

Muskegon Community College  
**SINGLE AUDIT OF FEDERAL  
FINANCIAL ASSISTANCE PROGRAMS**  
Financial Report and  
Independent Auditors' Reports  
June 30, 2014



**Muskegon Community College**

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

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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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 10, 2014

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, 2014, 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, 2014.

### **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  
November 10, 2014  
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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.



Muskegon, Michigan

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

November 10, 2014

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 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, 2014. 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.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 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 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  
November 10, 2014  
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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 its cluster of major federal programs for the year ended June 30, 2014.

***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 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. *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 requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees  
November 10, 2014  
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**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2014, 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, 2014, which contained an unmodified opinion 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 OMB Circular A-133 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, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2013	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2014	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Education</i>										
Direct Programs:										
Student Financial Assistance Cluster										
Federal Supplemental Educational Opportunity Grants	84.007									
P007A122052		\$ 219,790	\$ 59,790	\$ 59,790	\$ 205,621	\$ -	\$ 205,621	\$ -	\$ -	
P007A132052		186,957	-	179,000	-	186,957	186,957	7,957	-	
		<u>406,747</u>	<u>59,790</u>	<u>238,790</u>	<u>205,621</u>	<u>186,957</u>	<u>392,578</u>	<u>7,957</u>	<u>-</u>	
Federal Work-Study Program	84.033									
P033A122052		193,354	118,354	118,354	193,354	-	193,354	-	-	
P033A132052		169,193	-	169,193	-	169,193	169,193	-	-	
		<u>362,547</u>	<u>118,354</u>	<u>287,547</u>	<u>193,354</u>	<u>169,193</u>	<u>362,547</u>	<u>-</u>	<u>-</u>	
Federal Pell Grant Program	84.063									
P063P121645		8,249,383	60,714	59,383	8,249,383	-	8,249,383	-	(1,331)	5
P063P131645		7,482,771	-	7,445,000	-	7,482,771	7,482,771	37,771	-	
		<u>15,732,154</u>	<u>60,714</u>	<u>7,504,383</u>	<u>8,249,383</u>	<u>7,482,771</u>	<u>15,732,154</u>	<u>37,771</u>	<u>(1,331)</u>	
Postsecondary Education Scholarships for Veteran's Dependents	84.408									
P408A131645		5,159	-	5,159	-	5,081	5,081	(78)	-	
Total Student Financial Assistance Cluster		16,506,607	238,858	8,035,879	8,648,358	7,844,002	16,492,360	45,650	(1,331)	
TRIO - Upward Bound	84.047									
P047A070135		486,925	30,752	251,599	150,033	249,188	399,221	28,341	-	
Total Direct Programs		16,993,532	269,610	8,287,478	8,798,391	8,093,190	16,891,581	73,991	(1,331)	



Muskegon Community College  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED**  
For the year ended June 30, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2013	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2014	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Education—Continued</i>										
Passed through the Michigan Department of Education:										
Career and Technical Education—Basic Grants to States										
Local Leadership										
	84.048									
133250-132520		\$ 18,250	\$ 3,587	\$ 3,587	\$ 18,250	\$ -	\$ 18,250	\$ -	\$ -	
143250-142520		18,250	-	17,596	-	18,250	18,250	654	-	
		<u>36,500</u>	<u>3,587</u>	<u>21,183</u>	<u>18,250</u>	<u>18,250</u>	<u>36,500</u>	<u>654</u>	<u>-</u>	
Local Annual										
	84.048									
133510-132120		270,764	56,414	56,414	270,764	-	270,764	-	-	
143510-142120		213,925	-	199,641	-	213,925	213,925	14,284	-	
		<u>484,689</u>	<u>56,414</u>	<u>256,055</u>	<u>270,764</u>	<u>213,925</u>	<u>484,689</u>	<u>14,284</u>	<u>-</u>	
CAP Leadership										
	84.048									
133670-132420		3,550	1,089	1,089	3,550	-	3,550	-	-	
133670-1324202		2,700	2,700	2,700	2,700	-	2,700	-	-	
143670-142420		5,450	-	4,750	-	4,750	4,750	-	-	
143670-1424202		7,500	-	7,181	-	7,181	7,181	-	-	
		<u>19,200</u>	<u>3,789</u>	<u>15,720</u>	<u>6,250</u>	<u>11,931</u>	<u>18,181</u>	<u>-</u>	<u>-</u>	
Total passed through Michigan Department of Education		<u>540,389</u>	<u>63,790</u>	<u>292,958</u>	<u>295,264</u>	<u>244,106</u>	<u>539,370</u>	<u>14,938</u>	<u>-</u>	
Total U.S. Department of Education		17,533,921	333,400	8,580,436	9,093,655	8,337,296	17,430,951	88,929	(1,331)	

Muskegon Community College  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED**  
For the year ended June 30, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2013	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2014	Adjustments	Notes
					Prior year(s)	Current year	Total			
<b>Department of Labor</b>										
Passed through Northern Virginia Community College: Trade Adjustment Assistance Community College and Career Training Grants TC-23776-12-60-A-51	17.282	\$ 493,048	\$ 4,581	\$ 228,623	\$ 8,956	\$ 269,845	\$ 278,801	\$ 45,803	\$ -	
<b>National Science Foundation</b>										
Passed through Finger Lakes Community College: Education and Human Resources 1118679	47.076	10,000	390	2,610	592	2,220	2,812	-	-	
Passed through Grand Valley State University: Education and Human Resources GVSU-225251-1	47.076	17,759	786	5,768	10,180	4,982	15,162	-	-	
Passed through Western Michigan University: Education and Human Resources DUE-1140348	47.076	4,000	-	1,780	1,780	1,515	3,295	1,515	1,780	6
Total National Science Foundation		31,759	1,176	10,158	12,552	8,717	21,269	1,515	1,780	
<b>Department of Health and Human Services</b>										
Passed through Grand Valley State University: Nursing Workforce Diversity GVSU-207014-02-04	93.178	13,303	49	49	6,212	-	6,212	-	-	
<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 18,072,031</b>	<b>\$ 339,206</b>	<b>\$ 8,819,266</b>	<b>\$ 9,121,375</b>	<b>\$ 8,615,858</b>	<b>\$ 17,737,233</b>	<b>\$ 136,247</b>	<b>\$ 449</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, 2014

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the College under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, 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. Pass-through entity identifying numbers are presented where available.
3. The value of Guaranteed Student Loans for the year ended June 30, 2014 was \$4,013,857.
4. The value of Federal PLUS Loans for the year ended June 30, 2014 was \$37,797.
5. Accrued revenue as of July 1, 2013 was overstated by \$1,331 due to an administrative cost allowance incorrectly applied to the award as well as a return of funds due to an uncashed student check.
6. Accrued revenue as of July 1, 2013 was understated by \$1,780 as this amount was incorrectly reported as having been received in the prior year.
7. 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, 2014  
financial statements

Restricted Fund	\$ 8,615,858
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Expenditures per single audit report

Schedule of Expenditures of Federal Awards	\$ 8,615,858
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Muskegon Community College  
**SCHEDULE OF FINDINGS AND RESPONSES**  
 Year ended June 30, 2014

**SECTION I—SUMMARY OF AUDITORS’ RESULTS**

*A. Financial Statements*

1. Type of auditors' report issued: **Unmodified**
2. 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
3. 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: **Unmodified**
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:
 

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
<b>84.007, 84.033, 84.063, and 84.408</b>	<b>U.S. Department of Education Student Financial Assistance Cluster</b>
5. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

November 10, 2014

U.S. Department of Education  
Washington, DC

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, 2013 dated November 11, 2013.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2013-001: MATERIAL WEAKNESS – Internal controls surrounding fixed assets should be improved.**

*Condition:* During our review of depreciation calculations, we noted one asset whose depreciation life was erroneously decreased. The College personnel are utilizing manual spreadsheets to track assets and compute depreciation and accumulated depreciation. Manual schedules are prone to contain errors and are difficult and time intensive to review.

*Recommendation:* The College should utilize fixed asset tracking software that automates the roll-forward process of accumulated depreciation from one accounting period to the next.

*Current Status:* This recommendation was implemented during the year ended June 30, 2014. **No** similar finding was reported during the single audit for the year ended June 30, 2014. The College is now utilizing the fixed asset tracking module within its accounting software package, which automates the roll-forward process of accumulated depreciation from one accounting period to the next.

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

There were **no** findings reported in relation to major federal awards reported during the single audit for the year ended June 30, 2013.

Sincerely,



Beth Dick  
Director of Finance

**CORRECTIVE ACTION PLAN**

November 10, 2014

U.S. Department of Education  
Washington, DC

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2014

The findings from the Schedule of Findings and Responses for the year ended June 30, 2014 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 Beth Dick at (231) 777-0560.

Sincerely,



Beth Dick  
Director of Finance