

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SINGLE AUDIT

JUNE 30, 2024

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2024

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 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
Schedule of Findings and Questioned Costs	10-11
Corrective Action Plan	12

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
Morley Stanwood Community Schools
Morley, 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 Morley Stanwood Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Morley Stanwood Community Schools’ basic financial statements, and have issued our report thereon dated September 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morley Stanwood Community Schools’ internal control over financial reporting (internal control) as a basis for designing 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 Morley Stanwood Community Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Morley Stanwood Community 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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morley Stanwood Community 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 statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-001.

Morley Stanwood Community Schools' Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on Morley Stanwood Community Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Morley Stanwood Community 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, with 'LLP' in a smaller, sans-serif font to the right.

Cadillac, Michigan
September 16, 2024

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
Morley Stanwood Community Schools
Morley, Michigan

Report on Compliance for Each Major Federal Program

Opinion On Each Major Federal Program

We have audited Morley Stanwood Community 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 Morley Stanwood Community Schools’ major federal programs for the year ended June 30, 2024. Morley Stanwood Community 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, Morley Stanwood Community 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, 2024.

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 Morley Stanwood Community 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 Morley Stanwood Community 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 Morley Stanwood Community 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 Morley

Stanwood Community 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 Morley Stanwood Community 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 Morley Stanwood Community 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 Morley Stanwood Community 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 Morley Stanwood Community 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 a 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 Morley Stanwood Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Morley Stanwood Community Schools basic financial statements. We issued our report thereon dated September 16, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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. 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.

UHY LLP

Cadillac, Michigan
September 16, 2024

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE		(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2024	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
				JULY 1, 2023	JUNE 30, 2024						
U.S. Department of Education											
Passed Through Calhoun Intermediate School District (I.S.D.)											
Title I - Technical Assistance Grant	84.010A	N/A	\$ 33,436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,436	\$ 33,436	\$ 0	\$ 0
Passed Through Michigan Department of Education (M.D.E.)											
Title I, Part A - Grants to Local Educational Agencies	84.010	221530-2122	544,117	(4,280)	481,413	0	0	0	0	(4,280)	0
Title I, Part A - Grants to Local Educational Agencies	84.010	231530-2223	583,263	35,832	478,967	(6,081)	15,088	44,839	44,839	0	0
Title I, Part A - Grants to Local Educational Agencies	84.010	241530-2324	597,886	0	0	0	536,340	233,063	233,063	303,277	0
Total - Title I - Grants to Educational Agencies			1,758,702	31,552	960,380	(6,081)	584,864	311,338	311,338	298,997	0
Title V, Part B - Rural and Low-Income School Program	84.358	230660-2223	32,663	32,663	32,663	0	0	0	32,663	0	0
Title V, Part B - Rural and Low-Income School Program	84.358	240660-2324	32,711	0	0	0	32,711	0	0	32,711	0
Total - Title V, Part B - Rural and Low-Income School Program			65,374	32,663	32,663	0	32,711	32,663	32,663	32,711	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	230520-2223	136,903	0	75,319	0	11,861	11,861	11,861	0	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	240520-2324	110,367	0	0	0	74,503	4,913	69,590	69,590	0
Total - Title II, Part A - Supporting Effective Instruction State Grants			247,270	0	75,319	0	86,364	16,774	69,590	69,590	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	230750-2223	47,152	0	33,379	0	3,267	3,267	3,267	0	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	240750-2324	51,015	0	0	0	34,984	6,591	28,393	28,393	0
Total - Title IV, Part A - Student Support and Academic Enrichment			98,167	0	33,379	0	38,251	9,858	28,393	28,393	0
Education Stabilization Funds											
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II 98C Learning Loss)	84.425D	213782-2223	55,802	0	16,979	0	38,823	38,823	38,823	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (MV ARP Homeless II)	84.425W	S425W210023-21A	12,894	0	0	0	6,883	0	6,883	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	3,973,646	261,096	3,740,659	0	232,987	310,142	183,941	183,941	0
Total Education Stabilization Funds			4,042,342	261,096	3,757,638	0	278,693	348,965	348,965	190,824	0
Total U.S. Department of Education			6,211,855	325,311	4,859,379	(6,081)	1,020,883	719,598	620,515	620,515	0
U.S. Department of Health and Human Services											
Passed Through Mecosta-Osceola Intermediate School District (I.S.D.) Medicaid Cluster: Medicaid Administrative Outreach	93.778	N/A	6,179	0	0	0	6,179	6,179	6,179	0	0

The accompanying notes are an integral part of this schedule

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE		(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2024	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
				JULY 1, 2023	JUNE 30, 2024						
U.S. Department of Agriculture											
Passed Through Michigan Department of Education Child Nutrition Cluster:											
Cash Assistance:											
School Breakfast Program	10.553	241970	237,962	0	0	0	0	237,962	237,962	0	0
School Breakfast Program	10.553	231970	279,458	0	238,263	0	0	41,195	41,195	0	0
National School Lunch Program	10.555	241960	442,151	0	0	0	0	442,151	442,151	0	0
National School Lunch Program	10.555	241980	13,813	0	0	0	0	13,813	13,813	0	0
National School Lunch Program	10.555	231960	550,078	0	467,344	0	0	82,734	82,734	0	0
National School Lunch Program	10.555	231980	12,824	0	10,878	0	0	1,946	1,946	0	0
National School Lunch Program - Supply Chain Assistance	10.555	240910-2024	29,711	0	0	0	0	29,711	29,711	0	0
SFSP Operating	10.559	230900	49,937	15,580	15,580	0	0	34,357	49,937	0	0
SFSP Operating	10.559	240900	6,504	0	0	0	0	6,504	1,785	4,719	0
Total Cash Assistance			1,622,438	15,580	732,065	0	0	890,373	901,234	4,719	0
Non-Cash Assistance (Commodities):											
Entitlement Commodities	10.555	N/A	60,912	0	0	0	0	60,912	60,912	0	0
Bonus Commodities	10.555	N/A	1,322	0	0	0	0	1,322	1,322	0	0
Total Non-Cash Assistance			62,234	0	0	0	0	62,234	62,234	0	0
Total Child Nutrition Cluster			1,684,672	15,580	732,065	0	0	952,607	963,468	4,719	0
Passed Through Mecosta County Schools and Roads - Grants to States	10.665	N/A	4,284	0	0	0	0	4,284	4,284	0	0
Total U.S. Department of Agriculture			1,688,956	15,580	732,065	0	0	956,891	967,752	4,719	0
Total Federal Financial Assistance			\$ 7,906,990	\$ 340,891	\$ 5,591,444	\$ (6,081)	\$ 1,983,953	\$ 1,693,529	\$ 1,693,529	\$ 625,234	\$ 0
						(C)	(D)	(E)			

The accompanying notes are an integral part of this schedule

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Morley Stanwood Community Schools under programs of the federal government for the year ended June 30, 2024. 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 Morley Stanwood Community Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Morley Stanwood Community 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. Morley Stanwood Community Schools has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Morley Stanwood Community Schools does not pass through federal awards to other governments or organizations. The District does not pass through federal funds to sub recipients.

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

Revenues from Federal Sources - Per Basic Financial Statements (Page 18)	\$ 1,983,953
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,983,953

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

Management has utilized the NexSys Grant Auditor Report in preparing the schedule of expenditures of federal awards.

Current Cash Payments per Cash Management System (CMS)		\$ 1,548,572
Adjustments:		
Food Distribution Program - Entitlement Commodities	\$ 62,234	
COVID-19 Elementary & Secondary School Emergency Relief	38,823	
Medicaid Administrative Outreach	6,179	
Schools and Roads	4,284	
Title I, Passed through Calhoun Intermediate School District	33,436	144,956
Rounding		1
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		\$ 1,693,529

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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?

_____ Yes X 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 Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of Major Programs:

_____ ALN Number(s)
 10.553, 10.555, &10.559

_____ Name of Federal Program or Cluster
 Child Nutrition Cluster

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?

 X Yes _____ No

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section II - Financial Statement Findings

2024-001 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: The District adopted a budget item that was exceeded by actual expenditures by a material amount in the General Fund.

Cause: The condition was caused by the District not 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.

Section III - Federal Award Findings and Questioned Costs

None



Morley Stanwood Community Schools

4700 Northland Dr. Morley, MI 49336

Phone: (231) 856-4392

Fax: (231) 856-4180

Roger Cole
Superintendent

Jamie Weeks
Administrative Assistant

Kellsey Fairris
Finance Director

Corrective Action Plan

2024-001

The finding is a 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 so this does not happen again. The person responsible for the corrective action is the District Business Manager. The anticipated completion date of the corrective action plan is immediate. The plan for adherence is the Board will start to monitor the budget more closely.

