

Lake Shore Public Schools

**Federal Awards
Supplemental Information
June 30, 2014**

Lake Shore Public Schools

Contents

Independent Auditor's Reports:

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	I
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>	2-3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	4-5
Schedule of Expenditures of Federal Awards	6-8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10-12
Summary Schedule of Prior Audit Findings	13

Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Education
Lake Shore Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Shore Public Schools (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 13, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 13, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 13, 2014

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*

Independent Auditor's Report

To Management and the Board of Education
Lake Shore Public 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Shore Public Schools (the "School District") as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

To Management and the Board of Education
Lake Shore Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Shore 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*.

Lake Shore Public Schools' Response to Findings

Lake Shore Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lake Shore 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

October 13, 2014

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Education
Lake Shore Public Schools

Report on Compliance for Each Major Federal Program

We have audited Lake Shore Public Schools' (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Lake Shore 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 the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lake Shore 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Lake Shore 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 Lake Shore Public Schools' compliance.

To the Board of Education
Lake Shore Public Schools

Opinion on Each Major Federal Program

In our opinion, Lake Shore 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, 2014.

Report on Internal Control Over Compliance

Management of Lake Shore 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 Lake Shore 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 OMB Circular A-133, 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 School 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 13, 2014

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
Clusters:								
Child Nutrition Cluster -								
U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Noncash assistance (commodities) - National School Lunch Program - Entitlement Commodities								
	10.555	\$ 73,334	\$ -	\$ -	\$ -	\$ 73,334	\$ 73,334	\$ -
Cash Assistance:								
Summer Food Service Program for Children - 130900	10.559	11,362	11,362	2,420	-	2,420	-	-
Summer Food Service Program for Children - 131900	10.559	14,834	-	-	-	11,997	14,834	2,837
National School Breakfast Program - 131970	10.553	107,297	107,297	4,707	-	4,707	-	-
National School Breakfast Program - 141970	10.553	80,787	-	-	-	76,557	80,787	4,230
National School Lunch Program - 131960	10.555	476,693	476,693	17,784	-	17,784	-	-
National School Lunch Program - 141960	10.555	472,889	-	-	-	452,083	472,889	20,806
Subtotal cash assistance		1,163,861	595,352	24,911	-	565,548	568,510	27,873
Total Child Nutrition Cluster		1,237,195	595,352	24,911	-	638,882	641,844	27,873
Supplemental Nutrition Assistance Program Cluster (SNAP) - U.S. Department of Agriculture - Passed through the Macomb/St. Clair Workforce Development Board - Contracts 11-19-212, 11-19-213, 11-19-214, 13-19-221, 13-19-222, 13-19-223								
	10.561							
State Administrative Matching Grants for SNAP Contracts - 12/13		147,412	147,412	12,298	-	12,298	-	-
State Administrative Matching Grants for SNAP Contracts - 13/14		137,238	-	-	-	124,441	137,238	12,797
Subtotal SNAP Contracts		284,650	147,412	12,298	-	136,739	137,238	12,797
Special Education Cluster - U.S. Department of Education - Passed through the Macomb County ISD - IDEA: Special Education - Grants to States (IDEA, Part B) - IDEA, Part B:								
	84.027							
Project number 120-450-1213		642,878	9,167	6,848	-	6,848	-	-
Project number 130-450-1213		1,623,496	1,521,560	1,045,704	-	1,147,640	101,936	-
Project number 140-450-1314		664,911	-	-	-	294,545	664,911	370,366
Subtotal IDEA, Part B		2,931,285	1,530,727	1,052,552	-	1,449,033	766,847	370,366
Special Education - Preschool Grants (IDEA Preschool):								
	84.173							
Project number 130-460-1213		20,690	20,690	9,437	-	9,437	-	-
Project number 140-460-1314		19,472	-	-	-	10,613	19,472	8,859
Subtotal IDEA, Preschool		40,162	20,690	9,437	-	20,050	19,472	8,859
Total Special Education Cluster		2,971,447	1,551,417	1,061,989	-	1,469,083	786,319	379,225

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
Other federal awards:								
U.S. Department of Education:								
Direct programs - Indian Education:								
2012-2013	84.060	112,943	112,943	72,855	-	72,855	-	-
2013-2014		<u>105,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,435</u>	<u>104,507</u>	<u>82,072</u>
Total Indian Education		218,798	112,943	72,855	-	95,290	104,507	82,072
Passed through the Michigan Department of Education -								
Title I, Part A - Improving Basic Programs:								
Project number 12-1530-1112	84.010	325,762	115,661	113,235	-	113,235	-	-
Project number 13-1530-1213		323,839	150,588	150,588	-	292,216	146,947	5,319
Project number 14-1530-1314		<u>325,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,249</u>	<u>230,249</u>
Total Title I, Part A		974,865	266,249	263,823	-	405,451	377,196	235,568
Title II, Part A:								
Project number 12-0520-1112	84.367A	84,923	60,342	31,191	-	31,191	-	-
Project number 13-0520-1213		80,858	-	-	-	80,619	80,858	239
Project number 14-0520-1314		<u>77,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,427</u>	<u>15,427</u>
Total Title II, Part A		243,104	60,342	31,191	-	111,810	96,285	15,666
Passed through the Macomb County ISD -								
Career and Technical Education - Basic Grants to States:								
(Perkins IV) - Project number 13-3520-131216	84.048	37,034	37,034	37,034	-	37,034	-	-
(Perkins IV) - Project number 14-3520-141216		<u>37,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,034</u>	<u>37,034</u>
Total Career and Technical Education - Basic Grants to States		74,068	37,034	37,034	-	37,034	37,034	37,034
Passed through other local school districts								
Adult Education:								
Project number 135187	84.002A	35,000	35,000	11,256	-	11,256	-	-
Project number 131189		45,000	45,000	15,541	-	15,541	-	-
Project number 141120-145187		25,000	-	-	-	19,182	25,000	5,818
Project number 141130-141189		<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,537</u>	<u>40,000</u>	<u>15,463</u>
Total Adult Education		145,000	80,000	26,797	-	70,516	65,000	21,281
Total U.S. Department of Education noncluster programs		1,655,835	556,568	431,700	-	720,101	680,022	391,621

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
Other federal awards (Continued):								
Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated - Contracts - 11-19-215, 12-19-216, 12-19-217, 12-19-218, 12-19-219, 12-19-220:								
U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act 12/13	17.207	\$ 1,735,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act 13/14	17.207	-	956,610	71,557	-	71,557	-	-
U.S. Department of Labor - Unemployment Insurance - Emergency Unemployment Comp 12/13	17.225	-	755,878	71,095	-	71,095	-	-
U.S. Department of Labor - Unemployment Insurance - Emergency Unemployment Comp 13/14	17.225	-	-	-	-	293,436	293,436	-
Total Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated		1,735,606	1,712,488	142,652	-	1,644,774	1,646,321	144,199
Jobs, Education, and Training (JET) Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated - Contracts: 13-19-223, 13-19-222, 13-19, 221								
U.S. Department of Health and Human Services - TANF Cluster - Temporary Assistance for Needy Families	93.558	3,453,364	924,009	11,112	-	550,466	550,006	10,652
Total federal awards		<u>\$ 11,338,097</u>	<u>\$ 5,487,246</u>	<u>\$ 1,684,662</u>	<u>\$ -</u>	<u>\$ 5,160,045</u>	<u>\$ 4,441,750</u>	<u>\$ 966,367</u>

Lake Shore Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Shore Public Schools (the "School District") under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Lake Shore Public Schools, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Lake Shore Public Schools. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 4 - Nonfederal Funding Sources

During the year ended June 30, 2014, the School District received \$905,561 in State of Michigan funding sources, passed through the Macomb/St. Clair Workforce Development Board, to settle School District reimbursement requests under the Jobs, Education, and Training (JET) Program and the Employment Services Program. The related expenditures and cash receipts are not included on the schedule of expenditures of federal awards.

Lake Shore Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? 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 Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I
17.207	Employment Services Cluster
93.558	Temporary Assistance for Needy Families Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

Reference

Number

Finding

2014-001 **Finding Type** - Material weakness

Criteria - In accordance with generally accepted accounting principles, the School District should review disbursements that are made after year end to determine whether or not disbursements should be recorded as current year expenses.

Condition - Certain amounts were inappropriately included in current expenditures as of June 30, 2014.

Context - During audit testing, it was noted that one invoice for \$85,990 was improperly recorded in the General Fund current year expenditures.

Cause - The invoice was for a service period from May 1, 2014 through May 1, 2017. The individual responsible for reviewing invoices to determine the proper cut-off of expenses noted the services began in May 1, 2014 and included the entire invoice in current year expenditures. Since the invoice covered a service period of 3 years, the invoice should have been recorded as a prepaid asset at the time it was paid and amortized to expenditures over the three-year service period.

Effect - The entirety of the invoice amount was expensed in the period ending June 30, 2014, resulting in an overstatement of current year expenditures.

Recommendation - The District should develop a process that will allow it to identify invoices received that relate to services or goods to be received over multiple reporting periods in order to ensure that the related amounts are accounted for in the proper accounting periods.

Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and the recommendation. Future invoices will be reviewed for long-term impact and the appropriate accounting procedures will be put in place.

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

Section III - Federal Program Audit Findings

None

Lake Shore Public Schools

Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2013-001	Title I Part A Cluster (84.010), U.S. Department of Education, Michigan Department of Education, 11-1530- 1011, 12-1530-1112, 13-1530-1213	Under Code of Federal Regulations Title 2 Part 225 (2 CFR Section 225), all of the salaried staff charged to the Title I did not have adequate timekeeping documentation to support time charged to the grant.	Corrected	N/A, finding has been resolved.