

## **Farwell Area Schools**

Federal Awards  
(Supplementary Information  
to Financial Statements)  
*June 30, 2021*



Farwell Area Schools  
Federal Awards  
Supplementary Information to Financial Statements  
June 30, 2021

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**Table of Contents**

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 .....	1
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	2-3
Schedule of Expenditures of Federal Awards .....	4-5
Notes to the Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs .....	7
Schedule of Prior Audit Findings .....	8



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  
Farwell Area Schools

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 Farwell Area Schools (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

A handwritten signature in black ink that reads "Roslund, Prestage &amp; Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
October 6, 2021



## 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  
Farwell Area Schools

### **Report on Compliance for Each Major Federal Program**

We have audited Farwell Area Schools' (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the District 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, 2021.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 Farwell Area Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 6, 2021, 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 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. The 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.



Roslund, Prestage & Company, P.C.  
Certified Public Accountants

October 21, 2021

Farwell Area Schools  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 7/1/2020	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue At 6/30/2021	Amounts paid to Subrecipients
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>									
<i>Child Nutrition Cluster:</i>									
<i>Passed through Michigan Department of Education</i>									
<i>Non-Cash Assistance:</i>									
Entitlement	10.555	N/A	\$ 31,123	\$ -	\$ 31,123	\$ 31,123	\$ -	\$ -	\$ -
Bonus Entitlement	10.555	N/A	55	-	55	55	-	-	-
<i>Summer Food Service Program for Children</i>									
COVID-19 - National School Lunch Program	10.555	200902	339,247	61,143	61,143	-	-	-	-
Total CFDA #10.555				61,143	92,321	31,178	-	-	-
Summer Food Service Program for Children	10.559	200900	10,193	-	10,193	10,193	-	-	-
Summer Food Service Program for Children	10.559	210904	550,355	-	451,742	550,355	-	98,613	-
Total CFDA #10.559				-	461,935	560,548	-	98,613	-
Total Child Nutrition Cluster				-	493,113	591,726	-	98,613	-
Child and Adult Care Food Program	10.558	201920	319	-	319	319	-	-	-
Child and Adult Care Food Program	10.558	202010	22	-	22	22	-	-	-
Child and Adult Care Food Program	10.558	211920	25,987	-	24,726	25,987	-	1,261	-
Child and Adult Care Food Program	10.558	212010	1,427	-	1,358	1,427	-	69	-
Total CFDA #10.558				-	26,425	27,755	-	1,330	-
<b>Total U.S. Department of Agriculture</b>				<b>61,143</b>	<b>580,681</b>	<b>619,481</b>	<b>-</b>	<b>99,943</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>									
<i>Title Cluster:</i>									
<i>Passed Through The Michigan Department Of Education</i>									
Title I Grants to Local Educational Agencies	84.010	201530	579,113	227,364	227,364	-	-	-	-
Title I Grants to Local Educational Agencies	84.010	211530	635,214	-	514,375	556,503	-	42,128	-
Total CFDA #84.010				227,364	741,739	556,503	-	42,128	-
Supporting Effective Instruction State Grants	84.367	200520	140,201	115,062	115,062	-	-	-	-
Supporting Effective Instruction State Grants	84.367	210520	104,939	-	64,403	72,706	-	8,303	-
Total CFDA #84.367				115,062	179,465	72,706	-	8,303	-
Student Support and Academic Enrichment	84.424	200750	51,275	33,324	33,324	-	-	-	-
Student Support and Academic Enrichment	84.424	210750	48,986	-	23,189	27,419	-	4,230	-
Total CFDA #84.424				33,324	56,513	27,419	-	4,230	-
Rural Education	84.358	200660	24,478	599	599	-	-	-	-
Rural Education	84.358	210660	45,383	-	43,793	43,793	-	-	-
Total CFDA #84.358				599	44,392	43,793	-	-	-

The accompanying notes are an integral part of this schedule.

Farwell Area Schools  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 7/1/2020	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue At 6/30/2021	Amounts paid to Subrecipients
<b>Education Stabilization Fund</b>									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710	\$ 431,438	\$ 431,438	\$ 431,438	\$ -	\$ -	\$ -	\$ -
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712	850,693	-	470,898	410,823	60,075	-	-
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200	78,129	-	78,129	78,129	-	-	-
<b>Total CFDA #84.425</b>				<u>431,438</u>	<u>980,465</u>	<u>488,952</u>	<u>60,075</u>	<u>-</u>	<u>-</u>
<i>Total Passed through Michigan Department of Education</i>				<u>807,787</u>	<u>2,002,574</u>	<u>1,189,373</u>	<u>60,075</u>	<u>54,661</u>	<u>-</u>
<b>Special Education Cluster:</b>									
<i>Passed through Clare - Gladwin RESD</i>									
Special Education Grants to States	84.027A	200450	325,273	93,861	93,861	-	-	-	-
Special Education Grants to States	84.027A	210450	338,533	-	145,429	338,533	-	193,104	-
<b>Total Special Education Cluster</b>				<u>93,861</u>	<u>239,290</u>	<u>338,533</u>	<u>-</u>	<u>193,104</u>	<u>-</u>
<i>Total Passed through Clare-Gladwin RESD</i>				<u>93,861</u>	<u>239,290</u>	<u>338,533</u>	<u>-</u>	<u>193,104</u>	<u>-</u>
<b>Total U.S. Department of Education</b>				<u>901,648</u>	<u>2,241,864</u>	<u>1,527,906</u>	<u>60,075</u>	<u>247,765</u>	<u>-</u>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>									
<i>Passed Through The Michigan Department Of Education</i>									
COVID 19 - Coronavirus Relief Fund	21.019	11(p)	-	-	373,895	373,895	-	-	-
COVID 19 - Coronavirus Relief Fund	21.019	103(2)	-	-	13,161	13,161	-	-	-
<b>Total passed through the Michigan Department of Education</b>				<u>-</u>	<u>387,056</u>	<u>387,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Passed Through The MAISA/Copper Country ISD</i>									
COVID 19 - Coronavirus Relief Fund - Miconnectivity Funding	21.019	N/A	-	-	20,000	20,000	-	-	-
<b>Total CFDA #21.019</b>				<u>-</u>	<u>407,056</u>	<u>407,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Department of Treasury</b>				<u>-</u>	<u>407,056</u>	<u>407,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>									
<i>Passed through Clare RESD:</i>									
Medicaid Administrative Outreach	93.778	N/A	-	-	2,033	2,033	-	-	-
<b>TOTALS</b>				<u>\$ 962,791</u>	<u>\$ 2,824,578</u>	<u>\$ 2,556,476</u>	<u>\$ 60,075</u>	<u>\$ 347,708</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

Farwell Area Schools  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Farwell Area Schools under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Farwell Area Schools, it is not intended to and does not present its financial position or changes in net position of Farwell Area Schools.

Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

**NOTE 2 – 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 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. Farwell Area Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 – ADJUSTMENTS**

Adjustments shown on the schedule represent adjustments as discussed below:

- CFDA #84.425D project #213712: adjustment represents expenses of \$60,075 that were incurred between March of 2020 and June of 2020 (during the 2019/2020 fiscal year) and were included as an adjustment to the 2020/2021 SEFA as they were allowable costs covered by project #213712.

**NOTE 4 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenues in the following funds in the financial statements of Farwell Area Schools:

Fund Financial statements	Amount
General Fund	2,032,470
Food Service Fund	619,481
Total federal revenue in the fund financial statements	2,651,951
Less: Federal assistance funding not subject to single audit act	(35,400)
Adjusted federal revenues subject to single audit act	2,616,551
Schedule of Expenditures of Federal Awards	
Current year expenditures	2,556,476
Adjustments	60,075
Total federal expenditures in the schedule of expenditures of federal awards	2,616,551



Farwell Area Schools  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  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 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555/10.559 84.425	Child Nutrition Cluster Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

• Auditee qualified as low-risk auditee?  Yes  No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

Farwell Area Schools  
Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

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**Finding 2020-001 – EXCESS FUND BALANCE IN FOOD SERVICE FUND**

Finding Type: Material Weakness in Internal Control and Material Noncompliance – Special Tests and Provisions

Program: Child Nutrition Cluster (CFDA #10.553, #10.555, and #10.559)

Condition: As of year-end the District had a fund balance in the non-profit food service fund in excess of three months' operating expenses by approximately \$117,530.

Status: Issue not noted during FY 2021 audit of the Child Nutrition Cluster.