

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

SINGLE AUDIT

JUNE 30, 2023

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2023

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
Summary Schedule of Prior Audit Findings	9-11
Schedule of Findings and Questioned Costs	12-15
Corrective Action Plan	16

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, 2023, 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 September 29, 2023.

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 2023-001 and 2023-002.

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 2023-003.

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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, followed by 'LLP' in a smaller, sans-serif font.

Cadillac, Michigan
September 29, 2023

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, 2023. 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, 2023.

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.

OTHER MATTERS

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

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

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

and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a significant deficiency.

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, 2023, and the related notes to the financial statements, which collectively comprise White Cloud Public Schools' basic financial statements. We issued our report thereon dated September 29, 2023, 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, simpler font to the right.

Cadillac, Michigan
September 29, 2023

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED		(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A)		CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2023	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT	
				UNREARNED) REVENUE JULY 1, 2022	ACCURED			CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)				
U.S. Department of Education													
Passed Through Michigan Department of Education (M.D.E.)													
Title I Part A - Improving Basic Programs													
Title I Part A - Improving Basic Programs	84.010	231530-2223	\$ 449,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 361,228	\$ 287,075	\$ 74,153	\$ 0	0	
	84.010	221530-2122	407,963	254,518	375,800	0	0	0	254,518	0	0	0	
Total Title I Part A			857,463	254,518	375,800	0	0	361,228	541,593	74,153	0	0	
Title V Part B Rural and Low Income	84.358	230660-2223	45,519	0	0	0	0	27,282	26,445	837	0	0	
Title V Part B Rural and Low Income	84.358	220660-2022	38,763	13,518	13,518	0	0	0	13,518	0	0	0	
Total Title V Part B			84,282	13,518	13,518	0	0	27,282	39,963	837	0	0	
Title II Part A Improving Teacher Quality	84.367	230520-2223	59,367	0	0	0	0	37,970	36,262	1,708	0	0	
Title II Part A Improving Teacher Quality	84.367	220520-2122	78,760	44,878	71,961	0	0	0	44,878	0	0	0	
Total Title II Part A			138,127	44,878	71,961	0	0	37,970	81,140	1,708	0	0	
Title IV Part A Student Support & Academic Enrichment	84.424A	230750-2223	29,137	0	0	0	0	18,907	18,094	813	0	0	
Title IV Part A Student Support & Academic Enrichment	84.424A	220750-2122	39,089	14,676	37,542	0	0	0	14,676	0	0	0	
Total Title IV Part A			68,226	14,676	37,542	0	0	18,907	32,770	813	0	0	
Education Stabilization Fund													
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)													
	84.425D	213712-2021	1,301,099	267,937	844,879	0	0	405,810	668,992	4,755	0	0	
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery)	84.425D	213752-2122	25,000	5,892	11,166	0	0	0	5,892	0	0	0	
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	2,924,163	299,686	927,531	0	0	1,110,817	1,656,954	(246,451)	0	0	
			4,250,262	573,515	1,783,576	0	0	1,516,627	2,331,838	(241,696)	0	0	
Total Education Stabilization Fund			5,398,360	901,105	2,282,397	0	0	1,962,014	3,027,304	(164,185)	0	0	
Total Passed Through M.D.E.													
Special Education Cluster													
Special Education - Flowthrough - IDEA	84.027	230450-2223	155,047	0	0	0	0	155,047	127,861	27,186	0	0	
Special Education - Flowthrough - IDEA	84.027	220450-2022	152,508	3,073	152,508	0	0	0	3,073	0	0	0	
Total Special Education Cluster			307,555	3,073	152,508	0	0	155,047	130,934	27,186	0	0	
Total Passed Through I.S.D.													
			307,555	3,073	152,508	0	0	155,047	130,934	27,186	0	0	
Total U.S. Department of Education													
			5,705,915	904,178	2,434,905	0	0	2,117,061	3,158,238	(136,999)	0	0	
U.S. Federal Communications Commission													
COVID-19 Emergency Connectivity Funds	32.009	N/A	18,581	0	0	0	0	18,581	18,581	0	0	0	
Total U.S. Federal Communications Commission													
			18,581	0	0	0	0	18,581	18,581	0	0	0	

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, 2023

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED		(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A)		INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2023	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
				(UNEARNED) REVENUE JULY 1, 2022	(CASH BASIS) RECEIPTS			CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS		
U.S. Department of Agriculture											
Passed Through Michigan Department of Education (M.D.E.)											
Child Nutrition Cluster											
Non-Cash Assistance (Commodities):											
Entitlement Commodities	10.555	N/A	43,512	0	0	0	0	43,512	43,512	0	0
Bonus Entitlement Commodities	10.555	N/A	2,983	0	0	0	0	2,983	2,983	0	0
Total Non-Cash Assistance			46,495	0	0	0	0	46,495	46,495	0	0
Cash Assistance:											
School Breakfast Program	10.553	211970	201,069	0	0	0	0	201,069	201,069	0	0
School Breakfast Program	10.553	221970	185,057	7,560	153,751	0	0	31,306	38,866	0	0
National School Lunch Program	10.555	220910-2023	37,901	0	0	0	0	37,901	37,901	0	0
National School Lunch Program	10.555	230910-2023	13,094	0	0	0	0	13,094	13,094	0	0
National School Lunch Program	10.555	231960	447,785	0	0	0	0	447,785	447,785	0	0
National School Lunch Program	10.555	221960	417,509	15,971	350,231	0	0	67,278	83,249	0	0
Summer Food Service Program	10.559	220900	11,824	0	0	0	0	11,824	11,824	0	0
Summer Food Service Program	10.559	220904	7,995	0	0	0	0	7,995	7,995	0	0
Total Cash Assistance			1,322,234	23,531	503,982	0	0	818,252	841,783	0	0
Total Child Nutrition Cluster			1,368,729	23,531	503,982	0	0	864,747	888,278	0	0
Local Food For Schools	10.185	230985-2023	4,925	0	0	0	0	4,925	4,925	0	0
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT)	10.649	220980-2022	628	0	0	0	0	628	628	0	0
Total Passed Through M.D.E.			1,374,282	23,531	503,982	0	0	870,300	893,831	0	0
Passed Through Newaygo County											
Forest Service Schools and Roads Cluster											
Schools and Roads											
National Forest Land	10.665	N/A	37,230	0	0	0	0	37,230	625	36,605	0
Total U.S. Department of Agriculture			1,411,512	23,531	503,982	0	0	907,530	894,456	36,605	0
Total Federal Financial Assistance			\$ 7,136,008	\$ 927,709	\$ 2,938,887	\$ 0	\$ 0	\$ 3,043,172	\$ 4,071,275	\$ (100,394)	\$ 0
							(C)				
							(D)				

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, 2023

(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, 2023. 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) 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	\$ 3,043,172
	<hr/>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,043,172
	<hr/>

(D) 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		\$ 3,851,111
Add Items Not on Grant Auditor Report:		
Amounts Received Through Intermediate School District		
Special Education IDEA	\$ 130,934	
Amounts Received Through U.S. Federal Communications Commission		
Emergency Connectivity Funds	18,581	
Food Distribution Program		
Entitlement Commodities	46,495	
Amounts Received Through Newaygo County Schools		
and Roads - National Forest Land	625	
Timing Differences on Grant Auditor Report	23,531	
Rounding	(2)	220,164
	<hr/>	<hr/>
		\$ 4,071,275
		<hr/>

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I - 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 and 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

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.

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.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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.

Status: Uncorrected

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.

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.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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.

Status: No longer applicable.

Section II - Federal Award Findings and Questioned Costs

None Reported

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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?

 X Yes 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?

 X Yes No

Identification of major programs

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
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, 2023

Section II - Financial Statement Findings

2023-001 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 staff turnover.

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 and 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.

2023-002 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.

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.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2023-003 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.

Section III - Federal Award Findings and Questioned Costs

2023-004 Cash Management

Program Title: Education Stabilization Fund

CFDA Number: 84.425D & 84.425U

Federal Award Number: 213712-2021 & 213713-2122

Federal Award Year: March 2020 – September 2024

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

Type of Compliance: Cash Management; significant deficiency in internal control, immaterial noncompliance

Criteria: In accordance with OMB requirements, the District can only request funds for expenditures that the District has paid for.

Condition: The School District claimed more reimbursements than they had expended.

Cause: The District failed to have controls in place that would prevent, detect, or correct an incorrect cash request.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Effect: The District's internal controls over compliance were found to be ineffective which caused instances of immaterial noncompliance.

Perspective Information: The finding appears to be an isolated instance. No sampling was necessary to determine this finding.

Questioned Costs: None

Identification of Repeat Findings: None

Recommendation: The District should begin reconciling federal expenditures prior to requesting reimbursements.

View of Responsible Officials: The District is implementing additional procedures to ensure funds are requested to meet only the immediate cash needs of the federal programs.



White Cloud Public Schools

Building a Tradition of Excellence

www.whitecloud.net

Corrective Action Plan

2023-001

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.

2023-002

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.

2023-003

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.

2023-004

This finding is caused by the District's claiming more reimbursements than they had expended. The District is fully aware of this situation. The District is implementing additional procedures to ensure funds are requested to meet only the immediate cash needs of the federal programs. The person responsible for the corrective action is Ed Canning, the superintendent. The anticipated completion date of the corrective action plan is immediately. The plan for monitoring adherence is the District will reconcile all federal expenditures prior to requesting reimbursements.

