

ALPENA COMMUNITY COLLEGE

Federal Awards Supplemental Information
For The Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Alpena Community College
Alpena, Michigan

We have audited the basic financial statements of **Alpena Community College** and its discretely presented component unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise **Alpena Community College's** basic financial statements. We issued our report thereon dated October 3, 2016, which contained an unmodified opinion on the basic financial statements of **Alpena Community College**. Our audit was conducted for the purpose of forming an opinion 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 October 3, 2016.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (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 basic 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.

Straley Lamp & Kraenzlein P.C.

January 6, 2017

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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

To the Board of Trustees
Alpena Community College
Alpena, Michigan

Report on the Financial Statements

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of **Alpena Community College** and its discretely presented component unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise **Alpena Community College's** basic financial statements, and have issued our report thereon dated October 3, 2016. The financial statements of the discretely presented component unit 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 **Alpena 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 **Alpena Community College's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Alpena 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Alpena Community College's** basic 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.

Straley Lamp & Kraenzlein P.C.

October 3, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Alpena Community College
Alpena, Michigan

Report on Compliance for Each Major Federal Program

We have audited **Alpena Community College's** 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 **Alpena Community College's** major federal programs for the year ended June 30, 2016. **Alpena Community College's** major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Alpena 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 **Alpena 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 **Alpena Community College's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Alpena 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, 2016.

Report on Internal Control over Compliance

Management of **Alpena 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 **Alpena 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 **Alpena 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.

Purpose of the Report

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.

Straley Lamp & Kraenzlein P.C.

January 6, 2017

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Alpena Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Grant/Project Number	Approved Awards Amount	(Memo Only) Prior Year(s) Expenditure
<u>U.S. Department of Labor</u>				
Direct Programs:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26458-QVO	\$ 2,500,000	\$ 220,992
Total U.S. Department of Labor			<u>2,500,000</u>	<u>220,992</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Student Financial Assistance Programs Cluster:				
Federal Supplemental Educational Opportunity Grants (FSEOG) 2015/2016	* 84.007	P007A151973	<u>42,460</u>	<u>-</u>
			42,460	-
Federal Work-Study Program (FWS) 2014/2015 (FWS) 2015/2016	* 84.033	P033A141973 P033A151973	91,825 94,857	58,439 -
			<u>186,682</u>	<u>58,439</u>
Federal Pell Grant Program (PELL) 2015/2016 (PELL) Administration 2014/2015 (PELL) Administration 2015/2016	* 84.063	P063P151622 P063Q141622 P063Q151622	2,550,728 4,530 3,660	- 4,455 -
			<u>2,558,918</u>	<u>4,455</u>
Federal Direct Student Loans (Direct Loan) 2014/2015 Federal Direct - Subsidized Federal Direct - Unsubsidized Federal Direct - Plus	* 84.268	P268K151622	1,349,668 1,069,891 56,808	1,351,199 1,072,177 56,808
			<u>2,476,367</u>	<u>2,480,184</u>
Federal Direct Student Loans (Direct Loan) 2015/2016 Federal Direct - Subsidized Federal Direct - Unsubsidized Federal Direct - Plus	* 84.268	P268K161622	1,170,619 959,991 73,854	- - -
			<u>2,204,464</u>	<u>-</u>
Total Student Financial Assistance Programs Cluster			<u>7,468,891</u>	<u>2,543,078</u>

* Major Program

Revenue Accrued (Unearned) at June 30, 2015	Current Year			Revenue Accrued (Unearned) at June 30, 2016	Current Year Cash Transferred To Subrecipients
	Receipts	Adjustments and Transfers	Expenditures		
\$ 45,749	\$ 1,010,756	\$ -	\$ 978,913	\$ 13,906	\$ -
45,749	1,010,756	-	978,913	13,906	-
-	42,460	15,440	57,900	-	-
-	42,460	15,440	57,900	-	-
-	33,386	-	33,386	-	-
-	72,096	(15,440)	56,603	(53)	-
-	105,482	(15,440)	89,989	(53)	-
-	2,550,728	-	2,550,728	-	-
-	75	-	75	-	-
-	3,660	-	3,660	-	-
-	2,554,463	-	2,554,463	-	-
-	(1,531)	-	(1,531)	-	-
-	(2,286)	-	(2,286)	-	-
-	-	-	-	-	-
-	(3,817)	-	(3,817)	-	-
-	1,170,619	-	1,170,619	-	-
-	959,991	-	959,991	-	-
-	73,854	-	73,854	-	-
-	2,204,464	-	2,204,464	-	-
-	4,903,052	-	4,902,999	(53)	-

The accompanying notes to financial statements are an integral part of this statement.

Alpena Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Program Title/Project Number/Subrecipient Name</u>	<u>Federal CFDA Number</u>	<u>Grant/Project Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year(s) Expenditure</u>
<u>U.S. Department of Education (continued)</u>				
Direct Programs:				
TRIO Cluster:				
TRIO - Student Support Services	84.042	P042A110358	\$ 1,329,007	\$ 999,673
			<u>1,329,007</u>	<u>999,673</u>
TRIO - Talent Search (South)	84.044	P044A110158	1,137,971	805,487
TRIO - Talent Search (North)	84.044	P044A120099	1,278,249	855,297
			<u>2,416,220</u>	<u>1,660,784</u>
Total TRIO Cluster			<u>3,745,227</u>	<u>2,660,457</u>
Total U.S. Department of Education Direct Programs			<u>11,214,118</u>	<u>5,203,535</u>
Passed through Michigan Department of Education:				
Career and Technical Education-Basic Grants to States	84.048			
Local annual 2014/2015		153510 15211	110,938	110,492
Local leadership 2015/2016		163250 16251	17,624	-
Local annual 2015/2016		163510 16211	108,350	-
			<u>236,912</u>	<u>110,492</u>
Total Passed through Michigan Department of Education			<u>236,912</u>	<u>110,492</u>
Total U.S. Department of Education			<u>11,451,030</u>	<u>5,314,027</u>
Total Federal Financial Assistance			<u>\$ 13,951,030</u>	<u>\$ 5,535,019</u>

* Major Program

Revenue Accrued (Unearned) at June 30, 2015	Receipts	Current Year Adjustments and Transfers	Expenditures	Revenue Accrued (Unearned) at June 30, 2016	Current Year Cash Transferred To Subrecipients
\$ 2,650	\$ 238,237	\$ -	\$ 237,590	\$ 2,003	\$ -
2,650	238,237	-	237,590	2,003	-
952	187,315	-	188,358	1,995	-
2,265	322,687	-	321,849	1,427	-
3,217	510,002	-	510,207	3,422	-
5,867	748,239	-	747,797	5,425	-
5,867	5,651,291	-	5,650,796	5,372	-
8,407	8,407	-	-	-	-
-	13,093	-	17,624	4,531	-
-	79,107	-	92,388	13,281	-
8,407	100,607	-	110,012	17,812	-
14,274	5,751,898	-	5,760,808	23,184	-
\$ 60,023	\$ 6,762,654	\$ -	\$ 6,739,721	\$ 37,090	\$ -

The accompanying notes to financial statements are an integral part of this statement.

Alpena Community College

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1--BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of Alpena Community College under programs of the federal government for the year ended June 30, 2016. 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 Alpena Community College it is not intended to and does not present the financial position, changes in net position, or cash flows of Alpena Community College.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements which uses an economic resource measurement focus and accrual basis of accounting. Such 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. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

Alpena Community College has formatted the Schedule to conform to the recommendations of the Michigan Department of Education. The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Alpena Community College has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 3--ADJUSTMENTS TO GRANTS AND TRANSFERS.

Alpena Community College transferred \$15,440 of the Federal Work-Study program (CFDA #84.033) to the Federal Supplemental Educational Opportunity Grants (CFDA #84.007) and \$6,624 to the General Fund for administration costs.

NOTE 4--LOANS OUTSTANDING.

Alpena Community College originates but does not provide funding for Federal Direct Student Loans (FDL's). The amount presented in the schedule of expenditures of federal awards represents the value of new FDL's accepted by students during the year ended June 30, 2016.

Alpena Community College

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 5--RECONCILIATION TO U.S. DEPARTMENT OF EDUCATION ADMINISTRATION AND PAYMENT SYSTEM PAYMENT REQUESTS (EDCAPS G5).

The following shows a reconciliation of the direct programs total of the U.S. Department of Education grants received reported on the schedule of expenditures of federal awards to U.S. Department of Education grant administration and payment system payment requests (EDCAPS G5):

EDCAPS G5:

Total draws	\$ 5,750,351	
Total refunds	<u>(99,060)</u>	
		<u><u>\$ 5,651,291</u></u>

(SEFA) Schedule of expenditures of federal awards:

Current year receipts (cash basis)		\$ 5,651,291
Revenue accrued (unearned) at June 30, 2015	(5,867)	
Revenue accrued (unearned) at June 30, 2016	<u>5,372</u>	
		<u>(495)</u>
Current year federal expenditures		<u><u>\$ 5,650,796</u></u>

NOTE 6--RECONCILIATION TO THE STATE OF MICHIGAN DEPARTMENT OF EDUCATION (MDE) GRANT SECTION AUDITORS REPORT.

The following shows a reconciliation of current year expenditures per the schedule of expenditures of federal awards to current payments per the State of Michigan Department of Education (MDE) Grant Auditor Report (GAR) from the Cash Management System (CMS):

State of Michigan CMS System

Total draws	\$ 115,365
Less: Draw received July 1, 2016	<u>(14,758)</u>

Adjusted current year receipts (cash basis)	<u><u>\$ 100,607</u></u>
---------------------------------------------	--------------------------

(SEFA) Schedule of expenditures of federal awards:

Adjusted current year receipts (cash basis)		\$ 100,607
Revenue accrued (unearned) at June 30, 2015	(8,407)	
Revenue accrued (unearned) at June 30, 2016	<u>17,812</u>	
		<u>9,405</u>
Current year federal expenditures		<u><u>\$ 110,012</u></u>

Alpena Community College

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 7--RELATIONSHIP OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE BASIC FINANCIAL STATEMENTS.

Revenues from federal sources are reported in Alpena Community College's basic financial statements as follows:

General fund	\$	11,034	
Restricted fund		<u>4,418,703</u>	
Total Federal revenues per basic financial statements			\$ 4,429,737
Federal revenues from veterans administration program income reported in the audited financial statements at June 30, 2016 and not reported as grants in the (SEFA) schedule of expenditures of federal awards			(675)
Federal Vocational Education Program, CFDA #84.048 previously reported as state grants in the audited basic financial statements at June 30, 2016			110,012
Federal (Direct Loan) Programs, CFDA #84.268 previously not reported as revenues in the audited basic financial statements at June 30, 2016			<u>2,200,647</u>
(SEFA) Current year federal expenditures			<u><u>\$ 6,739,721</u></u>

Alpena Community College

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified ? Yes X None Reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Type of auditors’ report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ? Yes X No

Identification of major programs:

CFDA Number

84.007, 84.033, 84.063, and 84.268

Name of Federal Program or Cluster

U.S Department of Education – Student Financial Aid Cluster

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted in the current year.

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

None noted in the current year.

Alpena Community College

REPORT ON PRIOR AUDIT FINDINGS

For the year ended June 30, 2016

Program

Findings

Questioned
Costs

There were no findings or questioned costs noted in the prior year.

Alpena Community College

CORRECTIVE ACTION PLAN

For the year ended June 30, 2016

A corrective action plan is not required since there are no findings or questioned costs noted in the current year.