

Muskegon Community College
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditors' Reports
June 30, 2011

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**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***

November 9, 2011

Board of Trustees
Muskegon Community College
Muskegon, Michigan

We have audited the financial statements of Muskegon Community College as of and for the year ended June 30, 2011 and have issued our report thereon dated November 9, 2011. 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 Muskegon Community 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 Muskegon Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Muskegon Community 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 a 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.

Board of Trustees
November 9, 2011
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Compliance

As part of obtaining reasonable assurance about whether Muskegon Community 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*.

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

Brickley De Long, P.C.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

November 9, 2011

Board of Trustees
Muskegon Community College
Muskegon, Michigan

Compliance

We have audited Muskegon Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Muskegon Community College's cluster of major federal programs for the year ended June 30, 2011. Muskegon Community College's cluster of major federal programs is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its cluster of major federal programs is the responsibility of Muskegon Community College's management. Our responsibility is to express an opinion on Muskegon Community 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 Muskegon Community 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 of Muskegon Community College's compliance with those requirements.

In our opinion, Muskegon Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its cluster of major federal programs for the year ended June 30, 2011.

Board of Trustees
November 9, 2011
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Internal Control Over Compliance

Management of Muskegon Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Muskegon Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Muskegon Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Muskegon Community College as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

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

Brickley De Long, P.C.

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Education</i>								
Direct Programs:								
Student Financial Assistance Cluster								
Supplemental Education Opportunity Grant	84.007							
P007A092052		\$ 152,212	\$ 838	\$ 838	\$ 151,382	\$ -	\$ 151,382	\$ -
P007A102052		178,336	-	160,220	-	176,170	176,170	15,950
		<u>330,548</u>	<u>838</u>	<u>161,058</u>	<u>151,382</u>	<u>176,170</u>	<u>327,552</u>	<u>15,950</u>
College Work Study	84.033							
P033A102052		191,733	-	-	-	191,733	191,733	191,733
Pell Grant	84.063							
P063P091645		8,557,730	1,660	1,660	8,557,730	-	8,557,730	-
P063P101645		9,972,325	-	9,874,710	-	9,972,352	9,972,352	97,642
		<u>18,530,055</u>	<u>1,660</u>	<u>9,876,370</u>	<u>8,557,730</u>	<u>9,972,352</u>	<u>18,530,082</u>	<u>97,642</u>
Academic Competitiveness Grant	84.375							
P375A101645		61,640	-	57,875	-	61,640	61,640	3,765
Total Student Financial Assistance Cluster		<u>19,113,976</u>	<u>2,498</u>	<u>10,095,303</u>	<u>8,709,112</u>	<u>10,401,895</u>	<u>19,111,007</u>	<u>309,090</u>
TRIO - Upward Bound	84.047A							
P047A070135-0910		250,000	23,733	23,733	235,275	-	235,275	-
P047A070135-1011		250,000	-	203,030	-	223,586	223,586	20,556
		<u>500,000</u>	<u>23,733</u>	<u>226,763</u>	<u>235,275</u>	<u>223,586</u>	<u>458,861</u>	<u>20,556</u>
Total direct programs		<u>19,613,976</u>	<u>26,231</u>	<u>10,322,066</u>	<u>8,944,387</u>	<u>10,625,481</u>	<u>19,569,868</u>	<u>329,646</u>

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Education—Continued</i>								
Passed through the Michigan Department of Education:								
Carl D. Perkins Vocational Education Act								
CAP Leadership								
	84.048A							
093670-1024-20		\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ -	\$ 17,500	\$ -
103670-112420		31,479	-	-	-	29,071	29,071	29,071
		48,979	17,500	17,500	17,500	29,071	46,571	29,071
Local Leadership								
	84.048A							
103250-1025-20		18,250	17,647	17,647	17,647	-	17,647	-
113250-112520		18,250	-	-	-	17,521	17,521	17,521
		36,500	17,647	17,647	17,647	17,521	35,168	17,521
Fast Track								
	84.048A							
103290-1029-33-6		480	480	480	480	-	480	-
103290-1029-33-7		7,090	5,681	5,681	5,681	-	5,681	-
103290-1029-33-8		1,110	1,100	1,100	1,100	-	1,100	-
		8,680	7,261	7,261	7,261	-	7,261	-
Regional Allocation								
	84.048A							
103510-1021-20		272,923	272,923	272,923	272,923	-	272,923	-
113510-112120		296,440	-	-	-	296,440	296,440	296,440
		569,363	272,923	272,923	272,923	296,440	569,363	296,440
Total Carl D. Perkins Vocational Education Act passed through Michigan Department of Education		663,522	315,331	315,331	315,331	343,032	658,363	343,032
Total U.S. Department of Education		20,277,498	341,562	10,637,397	9,259,718	10,968,513	20,228,231	672,678

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Labor</i>								
Passed through Ottawa County Michigan Works! Agency:								
Employment Service Cluster								
Wagner-Peyser Employment Services								
	17.207	\$ 261,009	\$ 24,249	\$ 46,388	\$ 238,870	\$ 22,139	\$ 261,009	\$ -
		37,000	-	36,799	-	36,799	36,799	-
		298,009	24,249	83,187	238,870	58,938	297,808	-
ARRA - Wagner-Peyser Employment Services								
	17.207	34,031	10,000	10,000	34,031	-	34,031	-
ARRA - Employment Services Career Navigator								
	17.207	32,940	24,629	24,629	32,940	-	32,940	-
Total Employment Service Cluster								
		364,980	58,878	117,816	305,841	58,938	364,779	-
Workforce Investment Act Cluster								
Workforce Investment Act Adult								
	17.258	180,093	24,680	24,680	137,629	-	137,629	-
ARRA - Adult								
	17.258	188,385	22,447	22,447	138,471	-	138,471	-
Workforce Investment Act In-School Youth								
	17.259	20,816	3,455	3,455	20,816	-	20,816	-
Workforce Investment Act Out-of-School Youth								
	17.259	8,324	1,099	1,099	6,828	-	6,828	-
ARRA - National Emergency Grant								
	17.260	685,076	150,833	150,833	486,106	-	486,106	-
Workforce Investment Act Dislocated Worker								
	17.260	532,570	100,088	100,088	522,806	-	522,806	-
Total WIA Cluster								
		1,615,264	302,602	302,602	1,312,656	-	1,312,656	-
Total Passed through Ottawa County Michigan Works! Agency								
		1,980,244	361,480	420,418	1,618,497	58,938	1,677,435	-

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Labor—Continued</i>								
Passed through Muskegon/Oceana Consortium Michigan Works! Agency: Workforce Investment Act Cluster Energy Conservation Apprenticeship Readiness 2010	17.258	\$ 52,500	\$ 42,945	\$ 49,658	\$ 42,945	\$ 6,713	\$ 49,658	\$ -
Total U.S. Department of Labor		2,032,744	404,425	470,076	1,661,442	65,651	1,727,093	-
<i>National Science Foundation</i>								
Direct Programs Muskegon Scholars DUE-0726745	47.076	473,310	20,514	104,396	185,641	83,882	269,523	-
<i>Coproration for National and Community Service</i>								
Passed through Grand Valley State University: Great Lakes Innovative Stewardship Through Education Network 09LHAPA002	94.005	7,300	-	1,530	-	2,914	2,914	1,384
TOTAL FEDERAL ASSISTANCE		\$ 22,790,852	\$ 766,501	\$ 11,213,399	\$ 11,106,801	\$ 11,120,960	\$ 22,227,761	\$ 674,062

Muskegon Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. The value of Guaranteed Student Loans for the year ended June 30, 2011 was \$3,416,360.
3. The value of Federal PLUS Loans for the year ended June 30, 2011 was \$45,022.
4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2011
financial statements

Restricted Fund \$ 11,120,960

Expenditures per single audit report

Schedule of Expenditures of Federal Awards \$ 11,120,960

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2011

SECTION I—SUMMARY OF AUDITORS’ RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

2. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. 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

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

3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

U.S. Department of Education

84.007, 84.033, 84.063 and 84.375

• Student Financial Assistance Cluster

5. Dollar threshold used to distinguish between type A and type B programs: **\$333,629**

6. Auditee qualified as low-risk auditee? X yes _____ no

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 9, 2011

U.S. Department of Education
Washington, D.C.

Muskegon Community College respectfully advises you that there were *no* audit findings reported in our single audit report, dated November 8, 2010, for the year ended June 30, 2010.

Sincerely,

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

Rosemary A. Zink
Vice President of Finance and Administration

CORRECTIVE ACTION PLAN

November 9, 2011

U.S. Department of Education
Washington, D.C.

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2011

The findings from the Schedule of Findings and Responses for the year ended June 30, 2011 provided *no* findings in either Section II or Section III. Accordingly, there are *no* matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were *no* compliance findings and *no* significant deficiencies in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were *no* compliance findings and *no* significant deficiencies in relation to the major federal award programs.

If the U.S. Department of Education has questions regarding this plan, please call Rosemary Zink at (231) 777-0314.

Sincerely,



Rosemary A. Zink
Vice President of Finance and Administration