



MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SINGLE AUDIT

JUNE 30, 2025

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2025

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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, 2025, 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 October

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 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.

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

Cadillac, Michigan
October 3, 2025



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, 2025. 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, 2025.

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, 2025, and the related notes to the financial statements, which collectively comprise Morley Stanwood Community Schools basic financial statements. We issued our report thereon dated October 3, 2025, 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
October 3, 2025

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2024	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2025	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S. Department of Education										
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	\$ 4,280	\$ 0	\$ 0	\$ 0	\$ 0
Title I, Part A - Grants to Local Educational Agencies	84.010	241530-2324	597,886	303,277	536,340	0	6,103	309,380	0	0
Title I, Part A - Grants to Local Educational Agencies	84.010	251530-2425	741,649	0	0	0	673,405	216,726	456,679	0
Total - Title I - Grants to Educational Agencies			1,883,652	298,997	1,017,753	4,280	679,508	526,106	456,679	0
Title V, Part B - Rural and Low-Income School Program	84.358	240660-2324	32,711	32,711	0	0	0	32,711	0	0
Title V, Part B - Rural and Low-Income School Program	84.358	250660-2425	36,689	0	0	0	36,689	0	36,689	0
Total - Title V, Part B - Rural and Low-Income School Program			69,400	32,711	0	0	36,689	32,711	36,689	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	240520-2324	110,367	69,590	0	0	18,439	88,029	0	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	250520-2425	100,477	0	0	0	27,073	6,300	20,773	0
Total - Title II, Part A - Supporting Effective Instruction State Grants			210,844	69,590	0	0	45,512	94,329	20,773	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	240750-2324	51,015	28,393	0	0	10,210	38,603	0	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	250750-2425	43,619	0	0	0	18,368	619	17,749	0
Total - Title IV, Part A - Student Support and Academic Enrichment			94,634	28,393	0	0	28,578	39,222	17,749	0
Education Stabilization Funds										
COVID-19 Elementary and Secondary School Emergency Relief Fund (EANS II - Section 11bb)	84.425V	221037-2324	19,782	0	0	0	19,782	19,782	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP Homeless II)	84.425W	210012-2122	18,549	6,883	6,883	0	11,666	18,549	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	3,973,646	183,941	3,973,646	0	0	183,941	0	0
Total Education Stabilization Funds			4,011,977	190,824	3,980,529	0	31,448	222,272	0	0
Total U.S. Department of Education			6,270,507	620,515	4,998,282	4,280	821,735	914,640	531,890	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	12,889	0	0	0	12,889	12,889	0	0
U.S. Department of Treasury										
Passed Through Michigan Department of Environment, Great Lakes, and Energy (EGLE)										
COVID-19 Coronavirus State and Local Fiscal Recovery Funds										
Filter First Healthy Hydration	21.027	242426-FFHH24	52,821	0	0	0	52,821	0	52,821	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, 2025

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2024	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2025	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S Department of Agriculture										
Passed Through Michigan Department of Education Child Nutrition Cluster:										
Cash Assistance:										
School Breakfast Program	10.553	241970	283,101	0	237,962	0	45,139	45,139	0	0
School Breakfast Program	10.553	251970	248,404	0	248,404	0	248,404	248,404	0	0
National School Lunch Program	10.555	241960	529,800	0	442,151	0	87,649	87,649	0	0
National School Lunch Program	10.555	241980	16,519	0	13,813	0	2,706	2,706	0	0
National School Lunch Program	10.555	251960	455,212	0	0	0	455,212	455,212	0	0
National School Lunch Program	10.555	251980	11,609	0	0	0	11,609	11,609	0	0
SFSP Operating	10.559	240900	11,786	4,719	0	0	5,282	10,001	0	0
SFSP Operating	10.559	250900	6,537	0	0	0	6,537	0	6,537	0
Total Cash Assistance			1,562,968	4,719	942,330	0	862,538	860,720	6,537	0
Non-Cash Assistance (Commodities):										
Entitlement Commodities	10.555	N/A	57,367	0	0	0	57,367	57,367	0	0
Bonus Commodities	10.555	N/A	379	0	0	0	379	379	0	0
Total Non-Cash Assistance			57,746	0	0	0	57,746	57,746	0	0
Total Child Nutrition Cluster			1,620,714	4,719	942,330	0	920,284	918,466	6,537	0
Passed Through Mecosta County Schools and Roads - Grants to States	10.665	N/A	1,104	0	0	0	1,104	1,104	0	0
Total U.S. Department of Agriculture			1,621,818	4,719	942,330	0	921,388	919,570	6,537	0
Total Federal Financial Assistance			\$ 7,958,035	\$ 625,234	\$ 5,940,612	\$ 4,280	\$ 1,808,833	\$ 1,847,099	\$ 591,248	\$ 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, 2025

(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, 2025. 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. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.

(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.

(C) Adjustment

The District has reported \$4,280 as unearned revenue for several years related to the 2021-2022 Title I program. It was determined that the amount is not required to be remitted back to the State of Michigan and therefore was adjusted.

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

Revenues from Federal Sources - Per Basic Financial Statements (Page 18)	\$ 1,808,833
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,808,833</u>

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

Current Cash Payments per Cash Management System (CMS)		\$ 1,775,359
Adjustments:		
Food Distribution Program - Entitlement Commodities	\$ 57,746	
Medicaid Administrative Outreach	12,889	
Schools and Roads	<u>1,104</u>	71,739
Rounding		<u>1</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		<u>\$ 1,847,099</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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.

Status: Corrected.

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, 2025

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?

_____ Yes X 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) of the Uniform Guidance?

_____ 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, 2025

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

