounts were not reconciled at the end of the year.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Effect: Auditors were relied upon, which was not identified as needing to be done in the risk assessment, to make material journal entries in order to properly reflect year end balances.

Recommendation: We recommend that the District implement procedures to ensure that all balance sheet accounts are reconciled on a monthly basis in order to ensure accurate financial records.

View of Responsible Officials: The District now has an accounting system that has balances that agree to the audited financial statements and a better understanding of the requirements and responsibility for making material adjustments on their own accord.

2022-003 Unfavorable Budget Variance

Type: Material Noncompliance

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the District from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

Condition and Context: The District had adopted budget items that were exceeded by actual expenditures by a material amount.

Cause: The condition was caused by the District ineffectively monitoring the adopted budget against actual expenditures.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed.

View of Responsible Officials: The District is aware of the situation and will continue to monitor the budget more closely to guarantee this does not happen again.

2022-004 U.S. DEPARTMENT OF AGRICULTURE

Type: Immaterial Noncompliance

Criteria: The USDA requires that the ending balance of the non-profit school food service fund does not exceed three months' average of operating expenses [7 CFR Part 210.14(b)].

Condition: As of June 30, 2022, the District's fund balance exceeded three months' average of operating expenses.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cause: This condition appears to be the result of additional revenues received from the summer food service program.

Effect: As a result of this condition, the District did not fully comply with USDA fund balance requirements.

Recommendation: We recommend the District closely monitor its budget for the year ended June 30, 2023, to ensure that fund balance is reduced to an appropriate level.

Views of Responsible Officials: The Food Service Director is developing a spend down plan which includes purchasing equipment and various renovations. The District expects these updates to reduce the fund balance within the food service fund to an appropriate level for the year ending June 30, 2023.

WHITE CLOUD PUBLIC SCHOOLS  
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Section III - Federal Award Findings and Questioned Costs**

---

None Reported



# White Cloud Public Schools

Building a Tradition of Excellence

www.whitecloud.net

## Corrective Action Plan

### 2022-001

We realize the need for an additional person and/or a change in duties within the business office and have since hired an additional person. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control. The District will explore ways to spread some of the day-to-day accounting responsibilities in the most beneficial manner. The District and Superintendent will continue to monitor the situation and explore cost effective ways to improve this internal control limitation. The person responsible for the corrective action is Ed Canning, the superintendent. The anticipated completion date of the corrective action plan is immediate. The plan for monitoring adherence is the Board will receive feedback and evaluate the adequacy of the changes.

### 2022-002

The District will consult outside sources as needed throughout the year which they feel will eliminate auditor proposed material journal entries. The person responsible for the corrective action is Ed Canning, the superintendent. The anticipated completion date of the corrective action plan is immediate. The plan for monitoring adherence is for the superintendent to monitor the monthly close out procedures performed by the business manager each month.

### 2022-003

This finding is the result of the District ineffectively monitoring the budget during the year. The District is aware of the situation and will continue to monitor the budget more closely to guarantee this does not happen again. The person responsible for the corrective action is Ed Canning, the superintendent. The anticipated completion date of the corrective action plan is immediate. The plan for monitoring adherence is the Board will start to monitor the budget more closely.

### 2022-004

This finding is caused by the District's Food Service Fund's fund balance exceeding the USDA's threshold of 3 months average expenditures. The District is fully aware of this situation. The Food Service Director is developing a spend down plan which includes purchasing equipment and various renovations. The District expects these updates to reduce the fund balance within the food service fund to an appropriate level for the year ending June 30, 2023. The person responsible for the corrective action are John Rosenberg, the food service director. The anticipated completion date of the corrective action plan is before the end of the 2022-2023 fiscal year. The plan for monitoring adherence is the food service director and business manager will work together to assess where the fund balance is after all of the projects from the spend down plan are completed.

