

Lake Shore Public Schools

**Federal Awards
Supplemental Information
June 30, 2010**

Lake Shore Public Schools

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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, 2010, which collectively comprise Lake Shore Public Schools' basic financial statements, and have issued our report thereon dated October 11, 2010. These basic financial statements are the responsibility of Lake Shore Public Schools' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Shore Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 11, 2010

**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
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, 2010, which collectively comprise Lake Shore Public Schools' basic financial statements, and have issued our report thereon dated October 11, 2010. We have conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Shore Public Schools' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To 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 of 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*.

We noted certain matters that we have reported to management of the Lake Shore Public Schools in a separate letter dated October 11, 2010.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 11, 2010

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Lake Shore Public Schools

Compliance

We have audited the compliance of Lake Shore Public Schools (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of Lake Shore Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Shore Public Schools' management. Our responsibility is to express an opinion on Lake Shore Public Schools' compliance based on our audit.

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. Our audit does not provide a legal determination on Lake Shore Public Schools' compliance with those requirements.

In our opinion, Lake Shore Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

To the Board of Education
Lake Shore Public Schools

Internal Control Over Compliance

The management of Lake Shore Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Shore Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2010-01. 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

Lake Shore Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lake Shore Public Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 11, 2010

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
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	\$ 38,994	\$ -	\$ -	\$ -	\$ 38,994	\$ 38,994	\$ -
Bonus Commodities		8,614	-	-	-	8,614	8,614	-
National School Lunch Program Noncash Assistance Subtotal		47,608	-	-	-	47,608	47,608	-
Cash Assistance:								
National School Breakfast Program: 2008/2009	10.553	77,525	77,525	3,428	-	3,428	-	-
National School Breakfast Program: 2009/2010	10.553	80,943	-	-	-	75,757	80,943	5,186
National School Lunch Program: 2008/2009	10.555	354,135	354,135	12,916	-	12,916	-	-
National School Lunch Program: 2009/2010	10.555	446,010	-	-	-	420,129	446,010	25,881
Cash Assistance Subtotal		958,613	431,660	16,344	-	512,230	526,953	31,067
Total Child Nutrition Cluster		1,006,221	431,660	16,344	-	559,838	574,561	31,067
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 090-450-0809	84.027	568,239	486,351	217,847	-	299,735	81,888	-
Project number 100-450-0910		679,195	-	-	-	211,023	600,804	389,781
Subtotal IDEA, Part B		1,247,434	486,351	217,847	-	510,758	682,692	389,781
ARRA - IDEA, Part B, Recovery Act -								
Project number 100-455-0910	84.391	383,852	-	-	-	165,217	383,852	218,635
Total Special Education - Grants to States (IDEA, Part B)		1,631,286	486,351	217,847	-	675,975	1,066,544	608,416
Special Education - Preschool Grants (IDEA Preschool) -								
IDEA Preschool - Project number 090-460-0809	84.173	19,041	19,041	8,944	-	8,944	-	-
Total Special Education Cluster		1,650,327	505,392	226,791	-	684,919	1,066,544	608,416

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters (Continued):								
Title I, Part A Cluster - U.S. Department of Education - Passed through the Michigan Department of Education:								
Title I, Part A:								
Project number 09-1530-0809	84.010	\$ 270,084	\$ 268,345	\$ 124,922	\$ -	\$ 124,922	\$ 1,738	\$ 1,738
Project number 10-1530-0910		290,253	-	-	-	-	238,702	238,702
Subtotal Title I, Part A		560,337	268,345	124,922	-	124,922	240,440	240,440
ARRA - Title I Grants to Educational Agencies, Recovery Act - Project number 10-1535-0910								
	84.389	160,343	-	-	-	-	160,343	160,343
Total Title I, Part A Cluster		720,680	268,345	124,922	-	124,922	400,783	400,783
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - Passed through the Michigan Department of Education - ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (Education Stabilization Fund):								
Project number 0809-092525	84.394	1,217,364	1,217,364	1,217,364	-	1,217,364	-	-
Project number 0910-102525		917,992	-	-	-	917,992	917,992	-
Total State Fiscal Stabilization Fund Cluster		2,135,356	1,217,364	1,217,364	-	2,135,356	917,992	-
WIA Cluster - U.S. Department of Labor:								
Passed through the Macomb/St. Clair - Workforce Development Board - Michigan Works! Workforce Investment Act, Youth Activities:								
2008-2009	17.259	484,634	484,634	83,654	-	83,654	-	-
2009-2010		39,322	-	-	-	33,768	39,322	5,554
Passed through the Macomb/St. Clair - Workforce Development Board - Michigan Works! Workforce Investment Act, Adult Program -								
2009-2010	17.258	83,690	-	-	-	46,581	71,061	24,480
Passed through the Macomb/St. Clair - Workforce Development Board - Michigan Works! Workforce Investment Act, Dislocated Workers -								
2009-2010	17.260	32,638	-	-	-	3,299	3,299	-
Total WIA Cluster		640,284	484,634	83,654	-	167,302	113,682	30,034

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters (Continued):								
Employment Services Cluster - U.S. Department of Labor:								
Passed through the Macomb/St. Clair Workforce Development Board -								
Michigan Works! Wagner-Peyser Act:								
2008-2009	17.207	\$ 1,189,707	\$ 1,189,707	\$ 199,036	\$ -	\$ 199,036	\$ -	\$ -
2009-2010		2,051,911	-	-	-	1,866,317	2,051,911	185,594
Passed through the Washtenaw County Workforce Development Board -								
Wagner-Peyser Act:								
2008-2009	17.207	333,053	333,053	84,231	-	84,231	-	-
2009-2010		357,290	-	-	-	294,398	357,290	62,892
Total Employment Services Cluster		3,931,961	1,522,760	283,267	-	2,443,982	2,409,201	248,486
Other federal awards:								
U.S. Department of Education:								
Direct programs - Indian Education:								
2008-2009	84.060	158,727	158,727	85,838	-	85,838	-	-
2009-2010		134,290	-	-	-	56,981	134,290	77,309
Total direct programs - Indian Education		293,017	158,727	85,838	-	142,819	134,290	77,309
Passed through the Michigan Department of Education:								
Title IIA:								
Project number 09-0520-0809	84.367	98,839	34,561	25,645	-	25,645	64,278	64,278
Project number 10-0520-0910		99,978	-	-	-	-	5,656	5,656
Total Title IIA		198,817	34,561	25,645	-	25,645	69,934	69,934
ARRA - Title II D - Technology Literacy Challenge Fund:								
Project number 09-4290-0809	84.318	2,331	2,331	1,456	-	1,456	-	-
Project number 10-4295-0910		5,898	-	-	-	-	4,816	4,816
Total ARRA -Title II D		8,229	2,331	1,456	-	1,456	4,816	4,816
Adult Education - Project number 09-1120-950-0287	84.002A	30,000	30,000	9,906	-	9,906	-	-
Total noncluster programs passed through the Michigan Department of Education		237,046	66,892	37,007	-	37,007	74,750	74,750

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through the Macomb County ISD:								
Career and Technical Education - Basic Grants to States - (Perkins IV) - Project number 10-3520-101216	84.048A	\$ 21,008	\$ -	\$ -	\$ -	\$ 21,008	\$ 21,008	\$ -
Safe and Drug Free Schools and Communities - Project number 102860-0910	84.186	3,883	-	-	-	3,883	3,883	-
Total noncluster programs passed through the Macomb County ISD		24,891	-	-	-	24,891	24,891	-
Passed through other local school districts -								
Adult Education:								
Project number 10-1189-910-0197	84.002	45,000	-	-	-	19,144	45,000	25,856
Project number 10-5187-910-0197		37,000	-	-	-	8,794	37,000	28,206
Total Adult Education		82,000	-	-	-	27,938	82,000	54,062
Total U.S. Department of Education noncluster programs		636,954	225,619	122,845	-	232,655	315,931	206,121
U.S. Department of Health and Human Services:								
Passed through the Macomb/St. Clair Workforce Development Board -								
Temporary Assistance for Needy Families:								
2008-2009	93.558	888,956	888,956	95,918	-	95,918	-	-
2009-2010		949,847	-	-	-	864,913	949,847	84,934
Passed through the Washtenaw Country Workforce Development Board -								
Temporary Assistance for Needy Families:								
2008-2009	93.558	760,922	700,922	197,470	-	197,470	-	-
2009-2010		730,407	-	-	-	620,181	730,407	110,226
Total U.S. Department of Health and Human Services noncluster programs		3,330,132	1,589,878	293,388	-	1,778,482	1,680,254	195,160

See Notes to Schedule of Expenditures
of Federal Awards.

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Other federal awards (Continued):								
Trade Adjustment Assistance - U.S. Department of Labor - Passed through the Macomb/St. Clair Workforce Development Board - Michigan Works!:	17.245							
2008-2009		\$ 12,249	\$ 12,249	\$ 1,202	\$ -	\$ 1,202	\$ -	\$ -
2009-2010		<u>68,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,637</u>	<u>68,247</u>	<u>6,610</u>
Total U.S. Department of Labor noncluster programs		<u>80,496</u>	<u>12,249</u>	<u>1,202</u>	<u>-</u>	<u>62,839</u>	<u>68,247</u>	<u>6,610</u>
Total federal awards		<u>\$ 14,132,411</u>	<u>\$ 6,257,901</u>	<u>\$ 2,369,777</u>	<u>\$ -</u>	<u>\$ 8,190,295</u>	<u>\$ 7,547,195</u>	<u>\$ 1,726,677</u>

Lake Shore Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards 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, 2010. 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-133, 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 - Noncash Assistance

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

Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 and 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.

Lake Shore Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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 program(s):

- 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 program(s): Unqualified

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 Number(s)	Name of Federal Program or Cluster
84.027, 84.391, 84.173	Special Education Cluster (IDEA)
84.010, 84.389	Title I, Part A Cluster
17.207	Employment Service Cluster
84.394	State Fiscal Stabilization Fund Cluster
10.555, 10.553	Child Nutrition 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, 2010

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2010-01	<p>Program Name - National School Lunch Program (10.555), National School Breakfast Program (10.553)</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant internal control deficiency, noncompliance</p> <p>Criteria - The activities allowed or unallowed compliance requirement of the grant requires that the School District perform an annual on-site review of the food service program.</p> <p>Condition - The School District allowed the food service management company to perform the annual on-site review that is required to be completed by personnel of the School District.</p> <p>Questioned Costs - None</p> <p>Context - School districts are required to perform an annual on-site review of the food service program, performed by school district personnel. The School District did not have a control in place to ensure that this grant requirement was being satisfied.</p> <p>Cause and Effect - The School District was not aware of this compliance requirement and therefore allowed the food service management company to perform the annual on-site review.</p> <p>Recommendation - The School District should assign the appropriate personnel to perform this annual review so that it is completed by the School District, not the food service management company.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District will assign the appropriate personnel to performing this annual review.</p>