

Muskegon Community College  
**SINGLE AUDIT OF FEDERAL  
FINANCIAL ASSISTANCE PROGRAMS**  
Financial Report and  
Independent Auditor's Reports  
June 30, 2017



**Muskegon Community College**

Muskegon Community College

**C O N T E N T S**

FINANCIAL REPORT AND INDEPENDENT AUDITOR'S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

INDEPENDENT AUDITOR'S 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*.....1

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**INDEPENDENT AUDITOR'S 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 10, 2017

Board of Trustees  
Muskegon Community College  
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Muskegon Community College and its discretely presented component unit as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Muskegon Community College's basic financial statements, and have issued our report thereon dated November 10, 2017.

**Internal Control Over Financial Reporting**

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

Board of Trustees  
Muskegon Community College  
November 10, 2017  
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**Compliance and Other Matters**

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

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

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style with a large, looped initial 'B'.

Muskegon, Michigan

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

November 10, 2017

Board of Trustees  
Muskegon Community College  
Muskegon, Michigan

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

We have audited Muskegon Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Muskegon Community College's major federal programs for the year ended June 30, 2017. Muskegon Community College's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Responses.

***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 programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Muskegon Community 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 (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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Muskegon Community College's compliance.

Board of Trustees  
Muskegon Community College  
November 10, 2017  
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***Opinion on Each Major Federal Program***

In our opinion, Muskegon Community College 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 Muskegon Community 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 Muskegon Community 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 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 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.

Board of Trustees  
Muskegon Community College  
November 10, 2017  
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**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Muskegon Community College and its discretely presented component unit as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Muskegon Community College's basic financial statements. We issued our report thereon dated November 10, 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 to 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.



Muskegon, Michigan

Muskegon Community College  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2017

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2016	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2017	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Education</i>									
Direct Programs:									
Student Financial Assistance Cluster									
Federal Supplemental Educational Opportunity Grants	84.007								
P007A152052		\$ 204,306	\$ 64,306	\$ -	\$ 64,306	\$ 204,306	\$ -	\$ -	\$ -
P007A162052		191,081	-	-	120,000	-	191,081	71,081	-
		<u>395,387</u>	<u>64,306</u>	<u>-</u>	<u>184,306</u>	<u>204,306</u>	<u>191,081</u>	<u>71,081</u>	<u>-</u>
Federal Work-Study Program	84.033								
P033A162052		165,839	-	-	165,839	-	165,839	-	-
Federal Pell Grant Program	84.063								
P063P151645		5,538,492	138,492	-	138,492	5,538,492	-	-	-
P063P161645		5,098,401	-	-	4,974,995	-	5,098,401	123,406	-
P063Q151645		9,645	675	-	675	9,645	-	-	-
P063Q161645		8,595	-	-	8,005	-	8,595	590	-
		<u>10,655,133</u>	<u>139,167</u>	<u>-</u>	<u>5,122,167</u>	<u>5,548,137</u>	<u>5,106,996</u>	<u>123,996</u>	<u>-</u>
Total Student Financial Assistance Cluster		11,216,359	203,473	-	5,472,312	5,752,443	5,463,916	195,077	-
TRIO—Upward Bound	84.047								
P047A120578		1,244,425	29,165	-	208,720	903,767	251,741	72,186	-
Total Direct Programs		12,460,784	232,638	-	5,681,032	6,656,210	5,715,657	267,263	-
Passed through Michigan Workforce Development Agency:									
Career and Technical Education—Basic Grants to States									
Local Leadership	84.048								
163250-162520		18,400	4,900	-	4,900	18,400	-	-	-
173250-172520		9,200	-	-	7,784	-	9,200	1,416	-
		<u>27,600</u>	<u>4,900</u>	<u>-</u>	<u>12,684</u>	<u>18,400</u>	<u>9,200</u>	<u>1,416</u>	<u>-</u>
Local Annual	84.048								
163510-162120		207,615	87,615	-	87,615	207,615	-	-	-
173510-172120		193,217	-	-	132,054	-	193,217	61,163	-
		<u>400,832</u>	<u>87,615</u>	<u>-</u>	<u>219,669</u>	<u>207,615</u>	<u>193,217</u>	<u>61,163</u>	<u>-</u>
Total passed through Michigan Workforce Development Agency		428,432	92,515	-	232,353	226,015	202,417	62,579	-
Total U.S. Department of Education		12,889,216	325,153	-	5,913,385	6,882,225	5,918,074	329,842	-

Muskegon Community College  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued**  
For the year ended June 30, 2017

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2016	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2017	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Agriculture</i>									
Passed through Michigan Department of Education: Summer Food Service Program for Children	10.559								
160900		\$ 2,358	\$ -	\$ -	\$ 2,358	\$ -	\$ 2,358	\$ -	\$ -
161900		208	-	-	208	-	208	-	-
Total U.S. Department of Agriculture		2,566	-	-	2,566	-	2,566	-	-
<i>U.S. Department of Commerce</i>									
Direct Programs: Investments for Public Works and Economic Development Facilities	11.300								
06-01-05989		2,514,000	-	-	1,709,074	-	2,340,465	631,391	-
<i>U.S. Department of Labor</i>									
Passed through Northern Virginia Community College: Trade Adjustment Assistance Community College and Career Training Grants	17.282								
TC-23776-12-60-A-51		657,868	21,299	-	63,709	615,458	42,410	-	-
<i>National Science Foundation</i>									
Passed through Finger Lakes Community College: Education and Human Resources	47.076								
1524353 Year 1		17,468	10,928	-	16,021	10,928	5,093	-	-
1524353 Year 2		17,893	-	-	12,779	-	17,193	4,414	-
Total National Science Foundation		35,361	10,928	-	28,800	10,928	22,286	4,414	-
<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 16,099,011</b>	<b>\$ 357,380</b>	<b>\$ -</b>	<b>\$ 7,717,534</b>	<b>\$ 7,508,611</b>	<b>\$ 8,325,801</b>	<b>\$ 965,647</b>	<b>\$ -</b>

The accompanying notes are an integral part of this schedule.

Muskegon Community College  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For the year ended June 30, 2017

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2017. The information in this 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 (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 or change in net position of the College.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report (Grant Auditor Report) in preparing the Schedule of Expenditures of Federal Awards.
4. The value of Guaranteed Student Loans for the year ended June 30, 2017 was \$2,712,572.
5. The value of Federal PLUS Loans for the year ended June 30, 2017 was \$46,184.
6. 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, 2017 financial statements	
Restricted Fund	<u><u>\$ 8,325,801</u></u>
Expenditures per single audit report	
Schedule of Expenditures of Federal Awards	<u><u>\$ 8,325,801</u></u>

Muskegon Community College  
**SCHEDULE OF FINDINGS AND RESPONSES**  
 Year ended June 30, 2017

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

*A. Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes      X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*B. Federal Awards*

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes      X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes      X   no

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
	<b>U.S. Department of Education</b>
<b>84.007, 84.033, and 84.063</b>	<b>Student Financial Assistance Cluster</b>
	<b>U.S. Department of Commerce</b>
<b>11.300</b>	<b>Investments for Public Works and Economic Development Facilities</b>

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE

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

NONE

**CLIENT DOCUMENTS**



# Muskegon Community College

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 10, 2017

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

Muskegon Community College respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2016 dated November 11, 2016.

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### **Finding 2016-001: MATERIAL WEAKNESS—Account Balance Reconciliations**

*Condition:* There were a significant number of general ledger account balances that were not reconciled to supporting documentation on a timely basis during the fiscal year, resulting in year-end client and audit adjusting journal entries.

*Recommendation:* The utilization of a monthly closing checklist with signoffs and dating, along with written procedures, would encourage personnel to review the accuracy of month-end balances through analysis of account activity, comparison to supporting documentation, and/or reconciliation with detailed schedules and make necessary journal entries on a timely basis.

*Current Status:* This recommendation was implemented during the year ended June 30, 2017. **No** similar finding was reported during the single audit for the year ended June 30, 2017.

#### **Finding 2016-002: MATERIAL WEAKNESS—Bank Reconciliation Procedures**

*Condition:* General Fund bank accounts were not being reconciled and reviewed on a timely basis.

*Recommendation:* Bank reconciliations should be timely prepared and reviewed and any reconciliation discrepancies should be followed up on in a timely manner.

*Current Status:* This recommendation was implemented during the year ended June 30, 2017. **No** similar finding was reported during the single audit for the year ended June 30, 2017.

U.S. Department of Education  
November 10, 2017  
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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were *no* findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Ken Long".

Ken Long  
Director of Financial Services



# Muskegon Community College

## CORRECTIVE ACTION PLAN

November 10, 2017

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

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2017

The findings from the Schedule of Findings and Responses for the year ended June 30, 2017 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* findings in relation to the financial statement audit.

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

There were *no* findings in relation to the major federal award programs.

If the U.S. Department of Education has questions regarding this plan, please call Ken Long at (231) 777-0560.

Sincerely,

A handwritten signature in cursive script that reads "Ken Long".

Ken Long  
Director of Financial Services