



**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**



# LAKE MICHIGAN COLLEGE

## SINGLE AUDIT REPORT

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**INDEPENDENT AUDITORS' 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**

October 20, 2010

Board of Trustees  
Lake Michigan College  
Benton Harbor, Michigan

We have audited the financial statements of *Lake Michigan College*, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake Michigan College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Michigan College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lake Michigan College'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 entity'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Michigan College's 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 reported to management of Lake Michigan College in a separate letter dated October 20, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 20, 2010

Board of Trustees  
Lake Michigan College  
Benton Harbor, Michigan

**Compliance**

We have audited the compliance of *Lake Michigan College* 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. Lake Michigan College's major federal programs are identified in the summary of auditors' 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 Michigan College's management. Our responsibility is to express an opinion on Lake Michigan College's 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 Michigan College's 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 Michigan College's compliance with those requirements.

In our opinion, Lake Michigan College 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.

## Internal Control Over Compliance

The management of Lake Michigan College 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 Michigan College's 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, 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 entity'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 is not designed to identify all deficiencies in the 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.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS**

October 20, 2010

Board of Trustees  
Lake Michigan College  
Benton Harbor, Michigan

We have audited the financial statements of Lake Michigan College as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.



**LAKE MICHIGAN COLLEGE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grantor Contract Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed through Michigan Works!:			
Food Assistance Employment & Training (One Stop) 08/09	10.561	08-00-57811	\$ 4,484
Food Assistance Employment & Training (One Stop) 09/10	10.561	09-00-51392	14,737
Food Assistance Employment & Training (Three Rivers)	10.561	10-111-71	<u>16,229</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>35,450</u></b>
<b>U.S. Department of Labor</b>			
Passed through Michigan Works!:			
Employment Services Cluster:			
Employment Services/Wagner-Peyser Funded Activities 08/09	17.207	08-00-57811	33,474
Employment Services/Wagner-Peyser Funded Activities 09/10	17.207	09-00-51392	<u>220,859</u>
Total Employment Services Cluster			<u>254,333</u>
Workforce Investment Act (WIA) Cluster:			
WIA Adult Services 08/09	17.258	08-00-57811	394,054
WIA Adult Services 09/10	17.258	09-00-51392	409,322
ARRA - WIA Adult Services	17.258	09-00-51392	187,586
WIA Administrative Services	17.258	09-00-51392	31,845
ARRA - WIA Administrative Services	17.258	09-00-51392	3,205
WIA Dislocated Worker Services 08/09	17.260	08-00-57811	359,053
WIA Dislocated Worker Services 09/10	17.260	09-00-51392	317,913
ARRA - WIA Dislocated Worker Services	17.260	09-00-51392	275,669
WIA Youth Services - In School 08/09	17.259	08-00-57811	224,163
WIA Youth Services - In School 09/10	17.259	09-00-51392	223,100
WIA Youth Services - Summer In School 08/09	17.259	08-00-57811	521,942
WIA Youth Services- Out of School 08/09	17.259	08-00-57811	100,947
WIA Youth Services- Out of School 09/10	17.259	09-00-51392	135,941
WIA Youth Services - Summer Out of School 08/09	17.259	08-00-57811	225,261
WIA Youth Services - Summer Out of School 09/10	17.259	09-00-51392	26,514
WIA Statewide Activities Youth Training 08/09	17.259	08-00-57811	(73)
WIA Statewide Activities Youth Training 09/10	17.259	09-00-51392	6,787
WIA Incentive 09/10	17.259	09-00-51392	26,000
WIA Statewide Activities JAG 08/09	17.259	08-00-57811	51,399
ARRA - WIA Youth Services - In School 09/10	17.259	09-00-51392	176,590
WIA Statewide Activities JET	17.258	10-111-71	70,240
National Emergency Grant 08/09	17.259	08-00-57811	60,343
National Emergency Grant 09/10	17.259	09-00-51392	2,996
ARRA - National Emergency Grant	17.259	09-00-51392	567,210
National Career Readiness Certificate	17.260	09-00-51392	43,425
Energy Conservation Apprenticeship Readiness	17.260	09-00-51392	<u>150,813</u>
Total WIA Cluster			<u>4,592,245</u>
<b>Total U.S. Department of Labor</b>			<b><u>4,846,578</u></b>
<b>U.S. Department of Transportation</b>			
Passed through Michigan Works!:			
Highway Construction and Planning:			
Road Construction Apprenticeship Readiness I 08/09	20.205	08-00-57811	9,144
Road Construction Apprenticeship Readiness I 09/10	20.205	09-00-51392	32,237
Road Construction Apprenticeship Readiness II	20.205	09-00-51392	<u>122,104</u>
<b>Total U.S. Department of Transportation</b>			<b><u>163,485</u></b>

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**LAKE MICHIGAN COLLEGE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grantor Contract Number</b>	<b>Federal Expenditures</b>
<b>U.S. Nuclear Regulatory Commission</b>			
Direct Program:			
Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	N/A	\$ 36,485
Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	N/A	<u>2,683</u>
<b>Total U.S. Nuclear Regulatory Commission</b>			<b><u>39,168</u></b>
<b>U.S. Department of Education</b>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant Program	84.007	PO07A092028	71,250
Federal Work Study Program	84.033	PO07A092028	109,509
Pell Grant Program	84.063	PO63P091639	7,480,023
Federal Direct Student Loan Program	84.268	P268K101639	4,722,116
Academic Competitiveness Grant	84.375	P375A091639	<u>48,633</u>
Total Student Financial Aid Cluster			<u>12,431,531</u>
TRIO Cluster:			
Student Support Services 08/09	84.042A	P042A050463	46,160
Student Support Services 09/10	84.042A	P042A050463	260,097
Talent Search 08/09	84.044A	P044A070092	27,703
Talent Search 09/10	84.044A	P044A070092	223,306
Upward Bound 08/09	84.047A	P047A050139	108,910
Upward Bound 09/10	84.047A	P047A050139	238,816
Educational Opportunity Center 08/09	84.066A	P066A070068	54,065
Educational Opportunity Center 09/10	84.066A	P066A070068	<u>278,624</u>
Total TRIO Cluster			<u>1,237,681</u>
Higher Education - Institutional Aid:			
Strengthening Institutions 07/08	84.031A	P031A070049	2
Strengthening Institutions 08/09	84.031A	P031A070049	121,976
Strengthening Institutions 09/10	84.031A	P031A070049	<u>187,664</u>
Total Higher Education - Institutional Aid			<u>309,642</u>
Fund for the Improvement of Postsecondary Education	84.116	P116Z090313	<u>120,577</u>
Passed through Michigan Works!:			
Van Buren Adult Education 09/10	84.002	09-00-51392	<u>14,496</u>
Passed through Niles Community Schools:			
Niles Adult Education	84.002	N/A	<u>14,518</u>
Passed through the State of Michigan:			
Career and Technical Education - Basic Grants to States:			
CAP Leadership	84.048	93670	17,500
Regional Allocation	84.048	093510-902114	171,480
Local Administration	84.048	093250-902514	18,400
Total Career and Technical Education - Basic Grants to States			<u>207,380</u>
Tech-Prep Education:			
Ottawa Area ISD	84.243	113540-111412	9,000
Berrien RESA	84.243	103540-101419	32,500
Allegan AESA	84.243	103540-101413	19,660
Total Tech-Prep Education			<u>61,160</u>
<b>Total U.S. Department of Education</b>			<b><u>14,396,985</u></b>

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**LAKE MICHIGAN COLLEGE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grantor Contract Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed through Michigan Works!:			
Temporary Assistance to Needy Families (TANF):			
Work First Services - TANF 08/09	93.558	08-00-57811	\$ 286,780
Work First Services - TANF 09/10	93.558	09-00-51392	817,457
Work First Services - JET (Kalamazoo) 08/09	93.558	08-00-57811	917,494
Work First Services - JET (Kalamazoo) 09/10	93.558	09-00-51392	88,484
Work First Services - JET (Three Rivers) 08/09	93.558	08-00-57811	285,521
Work First Services - JET (Three Rivers) 09/10	93.558	09-00-51392	120,189
DHS Berrien County Support Services 09/10	93.558	09-00-51392	90,000
DHS Cass County Support Services 09/10	93.558	09-00-51392	11,677
DHS Cass County Support Services 08/09	93.558	08-00-57811	13,000
DHS Van Buren County Support Services 09/10	93.558	09-00-51392	7,004
WIA TANF	93.558	09-00-51392	89,071
TANF - Supportive Services (DHS)	93.558	09-00-51392	5,400
Total Temporary Assistance to Needy Families (TANF)			<u>2,732,077</u>
Passed through Western Michigan University:			
Special Minority Initiatives	93.960	N/A	<u>67</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>2,732,144</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 22,213,810</u></b>

See accompanying note to the Schedule of Expenditures of Federal Awards.

# LAKE MICHIGAN COLLEGE

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

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### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake Michigan College, whose financial statements are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the College's financial statements.

**LAKE MICHIGAN COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: *Unqualified*

Internal controls over financial reporting:

    Material weakness(es) identified?                   yes      X   no

    Significant deficiency (ies) identified?           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?           yes      X   none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?                   yes      X   no

***Identification of Major Programs***

***CFDA Number***

***Name of Federal Program or Cluster***

93.558   U.S. Department of Health and Human Services: Temporary Assistance for Needy Families

17.258, 17.259 and 17.260                                 U.S. Department of Labor: Workforce Investment Act (WIA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:              \$ 524,751  

Auditee qualified as low-risk auditee?              X   yes           no

**LAKE MICHIGAN COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**2009-1: Immaterial Noncompliance/Significant Deficiency in Internal Controls over Compliance  
U.S. Department of Education  
CFDA #84.031 Higher Education – Institutional Aid  
Procurement, Suspension and Debarment**

**Condition:** A contractual arrangement was entered into in the amount of \$40,000 that did not follow the College's formal procurement policy. No written vendor quotation was obtained in connection with this purchase, nor documentation retained detailing the reasons for a sole source purchase.

**Current Year Status:** No recurrence of this issue was noted during current year procurement testing. The finding was adequately resolved.

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