

ALPENA COMMUNITY COLLEGE

Federal Awards Supplemental Information
For The Year Ended June 30, 2018

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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 financial statements of Alpena Community College and its discretely presented component unit as of and for the year ended June 30, 2018, 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 11, 2018. 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 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 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.

Alpena, Michigan
October 11, 2018

**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, 2018. 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, 2018.

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 Alpena Community College's compliance, we considered 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 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.

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Alpena Community College, as of and for the year ended June 30, 2018, 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 11, 2018, 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.

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.

Alpena, Michigan
January 22, 2019

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ALPENA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<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 Labor</u>				
Direct Programs:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26458-QVO	\$ 2,500,000	\$1,820,606
Total U.S. Department of Labor			<u>2,500,000</u>	<u>1,820,606</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Student Financial Assistance Programs Cluster:				
Federal Supplemental Educational Opportunity Grants (FSEOG) 2017/2018	84.007	P007A171973	36,113	-
			<u>36,113</u>	<u>-</u>
Federal Work-Study Program (FWS) 2016/2017 (FWS) 2017/2018	84.033	P033A161973 P033A171973	94,857 94,857	71,055 -
			<u>189,714</u>	<u>71,055</u>
Federal Pell Grant Program (PELL) 2016/2017 (PELL) 2017/2018 (PELL) Administration 2016/2017 (PELL) Administration 2017/2018	84.063	P063P161622 P063P171622 P063Q161622 P063Q171622	2,434,621 2,480,374 3,510 3,445	2,441,080 - 3,425 -
			<u>4,921,950</u>	<u>2,444,505</u>
Federal Direct Student Loans (Direct Loan) 2016/2017 Federal Direct - Subsidized Federal Direct - Unsubsidized Federal Direct - Plus	84.268	P268K171622	974,738 1,006,898 67,179	960,126 990,900 67,179
			<u>2,048,815</u>	<u>2,018,205</u>
Federal Direct Student Loans (Direct Loan) 2017/2018 Federal Direct - Subsidized Federal Direct - Unsubsidized Federal Direct - Plus	84.268	P268K181622	974,738 1,006,898 67,179	- - -
			<u>2,048,815</u>	<u>-</u>
Total Student Financial Assistance Programs Cluster			<u>9,245,407</u>	<u>4,533,765</u>

Revenue Accrued (Unearned) at June 30, 2017	Current Year			Revenue Accrued (Unearned) at June 30, 2018	Current Year Cash Transferred To Subrecipients
	Receipts	Adjustments and Transfers	Expenditures		
\$ 14,576	\$ 565,862	\$ -	\$ 551,392	\$ 106	\$ -
14,576	565,862	-	551,392	106	-
-	36,113	22,687	58,800	-	-
-	36,113	22,687	58,800	-	-
(600)	23,802	-	24,402	-	-
-	63,209	(22,687)	40,522	-	-
(600)	87,011	(22,687)	64,924	-	-
(822)	(7,281)	-	(6,459)	-	-
-	2,479,634	-	2,480,671	1,037	-
-	85	-	85	-	-
-	3,445	-	3,445	-	-
(822)	2,475,883	-	2,477,742	1,037	-
-	14,612	-	14,612	-	-
-	15,998	-	15,998	-	-
-	-	-	-	-	-
-	30,610	-	30,610	-	-
-	897,319	-	897,319	-	-
-	946,838	-	946,838	-	-
-	57,048	-	57,048	-	-
-	1,901,205	-	1,901,205	-	-
(1,422)	4,530,822	-	4,533,281	1,037	-

ALPENA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<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 - Talent Search	84.044			
TRIO - Talent Search (North)		P044A120099	\$ 1,615,689	\$1,516,213
TRIO - Talent Search (South)		P044A110158	1,137,971	1,006,804
TRIO - Talent Search (North)		P044A170492	345,876	-
TRIO - Talent Search (South)		P044A160491	486,000	184,707
			<u>3,585,536</u>	<u>2,707,724</u>
Total TRIO Cluster			<u>3,585,536</u>	<u>2,707,724</u>
Total U.S. Department of Education Direct Programs			<u>12,830,943</u>	<u>7,241,489</u>
Passed through Michigan Department of Education:				
Career and Technical Education-Basic Grants to States	84.048			
Local leadership 2017/2018		183250 18251	9,200	-
Local Annual 2017/2018		183510 1821	103,091	-
Total Passed through Michigan Department of Education			<u>112,291</u>	<u>-</u>
Total U.S. Department of Education			<u>12,943,234</u>	<u>7,241,489</u>
Total Federal Financial Assistance			<u>\$15,443,234</u>	<u>\$9,062,095</u>

Revenue Accrued (Unearned) at June 30, 2017	Current Year			Revenue Accrued (Unearned) at June 30, 2018	Current Year Cash Transferred To Subrecipients
	Receipts	Adjustments and Transfers	Expenditures		
\$ 2,912	\$ 37,171	\$ -	\$ 34,259	\$ -	\$ -
-	-	-	-	-	-
-	292,044	-	312,397	20,353	-
11,964	225,326	-	214,206	844	-
<u>14,876</u>	<u>554,541</u>	<u>-</u>	<u>560,862</u>	<u>21,197</u>	<u>-</u>
14,876	554,541	-	560,862	21,197	-
<u>13,454</u>	<u>5,085,363</u>	<u>-</u>	<u>5,094,143</u>	<u>22,234</u>	<u>-</u>
-	9,200	-	9,200	-	-
-	101,593	-	103,091	1,498	-
-	110,793	-	112,291	1,498	-
<u>13,454</u>	<u>5,196,156</u>	<u>-</u>	<u>5,206,434</u>	<u>23,732</u>	<u>-</u>
<u>\$ 28,030</u>	<u>\$ 5,762,018</u>	<u>\$ -</u>	<u>\$ 5,757,826</u>	<u>\$ 23,838</u>	<u>\$ -</u>

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, 2018. 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

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.

Cash received is recorded on the cash basis; expenditures are recorded on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

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.

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 \$22,687 of the Federal Work-Study program (CFDA #84.033) to the Federal Supplemental Educational Opportunity Grants (CFDA #84.007), which it expended in the 2017-2018 award year.

NOTE 4—FEDERAL DIRECT STUDENT LOANS

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, 2018.

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	\$ 5,108,507	
Total refunds	<u>(23,144)</u>	
		<u>\$ 5,085,363</u>

(SEFA) Schedule of expenditures of federal awards:

Current year receipts (cash basis)		\$ 5,085,363
Revenue accrued (unearned) at June 30, 2017	(13,454)	
Revenue accrued (unearned) at June 30, 2018	<u>22,234</u>	
		<u>8,780</u>
Current year federal expenditures		<u>\$ 5,094,143</u>

NOTE 6--GRANT SECTION AUDITORS REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the schedule of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

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	\$ 10,279
Restricted fund	<u>3,700,639</u>
Total Federal revenues per basic financial statements	\$ 3,710,918
Federal revenues from veterans administration program income reported in the audited financial statements at June 30, 2018 and not reported as grants in the (SEFA) schedule of expenditures of federal awards	(460)
Federal Vocational Education Program, CFDA #84.048 previously reported as state grants in the audited basic financial statements at June 30, 2018	112,291
State grant refunds previously reported as federal revenues in the audited basic financial statements at June 30, 2018	3,262
Federal (Direct Loan) Programs, CFDA #84.268 previously not reported as revenues in the audited basic financial statements at June 30, 2018	<u>1,931,815</u>
(SEFA) Current year federal expenditures	<u><u>\$ 5,757,826</u></u>

NOTE 8—INDEPENDENT FEDERAL PERKINS LOAN PROGRAM LIQUIDATION

This note is in lieu of a separately issued agreed upon procedures report regarding the College's Federal Perkins Loan Program Liquidation. We evaluated the schools compliance with the types of compliance requirements described in *2 CFR Part 200 Compliance Supplement* and the Federal Student Aid Electronic Announcement entitled Federal Perkins Loan Liquidation Procedures for the explicit purpose of closing the School's Federal Perkins Loan Program, which covered the period July 1, 2017, through June 30, 2018.

As of June 26, 2018, Alpena Community College has completed Steps 1 – 5 of the liquidation procedures for the purpose of liquidating its Federal Perkins Loan Program with the award year ending June 30, 2018. Our examination did not result in any findings regarding the Federal Perkins Loan Program FISAP data.

ALPENA COMMUNITY COLLEGE

Notes to Schedule of Expenditures of Federal Awards

NOTE 8—INDEPENDENT FEDERAL PERKINS LOAN PROGRAM LIQUIDATION (continued)

We have verified the following:

- 1) All loans for the total of **941** borrowers in the portfolio have been accounted for:
 - a. There were **733** borrowers whose loans were fully retired, including **6** loans purchased by the School. The School reimbursed its revolving Fund in the amount **\$4,588** for the entire portion of the outstanding balance plus accrued interest on the **6** loans the School could not assign to the Department;
 - b. There were **208** borrowers whose loans were assigned and accepted by the Department and we have validated the computed accumulated interest charged on these loans were accurately calculated.
- 2) The service cancellation data on Section A and all of the data on Section C of Part III of the School's latest submitted FISAP for the award year ending June 30, 2018:
 - a. The service cancellation data on Section A was accurately reported upon our review of the School's records;
- 3) The Federal capital contribution was accurately reported upon our review of the School's records.
- 4) The institutional capital contribution was accurately reported upon our review of the School's records.
- 5) Overall cash on hand at the time the School submitted its latest FISAP was **\$0**.
 - a. The reported Cash on Hand was verified against the School's bank statement and ledger for the fund.
 - b. After the School completed the assignment process for the purpose of liquidation, there were loans deemed un-assignable to the Department. The amount for purchase of these loans was added to the depository on June 30, 2018 making total Cash on Hand **\$8,695**.

We have verified the School's Federal Perkins Loan account, records, and Part III of the Fiscal Operations Report or FISAP and believe the data was accurately reported. We did not find any substantial discrepancies with the reported data.

ALPENA COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the year ended June 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Alpena Community College were prepared in accordance with GAAP.
2. No material weakness or significant deficiency in internal control relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Alpena Community College were disclosed during the audit.
4. No material weaknesses and significant deficiencies relating to the audit of internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Alpena Community College expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was: U.S. Department of Education – Student Financial Aid Cluster, CFDA #84.007, 84.033, 84.063, and 84.268
8. The dollar threshold for distinguishing Type A and B programs was \$750,000.
9. Alpena Community College qualified as a low-risk auditee.

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, 2018

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, 2018

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