

Schedule of Expenditures
of Federal Award Programs
in Accordance with the Uniform Guidance

Lake Superior State University

Year Ended June 30, 2017

Lake Superior State University

Schedule of Expenditures
of Federal Award Programs
in Accordance with the Uniform Guidance

Year Ended June 30, 2017

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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*

Board of Trustees
Lake Superior State University
Sault Ste. Marie, Michigan

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 Superior State University (University) and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 Lake Superior State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 our testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Andrews Hooper Pavlik PLC

Midland, Michigan
December 13, 2017

Independent Auditors' Report on Compliance For Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Trustees
Lake Superior State University
Sault Ste. Marie, Michigan

Report on Compliance for Each Major Federal Program

We have audited Lake Superior State University's (University) 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 each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University'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* (Uniform Guidance). Those standards and 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 University'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 University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the University 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 University'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 University'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. *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.

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

We have audited the financial statements of Lake Superior State University and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 13, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes 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 basic 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 basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Andrews Hooper Paulik PLC

Midland, Michigan
December 13, 2017

Lake Superior State University

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title			Federal CFDA Number	Passed Through	Award # or Pass - through Grant #	Award Amount	Passed through to Subrecipient	Total Federal Expenditures
Student Financial Assistance Cluster:								
U.S. Department of Education								
21516	210	Federal Work Study 16-17	84.033	Direct	P033A152029	\$ 271,954	\$ -	\$ 291,622
21536	210	Federal SEOG 16-17	84.007	Direct	P007A152029	83,932		83,932
21555	210	Federal PELL Grant 2015-16	84.063	Direct	P063P140235	3,646,616		8,685
21556	210	Federal PELL Grant 2016-17	84.063	Direct	P063P150235	3,302,757		3,305,073
4815	48	William D. Ford Federal Direct Loan Program 15-16	84.268	Direct	P268K140235	10,247,550		(565)
4816	48	William D. Ford Federal Direct Loan Program 16-17	84.268	Direct	P268K150235	10,247,550		9,886,555
450	45	Federal Perkins Loan Program	84.038	Direct	P038A152029			2,662,321
21666	210	Teacher Education Assistance for College and Higher Education 16-17	84.379	Direct	P374T160235	3,728		3,728
U.S. Department of Health and Human Services								
470	47	Nursing Student Loans	93.364	Direct				716,065
Student Financial Assistance Cluster Total								16,957,416
Other Direct Programs:								
U.S. Department of Education								
21596	211	Upward Bound 2016-17 (Year 5 of 5)	84.047a	Direct	P047A160842	388,856		318,110
21565	10480	Title III SIP-TALK 2015-16 (Year 3 of 5)	84.031a	Direct	P031A150060	389,224		194,436
21566	10480	Title III SIP-TALK 2016-17 (Year 4 of 5)	84.031a	Direct	P031A150060	352,525		205,129
21375	10550	GEAR UP/KCP College Day 2015-16	84.334S	MWDA	15-00-05	32,951		9,920
21376	10550	GEAR UP/KCP College Day 2016-17	84.334S	MWDA	15-00-05	34,018		24,940
21335	10550	MCC/GEAR UP and College Positive Volunteerism 2015-16	84.334S	MWDA/MCC	GU15-02	15,000		2,597
21120	10171	Occupational Educational Services 2016-17	84.048a	MDE	163510/162132	89,537		89,537
U.S. Department of Education Subtotal								844,669
Research and Development Federal Awards:								
U.S. Department of Health and Human Services								
20136	10131	Synthesis and Antimicrobial Evaluation of Dihydroquinazolines	93.855	NIH	R03AI126233-01	70,133		89,437
U.S. Department of Agriculture								
20714	10121	Disparities in Food Access & Food Security of Populations in Michigan	10.310	UM	2012-68004-20028	46,790		20,042
U.S. Department of Commerce								
20804	10300	Little Rapids Habitat Restoration Monitoring Program 2014-16	11.463	NOAA/GLC	GLC-3230-3	99,370		39,287
U.S. Department of the Interior								
21716	10300	Sea Lamprey Study 16-17	15.662	Direct	F15AC00220	6,500		5,050
21717	10300	Sea Lamprey Study 17-18	15.662	Direct	F15AC00220	6,500		2,453
21736	10121	Great Lakes Piping Plover Nest Monitoring 16-17	15.662	USFWS	FWS-AES/TE	65,707		28,052
21737	10121	Great Lakes Piping Plover Nest Monitoring 17-18	15.662	USFWS	F17AP00476	65,707		38,351
21745	10121	Fish Migration and Health in Tributaries to Whitefish Bay	15.024	BMIC/BIA		80,033		(3,573)
National Science Foundation								
20637	10131	Spectrometer (400 MHz MRI) for Research and Research Training	47.049	Direct	CHE-1626523	399,500		399,500

See Notes to Schedule of Expenditures of Federal Awards.

Passed

Lake Superior State University

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title			Federal CFDA Number	Passed Through	Award # or Pass - through Grant #	Award Amount	through to Subrecipient	Total Federal Expenditures
U.S. Environmental Protection Agency								
20004	10300	Eurasian Watermilfoil Biocontrol-Didymo Surveillance Monitoring	15.662	MDEQ/EPA	2015-0101	\$ 115,000	\$ -	\$ 61,153
20014	10121	Controlling Wetlands Invaders-Energy Development	66.469	LUC/EPA	514545-LSSU	25,538		3,957
20075	10131	Great Lakes Coastal Wetland Monitoring: Continued Implementation	66.469	CMU/EPA	GL-00E01567-0	230,995		35,075
20026	10121	Activities	66.469	MDEQ	01E01195	6,719		2,222
Research and Development Federal Awards Total								721,006
U.S. Department of Agriculture								
20721	215	Summer Food Program	10.559	MDE	17SFP02000	6,000		6,905
20756	10121	NIFA Youth Education in Aquaculture	10.200	IAS	4164115M	22,471		21,029
20766	10151	NIFA Youth Education in Aquaculture-Web Support	10.200	IAS	4164115G	12,479		12,031
U.S. Department of Agriculture Total								39,965
National Endowment for the Humanities								
20306	10121	Visiting Writers Series 2017	45.129	MHC	Q007.17	500		500
National Endowment for the Humanities Total								500
Total Expenditures of Federal Awards							\$ -	\$ 18,563,556

See Notes to Schedule of Expenditures of Federal Awards.

Lake Superior State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the University under programs of the federal government for the fiscal year ended June 30, 2017. Expenditures reported on the SEFA are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Uniform Guidance. In addition, expenditures reported on the SEFA are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the SEFA presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the University.

The University reporting entity is defined in Note 1 to the University's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the SEFA.

2. Major Programs and Clusters

As defined in the Uniform Guidance, Student Financial Assistance programs are considered to be a cluster of programs and, accordingly, have been classified as one program for testing purposes. The Student Financial Assistance Cluster has been defined as a major program. In determining major programs, the entire Student Financial Assistance cluster was removed due to the large loan and loan guarantee funds within the cluster.

3. Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the SEFA.

There were \$2,264,406 of Federal Perkins Loans and \$622,794 of Nursing Student Loans outstanding as of June 30, 2017.

Lake Superior State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

3. Federal Student Loan Programs (continued)

Total program disbursements under the loan programs for the year ended June 30, 2017 were as follows:

Student Loans Awarded:	
Federal Perkins Loans	\$535,731
Nursing Student Loans	91,950

4. Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

5. Pass-Through Entities

The University receives certain federal grants as sub-awards from nonfederal entities. Pass-through entities, where applicable, have been identified in the SEFA with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
BIA	Bureau of Indian Affairs
BMIC	Bay Mills Indian Community
CMU	Central Michigan University
EPA	Environmental Protection Agency
GLC	Great Lakes Commission
IAS	Iowa State University
LUC	Loyola University Chicago
MCC	Michigan Campus Compact
MDE	Michigan Department of Education
MDEQ	Michigan Department of Labor and Economic Growth
MHC	Michigan Humanities Council
MWDA	Michigan Workforce Development Agency
NIH	National Institutes of Health
NOAA	National Oceanic and Atmospheric Administration
UM	University of Michigan
USFWS	United States Fish and Wildlife Service

Pass-through entity identifying numbers are presented where available.

Lake Superior State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major program:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness?	_____ Yes	<u> X </u> None Reported	
Type of auditors’ report issued on compliance for major program:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ Yes	<u> X </u> No	

Identification of major programs:

<u>Federal Grantor/Program Name</u>	<u>Federal Catalog or Grantor Number</u>
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Student Financial Assistance Cluster

U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 84.379; 93.364
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Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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Lake Superior State University

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2017

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questions Costs

None.

Lake Superior State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

None.