

Lake Shore Public Schools

**Federal Awards
Supplemental Information
June 30, 2015**

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 | 10-11 |
| Summary Schedule of Prior Audit Findings | 12 |

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, 2015 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 19, 2015, which contained an unmodified opinion with an emphasis of matter related to the implementation of the GASB No. 68 and No. 71 accounting standards in the basic financial statements of the School District. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 19, 2015.

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 19, 2015

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 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, 2015 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 19, 2015. Our opinion on the School District's basic financial statements includes an emphasis of matter for the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of this implementation, the School District's net pension liability has been recorded in the government-wide financial statements and the net position as of June 30, 2014 has been restated. Our opinion is not modified with respect to this matter.

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.

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 School District'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.

To Management and the Board of Education
Lake Shore Public Schools

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 & Moran, PLLC

October 19, 2015

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' 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, 2015. 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, 2015.

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 19, 2015

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Program Title/Project Number/Subrecipient Name | CFDA Number | Approved Awards Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue at July 1, 2014 | Adjustments and Transfers | Federal Funds/ Payments In-kind Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2015 |
|--|----------------|------------------------------|---|---|---------------------------------|---|--------------|--|
| 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 | \$ 72,029 | \$ - | \$ - | \$ - | \$ 72,029 | \$ 72,029 | \$ - |
| Bonus Commodities | 10.555 | 172 | - | - | - | 172 | 172 | - |
| Noncash Assistance Subtotal | | 72,201 | - | - | - | 72,201 | 72,201 | - |
| Cash assistance: | | | | | | | | |
| Summer Food Service Program for Children - 131900 | 10.559 | 14,834 | 14,834 | 2,837 | - | 2,837 | - | - |
| Summer Food Service Program for Children - 140900, 141900 | 10.559 | 20,156 | - | - | - | 18,320 | 20,156 | 1,836 |
| National School Breakfast Program - 141970 | 10.553 | 80,787 | 80,787 | 4,230 | - | 4,230 | - | - |
| National School Breakfast Program - 151970 | 10.553 | 99,777 | - | - | - | 95,366 | 99,777 | 4,411 |
| National School Lunch Program - 141960 | 10.555 | 472,889 | 472,889 | 20,806 | - | 20,806 | - | - |
| National School Lunch Program - 151960 | 10.555 | 512,065 | - | - | - | 490,816 | 512,065 | 21,249 |
| Cash assistance subtotal | | 1,200,508 | 568,510 | 27,873 | - | 632,375 | 631,998 | 27,496 |
| Total Child Nutrition Cluster | | 1,272,709 | 568,510 | 27,873 | - | 704,576 | 704,199 | 27,496 |
| Supplemental Nutrition Assistance Program Cluster (SNAP) - U.S. Department of Agriculture - | | | | | | | | |
| Passed through the Macomb/St. Clair Workforce Development Board - | | | | | | | | |
| Contracts 13-19-221, 13-19-222, 13-19-223, 15-19-224, 15-19-225, 15-19-226: | | | | | | | | |
| State Administrative Matching Grants for SNAP Contracts: 13/14 | 10.561 | 137,238 | 137,238 | 12,797 | - | 12,797 | - | - |
| State Administrative Matching Grants for SNAP Contracts: 14/15 | | 142,332 | - | - | - | 128,632 | 142,332 | 13,700 |
| Total SNAP Contracts | | 279,570 | 137,238 | 12,797 | - | 141,429 | 142,332 | 13,700 |
| 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: | | | | | | | | |
| Project number 140-450-1314 | 84.027 | 664,911 | 664,911 | 370,366 | - | 370,366 | - | - |
| Project number 150-450-1415 | | 683,466 | - | - | - | 559,402 | 683,466 | 124,064 |
| Subtotal IDEA, Part B | | 1,348,377 | 664,911 | 370,366 | - | 929,768 | 683,466 | 124,064 |
| Special Education - Preschool Grants (IDEA Preschool): | | | | | | | | |
| Project number 140-460-1314 | 84.173 | 19,472 | 19,472 | 8,859 | - | 8,859 | - | - |
| Project number 150-460-1415 | | 17,407 | - | - | - | 14,883 | 17,407 | 2,524 |
| Subtotal IDEA, Preschool | | 36,879 | 19,472 | 8,859 | - | 23,742 | 17,407 | 2,524 |
| Total Special Education Cluster | | 1,385,256 | 684,383 | 379,225 | - | 953,510 | 700,873 | 126,588 |

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

| Program Title/Project Number/Subrecipient Name | CFDA Number | Approved Awards Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue at July 1, 2014 | Adjustments and Transfers | Federal Funds/ Payments In-kind Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2015 |
|--|-------------|------------------------|-------------------------------------|--|---------------------------|--|--------------|---|
| Other federal awards: | | | | | | | | |
| U.S. Department of Education: | | | | | | | | |
| Direct programs - Indian Education: | | | | | | | | |
| 2013-2014 | 84.060 | \$ 105,855 | \$ 104,507 | \$ 82,072 | \$ - | \$ 82,072 | \$ - | \$ - |
| 2014-2015 | | 107,023 | - | - | - | 52,838 | 106,496 | 53,658 |
| Total Indian Education | | 212,878 | 104,507 | 82,072 | - | 134,910 | 106,496 | 53,658 |
| Passed through the Michigan Department of Education - | | | | | | | | |
| Title I, Part A - Improving Basic Programs: | | | | | | | | |
| Project number 13-1530-1213 | 84.010 | 323,839 | 146,947 | 5,319 | - | 5,319 | - | - |
| Project number 14-1530-1314 | | 325,264 | 230,249 | 230,249 | - | 278,205 | 48,790 | 834 |
| Project number 15-1530-1415 | | 285,363 | - | - | - | - | 268,111 | 268,111 |
| Total Title I, Part A | | 934,466 | 377,196 | 235,568 | - | 283,524 | 316,901 | 268,945 |
| Title II, Part A: | | | | | | | | |
| Project number 13-0520-1213 | 84.367A | 80,858 | 80,858 | 239 | - | 239 | - | - |
| Project number 14-0520-1314 | | 77,323 | 15,427 | 15,427 | - | 48,753 | 61,896 | 28,570 |
| Project number 15-0520-1415 | | 81,223 | - | - | - | - | 7,277 | 7,277 |
| Total Title II, Part A | | 239,404 | 96,285 | 15,666 | - | 48,992 | 69,173 | 35,847 |
| Passed through the Macomb County ISD - | | | | | | | | |
| Career and Technical Education - Basic Grants to States: | | | | | | | | |
| (Perkins IV) - Project number 14-3520-141216 | 84.048 | 37,034 | 37,034 | 37,034 | - | 37,034 | - | - |
| (Perkins IV) - Project number 15-3520-151216 | | 18,000 | - | - | - | 14,877 | 18,000 | 3,123 |
| Total Career and Technical Education - Basic Grants to States | | 55,034 | 37,034 | 37,034 | - | 51,911 | 18,000 | 3,123 |
| Passed through other local school districts - Adult Education: | | | | | | | | |
| Project number 141120-145187 | 84.002A | 25,000 | 25,000 | 5,818 | - | 5,818 | - | - |
| Project number 141130-141189 | | 40,000 | 40,000 | 15,463 | - | 15,463 | - | - |
| Project number 151120-155187 | | 20,000 | - | - | - | 18,694 | 18,694 | - |
| Project number 151130-151189 | | 55,668 | - | - | - | 49,472 | 49,472 | - |
| Total Adult Education | | 140,668 | 65,000 | 21,281 | - | 89,447 | 68,166 | - |
| Total U.S. Department of Education noncluster programs | | 1,582,450 | 680,022 | 391,621 | - | 608,784 | 578,736 | 361,573 |

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

| Program Title/Project Number/Subrecipient Name | CFDA Number | Approved Awards Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue at July 1, 2014 | Adjustments and Transfers | Federal Funds/ Payments In-kind Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2015 |
|---|-------------|------------------------|-------------------------------------|--|---------------------------|--|---------------------|---|
| Other federal awards (Continued): | | | | | | | | |
| Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated - Contracts - 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 13/14 | 17.207 | \$ 1,431,499 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act 14/15 | 17.207 | - | 1,352,885 | 144,199 | - | 144,199 | - | - |
| U.S. Department of Labor - WIA Cluster Workforce Investment Act, Dislocated Workers 14/15 | 17.278 | - | - | - | - | 846,546 | 929,453 | 82,907 |
| U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs 14/15 | 17.258 | - | - | - | - | 204,140 | 224,907 | 20,767 |
| | | | | | | 204,140 | 224,907 | 20,767 |
| Total Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated | | 1,431,499 | 1,352,885 | 144,199 | - | 1,399,025 | 1,379,267 | 124,441 |
| Jobs, Education, and Training (PATH/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 | 1,713,761 | 550,006 | 10,652 | - | 10,652 | - | - |
| U.S. Department of Health and Human Services - TANF Cluster - Temporary Assistance for Needy Families | 93.558 | - | - | - | - | - | - | - |
| | | 1,799,516 | - | - | - | 978,690 | 991,064 | 12,374 |
| Total Jobs, Education, and Training (PATH/JET) Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated | | 3,513,277 | 550,006 | 10,652 | - | 989,342 | 991,064 | 12,374 |
| Total federal awards | | <u>\$ 9,464,761</u> | <u>\$ 3,973,044</u> | <u>\$ 966,367</u> | <u>\$ -</u> | <u>\$ 4,796,666</u> | <u>\$ 4,496,471</u> | <u>\$ 666,172</u> |

See Notes to Schedule of Expenditures of Federal Awards.

Lake Shore Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

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, 2015. 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, 2015, the School District received \$516,176 in revenue from the State of Michigan, 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, 2015

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

_____ Yes X No

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.027, 84.173 | Special Education Cluster (IDEA) |
| 17.207 | Employment Services Cluster |
| 93.558 | TANF Cluster |
| 17.258, 17.278 | WIA Cluster |

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

Auditee qualified as low-risk auditee? _____ Yes X No

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Lake Shore Public Schools

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

| <u>Prior Year Finding Number</u> | <u>Federal Program</u> | <u>Original Finding Description</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--------------------------------------|---|--|---------------|--|
| 2014-001 | N/A - Financial Statement Finding | Certain amounts were inappropriately included in current expenditures for the period ended June 30, 2014. These amounts should have been recorded as prepaid assets at June 30, 2014. | Completed | N/A, finding has been resolved. |