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# Lake Michigan College

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**June 30, 2019**

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Trustees  
Lake Michigan College

We have audited the financial statements of Lake Michigan College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 12, 2019, which contained an unmodified opinion on the financial statements. 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 November 12, 2019.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, 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*

November 12, 2019

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 Trustees  
Lake Michigan College

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 financial statements of Lake Michigan College (the "College") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 12, 2019. The financial statements of Lake Michigan College Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's 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*.

**The College's Response to the Finding**

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Trustees  
Lake Michigan College

**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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

November 12, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Trustees  
Lake Michigan College

**Report on Compliance for Each Major Federal Program**

We have audited Lake Michigan College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

Management of the College 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 the College's 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 the Uniform Guidance, 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 College's internal control over compliance.

To the Board of Trustees  
Lake Michigan College

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

November 12, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Assistance Cluster:				
U.S. Department of Education - Direct Program:				
Federal Supplemental Education Opportunity Grant Program 17/	84.007	P007A182028	\$ -	\$ 500
Federal Supplemental Education Opportunity Grant Program 18/	84.007	P007A192028	-	75,500
Federal Work Study Program 17/18	84.033	P033A182028	-	5,531
Federal Work Study Program 18/19	84.033	P033A192028	-	89,782
Federal Pell Grant Program 17/18	84.063	P063P181639	-	16,818
Federal Pell Grant Program 18/19	84.063	P063P191639	-	4,152,911
Direct Loan Programs:				
Federal Direct Student Loan Program 17/18	84.268	P268K181639	-	12,378
Federal Direct Student Loan Program 18/19	84.268	P268K191639	-	2,493,562
Total Federal Direct Student Loan Program			-	2,505,940
Total Student Financial Assistance Cluster			-	6,846,982
TRIO Cluster - U.S. Department of Education -				
Direct Program:				
Student Support Services 17/18	84.042A	P042A150673	-	51,635
Student Support Services 18/19	84.042A	P042A150673	-	249,537
Upward Bound 17/18	84.047A	P047A140724	-	100,100
Upward Bound 18/19	84.047A	P047A140724	-	249,987
Educational Opportunity Center 17/18	84.066A	P066A160032	-	52,487
Educational Opportunity Center 18/19	84.066A	P066A160032	-	281,133
Total TRIO Cluster			-	984,879
Workforce Investment Act (WIOA) Cluster -				
Direct Program -				
U.S. Department of Labor:				
WIOA Adult Services	17.258	AA283231655A26	-	9,246
WIOA Dislocated Worker Services	17.278	AA267861555A26	-	14,131
Total WIOA Cluster			-	23,377
Employment Services Cluster -				
U.S. Department of Labor - Passed through Kinexus -				
Employment Services/Wagner-Peyser Funded Activities	17.207	ES294191655A26	-	119,662
Total clusters			-	7,974,900

See notes to schedule of expenditures of federal awards.



# Lake Michigan College

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other U.S. Department of Labor Awards -				
Direct Program -				
Trade Case	17.245	TA26731555A26	\$ -	\$ 20,975
Other U.S. Department of Education Awards - Title III -				
Direct Program:				
Higher Education - Institutional Aid	84.031F	P031F170012	-	532,275
Passed through State of Michigan - Career and				
Technical Education - Basic Grants to States:				
Regional Allocation	84.048A	V048A170022-17A	-	244,479
Local Leadership	84.048A	V048A170022	-	9,200
National Endowments for the Arts -				
Passed through Michigan Council for Arts and Cultural Affairs -				
Promotion of the Arts Partnership Agreements -				
Art Services	45.025	18PS4185AC	-	1,300
Total other amounts			-	808,229
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 8,783,129</u>

See notes to schedule of expenditures  
of federal awards.

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## Notes to Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2019

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Michigan College (the "College") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The College has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

### Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the College carried forward and spent \$4,008 of 2017-2018 Federal Supplemental Education Opportunity Grant Program (84.007) funds in 2018-2019 and carried forward \$4,008 of 2018-2019 Federal Supplemental Education Opportunity Grant Program (84.007) funds to be spent in 2019-2020.

The College carried forward and spent \$5,612 of 2017-2018 Federal Work Study Program (84.033) funds in 2018-2019 and carried forward \$5,666 of 2018-2019 Federal Work Study Program (84.033) funds to be spent in 2019-2020.

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## Schedule of Findings and Questioned Costs

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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? X Yes \_\_\_ 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 None reported

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 2 CFR 200.516(a)? \_\_\_ Yes X No

Identification of major programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Row 1: 84.007, 84.033, 84.063, 84.268 Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes \_\_\_ No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Balances on the statement of net position should be reconciled and agreed to supporting documentation as of year end.</p> <p><b>Condition</b> - Certain balances on the statement of net position were not reconciled on a timely basis.</p> <p><b>Context</b> - Retainage amounts for the College's ongoing construction projects were not properly recorded to construction in progress and accounts. Additionally, the College's net position did not roll forward properly from the prior year due to incorrectly recorded entries to the College's pension- and OPEB-related accounts.</p> <p><b>Cause</b> - The College did not have sufficient staffing resources due to the departure of two accounting staff shortly after year end to be able to timely execute its closing procedures to ensure that all balances on the statement of net position were reconciled by the end of audit fieldwork.</p> <p><b>Effect</b> - An audit adjustment for construction retainage of \$1,544,975 was recorded to increase construction in progress and accounts payable. Additionally, an audit adjustment of \$5,555,565 was recorded to correct net position to properly roll forward from the prior year and adjust the College's pension- and OPEB-related accounts to the proper amounts.</p> <p><b>Recommendation</b> - We recommend the College replace accounting staff vacancies to allow enough staff to prepare and review reconciliations and post entries to properly close the financial statements on a regular basis on a timely basis.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with the finding and will continue to work on filling accounting staff vacancies to allow resources to ensure the balances on the statement of net position are reconciled to supporting documentation timely.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	