

Lake Shore Public Schools

**Federal Awards
Supplemental Information
June 30, 2011**

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, 2011, which collectively comprise Lake Shore Public Schools' basic financial statements, and have issued our report thereon dated November 4, 2011. 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 and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules 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

November 4, 2011

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, 2011, which collectively comprise Lake Shore Public Schools' basic financial statements, and have issued our report thereon dated November 4, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This finding is identified as Finding 2011-01 in the aforementioned schedule.

To the Board of Education
Lake Shore Public Schools

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This finding is identified as Finding 2011-02 in the aforementioned schedule.

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 also noted certain matters that we have reported to management of Lake Shore Public Schools in a separate letter dated November 4, 2011.

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

This report is intended solely for the information and use of management, others within the School District, the Board of Education, 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 & Morse, PLLC

November 4, 2011

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 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, 2011.

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 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.

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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2011-03 and 2011-04. 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' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lake Shore Public Schools' responses and, accordingly, we express no opinion on them.

To the Board of Education
Lake Shore Public Schools

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 & Morse, PLLC

November 8, 2011

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters:								
Child Nutrition Cluster -								
U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Noncash Assistance (Commodities) -								
National School Lunch ProgramEntitlement Commodities	10.555	\$ 54,415	\$ -	\$ -	\$ -	\$ 54,415	\$ 54,415	\$ -
Cash Assistance:								
National School Breakfast Program - 101970	10.553	80,943	80,943	5,186	-	5,186	-	-
National School Breakfast Program - 111970	10.553	83,090	-	-	-	79,517	83,090	3,573
National School Lunch Program - 101950	10.555	446,010	446,010	25,881	-	25,881	-	-
National School Lunch Program - 111950	10.555	480,299	-	-	-	463,535	480,299	16,764
Cash Assistance Subtotal		<u>1,090,342</u>	<u>526,953</u>	<u>31,067</u>	<u>-</u>	<u>574,119</u>	<u>563,389</u>	<u>20,337</u>
Total Child Nutrition Cluster		1,144,757	526,953	31,067	-	628,534	617,804	20,337
Supplemental Nutrition Assistance Program Cluster - U.S. Department of Agriculture - Passed through the Macomb/St. Clair Workforce Development Board - State Administrative Matching Grants for SNAP Contracts: 11-19-212, 11-19-213, 11-19-214								
	10.561	70,684	-	-	8,187	78,871	70,684	-
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 100-450-0910		679,195	600,804	389,781	-	468,172	78,391	-
Project number 110-450-1011		<u>1,229,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,182,090</u>	<u>1,229,717</u>	<u>47,627</u>
Subtotal IDEA, Part B	84.027	1,908,912	600,804	389,781	-	1,650,262	1,308,108	47,627
ARRA - IDEA, Part B, Recovery Act -								
Project number 100-455-0910	84.391	<u>787,517</u>	<u>383,852</u>	<u>218,635</u>	<u>-</u>	<u>567,975</u>	<u>403,665</u>	<u>54,325</u>
Total Special Education - Grants to States (IDEA, Part B)		2,696,429	984,656	608,416	-	2,218,237	1,711,773	101,952
Special Education - Preschool Grants (IDEA Preschool) -								
Project number 110-460-1011	84.173	<u>26,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,549</u>	<u>21,341</u>	<u>(5,208)</u>
Total Special Education Cluster		2,722,978	984,656	608,416	-	2,244,786	1,733,114	96,744

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters (Continued):								
Title I, Part A Cluster -								
U.S. Department of Education -								
Passed through the Michigan Department of Education:								
Title I, Part A - Improving Basic Programs:								
Project number 09-1530-0809	84.010	\$ 270,084	\$ 1,738	\$ 1,738	\$ -	\$ -	\$ -	\$ 1,738
Project number 10-1530-0910		290,253	238,702	238,702	-	256,513	51,551	33,740
Project number 11-1530-1011		327,280	-	-	-	140,438	274,288	133,850
Subtotal Title I, Part A		887,617	240,440	240,440	-	396,951	325,839	169,328
ARRA - Title I Grants to Educational Agencies, Recovery Act -								
Project number 10-1535-0910	84.389	160,343	160,343	160,343	-	160,343	-	-
Total Title I, Part A Cluster		1,047,960	400,783	400,783	-	557,294	325,839	169,328
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 1011-112525	84.394	388,326	-	-	-	388,326	388,326	-
Educational Technology State Grants Cluster - U.S. Department of Education -								
Passed through the Michigan Department of Education -								
ARRA - Title II D - Technology Literacy Challenge Fund - Project number 10-4295-0910								
	84.318	5,898	4,816	4,816	-	5,898	1,082	-
Other federal awards:								
U.S. Department of Education:								
Direct programs - Indian Education:								
2009-2010	84.060	134,290	134,290	77,309	-	77,309	-	-
2010-2011		119,294	-	-	-	119,294	119,294	-
Total direct programs - Indian Education		253,584	134,290	77,309	-	196,603	119,294	-
Passed through the Michigan Department of Education:								
Title IIA:								
Project number 09-0520-0809		98,839	64,278	64,278	-	64,278	-	-
Project number 10-0520-0910		99,978	5,656	5,656	-	69,908	94,322	30,070
Project number 11-0520-1011		101,003	-	-	-	-	4,531	4,531
Total Title IIA		299,820	69,934	69,934	-	134,186	98,853	34,601
Education Jobs Fund - Project number 112545-1011	84.410A	535,343	-	-	-	535,343	535,343	-
Total noncluster programs passed through the Michigan Department of Education		835,163	69,934	69,934	-	669,529	634,196	34,601

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
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 11-3520-11216	84.048	\$ 21,008	\$ -	\$ -	\$ -	\$ 21,008	\$ 21,008	\$ -
Passed through other local school districts:								
Adult Education:								
Project number 10-1189-910-0197	84.002	45,000	45,000	25,856	-	25,856	-	-
Project number 10-5187-910-0197		<u>37,000</u>	<u>37,000</u>	<u>28,206</u>	<u>-</u>	<u>28,206</u>	<u>-</u>	<u>-</u>
Total Adult Education		82,000	82,000	54,062	-	54,062	-	-
Adult Education:								
Project number 11-1130-111189	84.002A	40,500	-	-	-	38,783	40,500	1,717
Project number 11-1120-115187		<u>33,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,162</u>	<u>33,300</u>	<u>13,138</u>
Total Adult Education		<u>73,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,945</u>	<u>73,800</u>	<u>14,855</u>
Total noncluster programs passed through other local school districts		<u>155,800</u>	<u>82,000</u>	<u>54,062</u>	<u>-</u>	<u>113,007</u>	<u>73,800</u>	<u>14,855</u>
Total U.S. Department of Education noncluster programs		1,265,555	286,224	201,305	-	1,000,147	848,298	49,456
Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated:								
Contracts - 09-19-204, 09-19-205, 09-19-206, 09-19-207, 09-19-208, 09-19-209		2,146,799	-	-	-	-	-	-
U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Dislocated Workers	17.278	-	-	-	-	244,893	298,848	53,955
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Dislocated Workers	17.278	-	-	-	21,683	118,603	96,920	-
U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs	17.258	-	-	24,480	(24,480)	143,737	162,740	19,003
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs	17.258	-	-	-	17,297	29,205	11,908	-
U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Youth Activities	17.259	-	-	5,554	(5,554)	5,191	5,191	-
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Youth Activities	17.259	-	-	-	-	28,532	28,532	-
U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act	17.207	-	-	185,594	(38,981)	1,258,724	1,197,203	85,092
ARRA - U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act	17.207	-	-	-	-	123,056	123,056	-
Total Employment Services Training Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated		2,146,799	-	215,628	(30,035)	1,951,941	1,924,398	158,050
Employment Services Training Contract with the Washtenaw County Workforce Development Board:								
Contract - CR 41691.1		408,670	-	-	-	-	-	-
U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act	17.207	-	-	62,892	-	324,301	318,435	57,026
ARRA - U.S. Department of Labor - Employment Services Cluster - Wagner-Peyser Act	17.207	-	-	-	-	71,761	71,761	-
Total Employment Services Training Contracts with the Washtenaw County Workforce Development Board		408,670	-	62,892	-	396,062	390,196	57,026

Lake Shore Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2010	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Other federal awards (Continued):								
Jobs, Education, and Training (JET) Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated - Contracts: 11-19-212, 11-19-213, 11-19-214 - U.S. Department of Health and Human Services - TANF Cluster - Temporary Assistance for Needy Families								
	93.558	\$ 1,495,132	\$ -	\$ 84,934	\$ (8,882)	\$ 317,558	\$ 252,598	\$ 11,092
Jobs, Education, and Training (JET) Contract with the Washtenaw County Workforce Development Board Contract: CR 41677.1 - U.S. Department of Health and Human Services - TANF Cluster - Temporary Assistance for Needy Families								
	93.558	724,795	-	110,226	-	639,952	582,286	52,560
Computer Learning Center Contract with the Macomb/St. Clair Workforce Development Board, Incorporated: Contract: 08-19-201								
		54,504	-	-	-	-	-	-
U.S. Department of Health and Human Services - TANF Cluster - Temporary Assistance for Needy Families								
	93.558	-	-	-	-	12,011	12,760	749
U.S. Department of Labor - Trade Adjustment Assistance								
	17.245	-	-	6,610	-	32,102	25,492	-
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Youth Activities								
	17.259	-	-	-	1,121	1,121	-	-
U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Dislocated Workers								
	17.278	-	-	-	-	1,433	1,433	-
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Dislocated Workers								
	17.278	-	-	-	4,660	11,680	7,020	-
U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs								
	17.258	-	-	-	-	1,506	1,827	321
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs								
	17.258	-	-	-	468	6,440	5,972	-
Total Computer Learning Center Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated								
		54,504	-	6,610	6,249	66,293	54,504	1,070
Medical Coding and Billing Contract with the Macomb/St. Clair Workforce Development Board, Incorporated: Contract: 19211								
		21,838	-	-	-	-	-	-
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Adult Programs								
	17.258	-	-	-	10,925	20,552	9,627	-
ARRA - U.S. Department of Labor - WIA Cluster - Workforce Investment Act, Dislocated Workers								
	17.278	-	-	-	13,556	24,841	11,285	-
Total Medical Coding and Billing Contracts with the Macomb/St. Clair Workforce Development Board, Incorporated								
		21,838	-	-	24,481	45,393	20,912	-
Total federal awards								
		<u>\$ 11,497,896</u>	<u>\$ 2,203,432</u>	<u>\$ 1,726,677</u>	<u>\$ -</u>	<u>\$ 8,321,055</u>	<u>\$ 7,210,041</u>	<u>\$ 615,663</u>

Lake Shore Public Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 7,108,089
Add expenses incurred where revenue is not recorded, as revenue recognition criteria has not been met. Amounts are earned but not collectible within the period of availability	<u>101,952</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 7,210,041</u>

Lake Shore Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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 under programs of the federal government for the year ended June 30, 2011. 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 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.

Note 3 - Adjustments and Transfers

The schedule of expenditures of federal awards includes reclassifications of accounts receivable balances at June 30, 2010. Of the total accounts receivable balance of \$1,726,677 at June 30, 2010, \$307,172 of accounts receivable from the Macomb/St. Clair Workforce Development Board has been reclassified so that the accounts receivable balances at June 30, 2010 align with the funding sources during the year ended June 30, 2011.

Note 4 - Nonfederal Funding Sources

During the year ended June 30, 2011, the School District received \$935,819 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, 2011

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 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: 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 Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster (including commodities)
84.027, 84.391, 84.173	IDEA Special Education Cluster
84.394	Education Stabilization Funds Cluster
84.410A	Edu Jobs Fund
93.558	TANF Cluster
17.258, 17.259, 17.278	WIA Cluster
17.207	Employment Services 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, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-01	<p>Finding Type - Material weakness</p> <p>Criteria - In accordance with generally accepted accounting principles, the School District should record deferred revenue for amounts uncollected within 60 days of year end.</p> <p>Condition - The School District did not properly record deferred revenue related to grant revenue not received within 60 days after year end.</p> <p>Context - The School District did not properly recognize \$101,952 of deferred revenue at June 30, 2011. This represents 0.3 percent of the School District's reported General Fund revenue which should be recorded as deferred revenue.</p> <p>Cause - Management did not review the outstanding reimbursement requests as of June 30, 2011 related to federal awards. As a result, it was not identified that certain receivables were not collected within 60 days of June 30, 2011.</p> <p>Effect - General Fund revenue was overstated by \$101,952.</p> <p>Recommendation - The School District should implement procedures to allow for proper identification of deferred revenue.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and the recommendation. The School District will properly record deferred revenue and will review reports and records for appropriate amounts at year end to ensure that revenue is only recorded if revenue recognition criteria have been satisfied.</p>

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-02	<p>Finding Type - Significant deficiency</p> <p>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 accounts payable at year end.</p> <p>Condition - Some amounts were improperly excluded from the year-end accounts payable listing, and other amounts were improperly included in accounts payable.</p> <p>Context - During audit testing, it was noted that one invoice for \$24,025 was improperly not recorded as an account payable at June 30, 2011 and another invoice for \$3,595 was improperly included in accounts payable at June 30, 2011.</p> <p>Cause - During August 2011, the individual that reviews the School District's disbursements was not available to perform the review prior to the disbursements being made.</p> <p>Effect - Accounts payable cutoff procedures were not properly performed for one check run.</p> <p>Recommendation - A second individual should be trained to review disbursements so that if the primary reviewer is unavailable, proper review procedures can be performed.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and the recommendation. A second individual will be trained to review disbursements for cutoff.</p>

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-03	<p>Program Name - Child Nutrition Cluster; National School Lunch Program (10.555), National School Breakfast Program (10.553), U.S. Department of Agriculture, Michigan Department of Education, 111970 and 111950, 2010-2011</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Under Code of Federal Regulations Title 7, Chapter 2, Part 245 (7 CFR Section 245), eligibility to participate in the free and reduced meal program should be determined based on review of the student's application compared to national requirements for participation.</p> <p>Condition - During eligibility testing, clerical errors were identified which resulted in one case of improper denial from the program.</p> <p>Questioned Costs - None</p> <p>Context - The School District allows applicants to apply to the program using a paper application or the online portal. When paper applications are received by the School District, clerical staff are required to transfer the information into the Meal Magic software. Transposition errors occurred which resulted in one applicant being improperly denied inclusion in the program. Four other transposition errors were identified during the audit; however, those errors did not result in a change of benefits. A total of 43 applications were reviewed during the audit. No questioned costs were identified as no applicants were improperly included in the program.</p> <p>Cause and Effect - Paper applications that are received by the School District must be manually entered into the Meal Magic system. Inputs into the system determine eligibility. Transposition errors resulted in incorrect eligibility determination.</p> <p>Recommendation - A system of review of data manually entered into the system, after it has been input, should be put in place. This will assist in insuring that data entered into the system agrees to the physical application that was submitted by the applicant. To reduce clerical errors, the School District could also consider enforcing a requirement that all applicants apply to the program using online methods. This would reduce paperwork as well as the risk of clerical errors.</p>

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-03 (Continued)	Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and the recommendation. A second review of applications and the data entered into the software will be performed to ensure that data is properly being entered into the Meal Magic software.

Lake Shore Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-04	<p>Program Name - Special Education Cluster - Preschool Grants (84.173A), U.S. Department of Education, Michigan Department of Education, Macomb Intermediate School District, 110-460-1011, 2010-2011</p> <p>Pass-through Entity - Macomb Intermediate School District</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Under Code of Federal Regulations Title 31, Chapter 11, Part 205 (31 CFR Section 205), requests for reimbursement should not be submitted prior to the School District incurring and paying the related expenditures.</p> <p>Condition - It was identified during review of the schedule of expenditures of federal awards that total reimbursements for the program referenced exceeded total expenditures.</p> <p>Questioned Costs - None</p> <p>Context - The grant operates on a reimbursement basis. Once the School District incurs and liquidates the related liability, it is then permitted to request for reimbursement from the pass-through agency. In compiling the schedule of expenditures of federal awards, the School District identified that it had requested more funds than the School District had incurred related expenditures for the grant.</p> <p>Cause and Effect - The School District inadvertently requested reimbursement for expenditures that had not been incurred. The result is that federal funds have been received by the School District in excess of actual expenditures incurred by the amount of \$5,208.</p> <p>Recommendation - The School District should perform a more detailed analysis of expenditures incurred to date prior to submitting claims for reimbursement from the pass-through agency to help ensure that reimbursements are only received by the School District for expenditures already incurred and paid out in School District funds.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and the recommendation. The School District will perform a more detailed review of the reimbursement requests as well as the general ledger to ensure that costs being requested for reimbursement only include those actually incurred and paid.</p>

Lake Shore Public Schools

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-01	National School Lunch Program (10.555) and National School Breakfast Program (10.553)	The School District allowed the food service management company to perform the annual on-site review that is required to be performed by personnel of the School District.	Corrected	The finding has been corrected. The original corrective action plan was executed as planned.