

Holton Public Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditor's Reports

June 30, 2020



C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITOR’S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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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***

Board of Education
Holton Public Schools
Holton, 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 the *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 Holton Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Holton Public Schools' basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holton 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 Holton Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Holton 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 and therefore material weaknesses and significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2020-001** that we consider to be a significant deficiency.

Board of Education
Holton Public Schools
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Compliance and Other Matters

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

Holton Public Schools’ Response to Findings

Holton Public Schools’ response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Holton Public Schools’ response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Hart, Michigan
September 30, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Holton Public Schools
Holton, Michigan

Report on Compliance for Each Major Federal Program

We have audited Holton Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Holton Public Schools' major federal programs for the year ended June 30, 2020. Holton Public Schools' 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 Holton Public Schools' 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 Holton Public Schools' 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 Holton Public Schools' compliance.

Board of Education
Holton Public Schools
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Opinion on Each Major Federal Program

In our opinion, Holton 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, 2020.

Report on Internal Control Over Compliance

Management of Holton Public Schools 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 Holton Public Schools’ 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 Holton Public Schools’ 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 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.

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.

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Holton Public Schools
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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 Holton Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Holton Public Schools' basic financial statements. We issued our report thereon dated September 30, 2020, 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.



Hart, Michigan
September 30, 2020

Holton Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2019	Adjustment and Transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (deferred) revenue June 30, 2020	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Education</i>									
Passed through Michigan Department of Education									
Title I—Grants to Local Educational Agencies	84.010								
191530 1819		\$ 262,511	\$ 54,695	\$ -	\$ 54,695	\$ 237,454	\$ -	\$ -	\$ -
201530 1920		278,682	-	-	227,492	-	276,496	49,004	-
		541,193	54,695	-	282,187	237,454	276,496	49,004	-
Title IV-Student Support and Academic Enrichment	84.424A								
190750 1819		15,989	3,249	-	3,249	15,164	-	-	-
200750 1920		19,209	-	-	15,922	-	19,139	3,217	-
		35,198	3,249	-	19,171	15,164	19,139	3,217	-
Supporting Effective Instruction State Grants	84.367								
190520 1819		64,682	13,244	-	13,244	61,821	-	-	-
200520 1920		46,770	-	-	38,811	-	46,453	7,642	-
		111,452	13,244	-	52,055	61,821	46,453	7,642	-
Rural and Low-Income Grant	84.358								
190660 1819		15,790	3,249	-	3,249	15,164	-	-	-
200660 1920		17,505	-	-	13,932	-	16,954	3,022	-
		33,295	3,249	-	17,181	15,164	16,954	3,022	-
Total passed through Michigan Department of Education		721,138	74,437	-	370,594	329,603	359,042	62,885	-
Passed through Muskegon Area Intermediate School District									
Special Education	84.027A								
190450 1819		119,744	8,740	-	15,631	110,969	8,775	1,884	-
200450 1920		124,819	-	-	95,430	-	124,819	29,389	-
Total passed through Muskegon Area Intermediate School District		244,563	8,740	-	111,061	110,969	133,594	31,273	-
Total U.S. Department of Education		965,701	83,177	-	481,655	440,572	492,636	94,158	-

Holton Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2019	Adjustment and Transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (deferred) revenue June 30, 2020	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Agriculture</i>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
School Breakfast Program									
	10.553								
191970 Lunch---Breakfast		\$ 215,124	\$ 9,782	\$ -	\$ 35,298	\$ 189,608	\$ 25,516	\$ -	\$ -
201970 Lunch---Breakfast		135,795	-	-	135,795	-	135,795	-	-
		<u>350,919</u>	<u>9,782</u>	<u>-</u>	<u>171,093</u>	<u>189,608</u>	<u>161,311</u>	<u>-</u>	<u>-</u>
National School Lunch Program									
	10.555								
191960 Free and Reduced		291,089	11,190	-	55,357	291,089	44,167	-	-
201960 Free and Reduced		216,402	-	-	216,402	-	216,402	-	-
191980 Snack Program		4,354	-	-	610	3,744	610	-	-
200920 Child and Adult Care Food Program		320,348	-	-	320,348	-	320,348	-	-
201922 Child and Adult Care Food Program		107,135	-	-	107,135	-	107,135	-	-
Entitlement Commodities		42,201	-	-	42,201	-	42,201	-	-
		<u>981,529</u>	<u>11,190</u>	<u>-</u>	<u>742,053</u>	<u>294,833</u>	<u>730,863</u>	<u>-</u>	<u>-</u>
Summer Food Service Program for Children									
	10.559								
190900 Summer Food Service Program for Children		4,134	-	-	4,134	-	4,134	-	-
191900 Summer Food Service Program for Children		353	-	-	353	-	353	-	-
200901 SFSP COVID 19		136,601	-	-	-	-	136,601	136,601	-
		<u>141,088</u>	<u>-</u>	<u>-</u>	<u>4,487</u>	<u>-</u>	<u>141,088</u>	<u>136,601</u>	<u>-</u>
Total Child Nutrition Cluster		1,473,536	20,972	-	917,633	484,441	1,033,262	136,601	-
Child and Adult Care Food Program									
	10.558								
201920 CACFP Cash-In-Lieu		36,516	-	-	15,305	-	36,516	21,211	-
202010 CACFP Cash-In-Lieu		7,629	-	-	6,471	-	7,629	1,158	-
		<u>44,145</u>	<u>-</u>	<u>-</u>	<u>21,776</u>	<u>-</u>	<u>44,145</u>	<u>22,369</u>	<u>-</u>
Total passed through Michigan Department of Education		1,517,681	20,972	-	939,409	484,441	1,077,407	158,970	-
Passed through County of Muskegon									
	10.665								
Schools and Roads		2,643	-	-	2,643	-	2,643	-	-
Total U.S. Department of Agriculture		1,520,324	20,972	-	942,052	484,441	1,080,050	158,970	-

Holton Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Program or award amount	Accrued	Adjustment	Cash or	Expenditures		Accrued	Passed
			(deferred) revenue July 1, 2019	and Transfers	payments in kind received (cash basis)	(accrual basis)	Prior year(s)	Current year	(deferred) revenue June 30, 2020
<i>U.S. Department of Health and Human Services</i>									
Passed through Muskegon Area Intermediate School District									
Medical Assistance Program Title XIX 393	93.778	\$ 2,135	\$ -	\$ -	\$ 2,135	\$ -	\$ 2,135	\$ -	\$ -
TOTAL FEDERAL ASSISTANCE		\$ 2,488,160	\$ 104,149	\$ -	\$ 1,425,842	\$ 925,013	\$ 1,574,821	\$ 253,128	\$ -

The accompanying notes are an integral part of this schedule.

Holton Public Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2020

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. 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 (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or change in net position of the School District.

2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. 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 shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2020

Governmental Funds financial statements

General Fund	\$ 497,414	
Other governmental funds (includes		
Food Service Fund)	1,077,407	\$ 1,574,821

Expenditures per single audit report

Schedule of Expenditures of Federal Awards		\$ 1,574,821
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Holton Public Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
10.553, 10.555 and 10.559	U.S. Department of Agriculture
	• Child Nutrition Cluster

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? _____ X yes _____ no

Holton Public Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Segregation of Duties Within Accounting Department

Criteria or Specific Requirement: The School District should have adequate segregation of duties and/or mitigating controls in the Business Office. The basic premise is that no one employee should have access to both physical assets and the related accounting records or access to all phases of a transaction.

Condition: During our review of internal controls in the Business Office, we noted the Business Manager has access to nearly all aspects of transactions that occur within the financial system. While the School District has taken certain steps to mitigate the situation, there are not enough resources, both in personnel and funding, to overcome the condition.

Context: The School District has this condition primarily due to the size of School District’s staff and the lack of financial resources to fund additional staff to further segregate duties.

Effect: The lack of sufficient segregation of duties and internal controls could allow errors or misappropriation of funds to go undetected.

Cause: Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting control.

Repeat Finding: A similar finding was reported during the single audit for the year ended June 30, 2019.

Recommendation: The School District should continue adding effective mitigating controls to those implemented in the past and look for additional steps that could be taken to separate incompatible duties. Often, one of the most effective approaches is the expansion of documented approval of transactions and reconciliations by someone outside the Business Office staff.

Views of Responsible Officials: The School District agrees with the finding. The School District has implemented mitigating controls to the extent possible given its limited resources.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards during the single audit for the year ended June 30, 2020.

CLIENT DOCUMENTS



HOLTON PUBLIC SCHOOLS
“Rooted in Community, Reaching for Excellence”

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 30, 2020

Michigan Department of Education
Lansing, Michigan

Holton Public Schools respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2019 dated October 21, 2019.

SECTION II – FINANCIAL STATEMENT FINDINGS

2019 Finding 2019-001: Segregation of Duties Within Accounting Department

Recommendation: The School District should continue adding effective mitigating controls to those implemented in the past and look for additional steps that could be taken to separate incompatible duties. Often, one of the most effective approaches is the expansion of documented approval of transactions and reconciliations by someone outside the Business Office Staff.

Current Status: The Superintendent and accounting department have implemented the above mitigating controls and accept the risk of not implementing other controls.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were *no* findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2019.

Sincerely,

Adam Bayne
Superintendent



HOLTON PUBLIC SCHOOLS
“Rooted in Community, Reaching for Excellence”

CORRECTIVE ACTION PLAN

September 30, 2020

Michigan Department of Education
Lansing, Michigan

Holton Public Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
907 S. State Street
Hart, Michigan 49420

Audit period: June 30, 2020

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Segregation of Duties Within Accounting Department

Recommendation: The School District should continue adding effective mitigating controls to those implemented in the past and look for additional steps that could be taken to separate incompatible duties. Often, one of the most effective approaches is the expansion of documented approval of transactions and reconciliations by someone outside the Business Office Staff.

Action Taken: Due to the limited resources, the School District is unable to segregate duties in the Accounting Department. The District has implemented the following mitigating controls:

1. Completed bank reconciliations are reviewed by the Administrative Assistant to the Superintendent.
2. Receipts are logged by the Administrative Assistant prior to being forwarded to the Business Manager.
3. All invoices are approved by an administrator prior to issuance of payment by the Business Manager.

Current Status: The Superintendent and accounting department have implemented the above mitigating controls and accept the risk of not implementing other controls.



HOLTON PUBLIC SCHOOLS
“Rooted in Community, Reaching for Excellence”

Michigan Department of Education
September 30, 2020
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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2020.

If the Michigan Department of Education has questions regarding this plan, please call Adam Bayne at (231) 821-1702.

Sincerely,

Adam Bayne
Superintendent