

Muskegon Community College

REPORT ON FINANCIAL STATEMENTS

Year ended June 30, 2007

Muskegon Community College

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Muskegon Community College

221 South Quarterline Road • Muskegon, Michigan 49442 • (231) 773-9131

Management's Discussion and Analysis June 30, 2007

The discussion and analysis of Muskegon Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2007. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

The financial statements have been prepared in accordance with generally accepted accounting principles outlined in the *Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001* issued by the State of Michigan.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format, and notes to financial statements along with supplemental information.

Financial Highlights

In the fiscal year ended June 30, 2007, the College's revenues and other support exceeded expenses by \$603,772, creating an increase in net assets.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole. The two statements report the College's net assets and changes in them. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Revenues and expenses are separated into categories of operating revenues and non-operating.

Muskegon Community College

Management's Discussion and Analysis
June 30, 2007

Following is a comparative analysis of the major components of the net assets of the College as of June 30, 2007 and 2006:

Net Assets				
As of June 30				
(in thousands)				
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 19,160	\$ 19,924	\$ (764)	-3.83%
Non-current assets				
Capital assets, net	27,490	27,586	(96)	-0.35%
Bond discount and issuance costs, net	235	248	(13)	-5.24%
Other	<u>8</u>	<u>7</u>	<u>1</u>	14.29%
Total assets	46,893	47,765	(872)	-1.83%
Liabilities				
Current liabilities	4,362	4,718	(356)	-7.55%
Long-term liabilities				
Long-term debt obligations	16,506	17,271	(765)	-4.43%
Accrued sick leave	<u>2,056</u>	<u>2,411</u>	<u>(355)</u>	-14.72%
Total liabilities	<u>22,924</u>	<u>24,400</u>	<u>(1,476)</u>	-6.05%
Net Assets				
Invested in capital assets, net of related debt	13,858	13,237	621	4.69%
Restricted	308	304	4	1.32%
Unrestricted	<u>9,803</u>	<u>9,824</u>	<u>(21)</u>	-0.21%
Total net assets	<u>\$ 23,969</u>	<u>\$ 23,365</u>	<u>\$ 604</u>	2.59%

Muskegon Community College

Management's Discussion and Analysis

June 30, 2007

Although unrestricted net assets are not subject to externally imposed restrictions, virtually all of the College's unrestricted net assets are designated for purposes to fulfill its mission including designations for capital projects (plant fund - \$3,503,046); fund balance reserve (general fund - \$3,448,739); scholarships and grants (restricted fund \$150,530); and future health care cost increases (designated fund - \$410,000).

Summary Operating Results for the Year

(in thousands)

	2007	2006	Change	Percent Change
Operating revenues				
Tuition and fees	\$ 7,917	\$ 6,715	\$ 1,202	17.90%
Grants and contracts	5,367	5,469	(102)	-1.87%
Auxiliary services	798	707	91	12.87%
Other	867	790	77	9.75%
Total operating revenues	14,949	13,681	1,268	9.27%
Total operating expenses	32,915	32,838	77	0.23%
Total operating loss	(17,966)	(19,157)	1,191	-6.22%
Non-operating revenues				
State appropriations	8,292	8,149	143	1.75%
Property taxes	9,277	8,749	528	6.03%
Gifts	155	270	(115)	-42.59%
Investment income	846	625	221	35.36%
Net non-operating revenues	18,570	17,793	777	4.37%
Change in net assets	604	(1,364)	1,968	-144.28%
Net assets - beginning of year	23,365	24,729	(1,364)	-5.52%
Net assets - end of year	\$ 23,969	\$ 23,365	\$ 604	2.59%

Muskegon Community College

Management's Discussion and Analysis

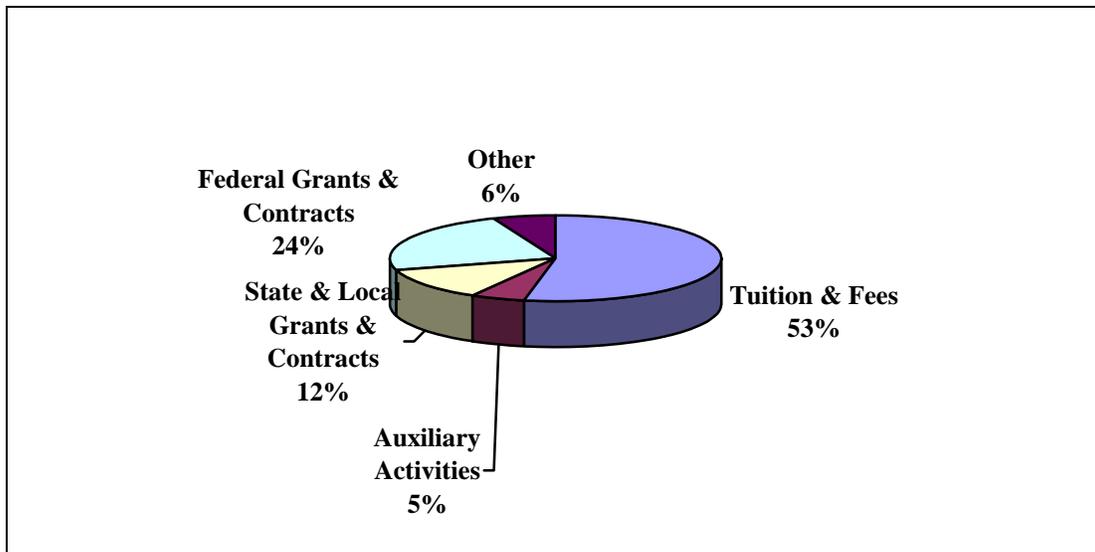
June 30, 2007

Operating Revenue

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. The major change in operating revenue was a result of the following:

- Net student tuition and fee revenue increased \$1,202,109 from the prior year. The College increased tuition rates per contact hour ranging from 5.0% for in-district to 14.78% for out-of-state residents. In addition, the College increased the technology fee from \$4 to \$6 per contact hour which accounts for 19.6% of the increase. Total contact hours increased by 2.9% over the prior year.

The following is a graphic illustration of operating revenues by source:



Muskegon Community College

Management’s Discussion and Analysis
June 30, 2007

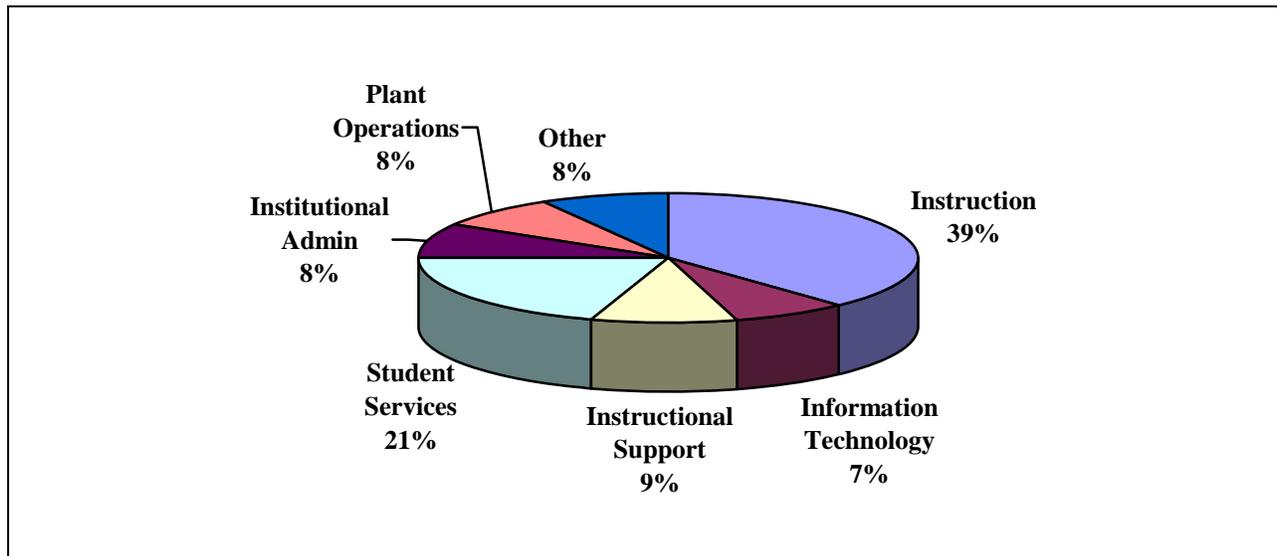
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Operating expenses for the fiscal year ended June 30, 2007 and 2006 consist of the following:

(in thousands)

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent Change</u>
Instruction	\$ 12,540	\$ 12,596	\$ (56)	-0.44%
Information technology	2,433	2,995	(562)	-18.76%
Public services	721	274	447	163.14%
Instructional support	3,094	3,635	(541)	-14.88%
Student services	6,651	6,611	40	0.61%
Institutional administration	2,760	2,238	522	23.32%
Operation and maintenance of plant	2,659	2,560	99	3.87%
Unallocated depreciation and amortization	996	801	195	24.34%
Interest on debt	661	742	(81)	-10.92%
Other expenses	400	386	14	3.63%
Total	\$ 32,915	\$ 32,838	\$ 77	0.23%

The following is a graphic illustration of operating expenses by use:



Muskegon Community College

Management's Discussion and Analysis
June 30, 2007

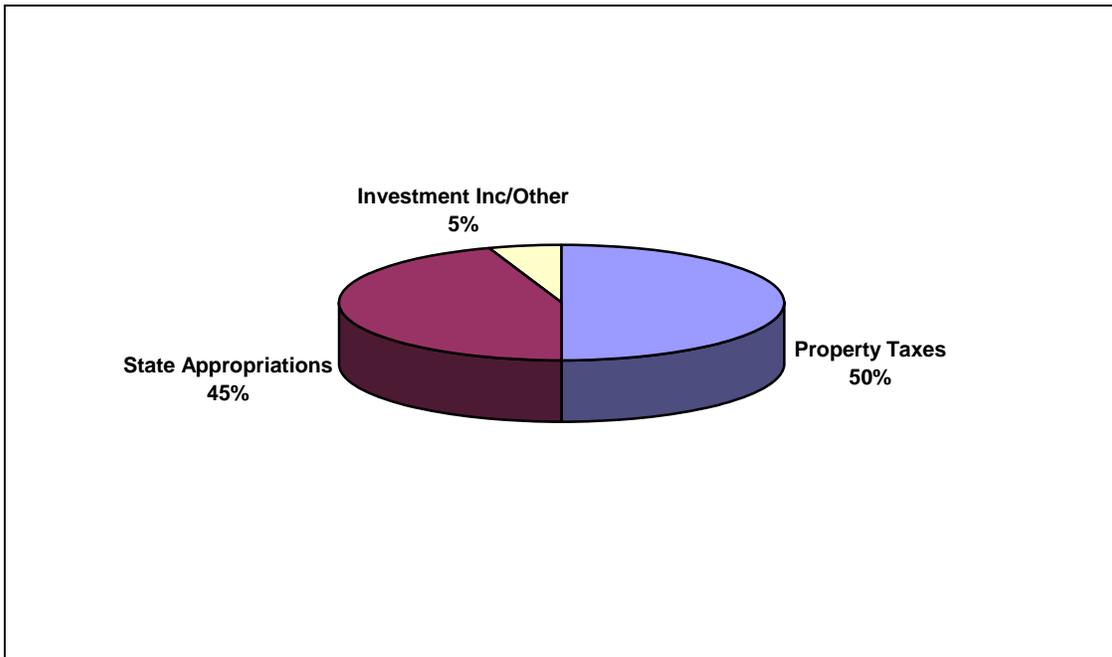
Non-operating Revenues

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They would consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

Non operating revenue changes were the result of the following factors:

- State appropriations increased 1.8% or \$143,400.
- Increase in taxable value for property within the taxing district resulting in increased property tax revenues of \$527,817 or a 6% increase.
- Investment income increased by \$221,224 or 35.4%, largely due to an increase in interest rates.

The following is a graphic illustration of non-operating revenues by source:



Muskegon Community College

Management's Discussion and Analysis

June 30, 2007

Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital appropriations, additions to permanent endowments, and transfers from related entities. The College had no "other" revenue during the year.

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Overall the College's year end cash position increased by \$1,076,968. The primary reason for the increase was the proceeds from sales and maturities of investments. Cash and investments in total decreased by \$1,014,218.

Cash Flows for the Year Ended June 30

(in thousands)

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percent Change</u>
Cash provided by (used for)				
Operating activities	\$ (17,925)	\$ (20,053)	\$ 2,128	-10.61%
Noncapital financing activities	17,700	17,190	510	2.97%
Capital and related financing activities	(1,635)	3,826	(5,461)	-142.73%
Investing activities	<u>2,937</u>	<u>(10,803)</u>	<u>13,740</u>	-127.19%
Net change in cash	1,077	(9,840)	10,917	-110.95%
Cash - beginning of year	<u>525</u>	<u>10,365</u>	<u>(9,840)</u>	-94.93%
Cash - ending of year	<u>\$ 1,602</u>	<u>\$ 525</u>	<u>\$ 1,077</u>	205.14%

Muskegon Community College

Management's Discussion and Analysis
June 30, 2007

Capital Assets

At June 30, 2007, the College had over \$38.3 million invested in capital assets, with accumulated depreciation of \$10.8 million. Depreciation charges totaled \$981,810 for the current fiscal year. Details of these assets at June 30 are shown in the following table.

Fixed Assets for the Year Ended June 30

(in thousands)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 462	\$ 462	\$ -
Construction in progress	2	368	(366)
Land improvements	847	517	330
Buildings and improvements	24,307	24,856	(549)
Equipment	<u>1,872</u>	<u>1,383</u>	<u>489</u>
Total	<u>\$ 27,490</u>	<u>\$ 27,586</u>	<u>\$ (96)</u>

Major capital additions completed this year, and the source of the resources that funded their acquisition included (in thousands):

Land improvements	\$ 383
Equipment, from plant fund, net of prior year CIP	72
Equipment, used in instruction, from state and donated funds	135
Equipment, from bond proceeds	<u>214</u>
Total major additions	<u>\$ 804</u>

In the next year, the College has budgeted for equipment and building and improvements of approximately \$450,000, primarily for instructional equipment and minor facility renovations. Only those items with a cost of more than \$5,000 will be capitalized.

Long-Term Debt

The College's long-term debt consists of \$35,615 in notes payable, related to equipment installment obligations, and \$17,235,000 in General Obligation – Limited Tax Bonds, issued in 2003 and 2005, for a total of \$17,270,615. This compares to \$18,007,644 as of June 30, 2006. The College's bond debt rating is AAA.

The 2003 bonds were issued for the purpose of constructing the Career Tech Center (CTC) and a new library addition to the College's main campus. The CTC will be operated by the Muskegon Area Intermediate School District (MAISD), and the MAISD is obligated to make rental payments to the College which will approximate the projected debt service on the portion of bonds used to construct that facility.

Muskegon Community College

Management's Discussion and Analysis

June 30, 2007

The 2005 bonds were issued for the purpose of completing the new library addition and renovating/remodeling vacated space. More detailed information about the College's long-term liabilities is presented in the footnotes to the financial statement.

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and increased demand for state resources, the current state funding for the College is projected to remain flat, at best, for fiscal year 2008-09. Growth in property taxes is expected to increase slightly.

Overall, the College's current financial and capital plans along with additional operating cost savings indicate that the College is positioned to maintain its present level of services.

Requests for Information

This financial report is designed to provide a general overview of Muskegon Community College's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Muskegon Community College, 221 S. Quarterline Road, Muskegon, Michigan 49442, (231) 773-9131.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

December 11, 2007

Board of Trustees
Muskegon Community College
Muskegon, Michigan

We have audited the accompanying financial statements of Muskegon Community College (College), as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2007, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated December 11, 2007, on our consideration of Muskegon Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BRICKLEY DELONG

Board of Trustees
December 11, 2007
Page 2

The management's discussion and analysis on pages i - ix is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The consolidating fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The consolidating fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Muskegon Community College
STATEMENT OF NET ASSETS
Year ended June 30, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,602,134
Investments	14,418,528
Property taxes receivable	118,325
State appropriation receivable	1,482,515
Accounts receivable	1,225,678
Prepaid expenses and other assets	<u>313,261</u>

TOTAL CURRENT ASSETS	19,160,441
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STUDENT LOANS RECEIVABLE	8,452
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PROPERTY AND EQUIPMENT, net	27,489,712
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BOND ISSUANCE COSTS, net	104,777
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BOND DISCOUNT, net	<u>130,032</u>
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TOTAL ASSETS	46,893,414
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of debt obligations	764,000
Accounts payable	469,671
Accrued interest payable	62,379
Accrued payroll and other compensation	2,996,235
Deposits	6,482
Deferred revenue	<u>62,935</u>

TOTAL CURRENT LIABILITIES	4,361,702
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LONG-TERM DEBT OBLIGATIONS	16,506,615
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ACCRUED SICK LEAVE	<u>2,055,739</u>
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TOTAL LIABILITIES	<u>22,924,056</u>
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NET ASSETS

Invested in capital assets, net of related debt	13,858,194
Restricted	
Expendable	
Scholarships	121,407
Instructional department uses	165,226
Loans	20,967
Unrestricted	<u>9,803,564</u>

TOTAL NET ASSETS	<u><u>\$ 23,969,358</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Community College
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**
Year ended June 30, 2007

REVENUES

Operating revenues

Tuition and fees (net of scholarship allowances of \$1,939,952)	\$ 7,917,200
Federal grants and contracts	3,522,956
State and local grants and contracts	1,811,453
Nongovernmental grants	32,496
Auxiliary activities	797,742
Miscellaneous	866,640
Total operating revenue	14,948,487

EXPENSES

Operating expenses

Instruction	12,539,868
Information technology	2,432,567
Public services	720,882
Instructional support	3,094,399
Student services	6,651,518
Institutional administration	2,759,931
Operation and maintenance of plant	2,658,920
Depreciation and amortization	995,526
Interest on debt	661,337
Other expenditures	400,014
Total operating expenses	32,914,962

Operating loss (17,966,475)

NONOPERATING REVENUES

State appropriations	8,292,400
Property tax levy	9,277,215
Gifts	154,530
Investment income	846,102
Total nonoperating revenues	18,570,247

Change in net assets 603,772

Net assets at July 1, 2006	23,365,586
Net assets at June 30, 2007	\$ 23,969,358

The accompanying notes are an integral part of this statement.

Muskegon Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 7,917,200
Grants and contracts	5,210,850
Payments to suppliers	(11,526,848)
Payment to employees	(21,201,882)
Loans collected from (issued to) students	(1,341)
Auxiliary enterprise charges	797,742
Other	<u>879,420</u>
Net cash used for operating activities	(17,924,859)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	9,265,385
Gifts and contributions for other than capital purposes	154,530
State appropriations	<u>8,279,685</u>
Net cash provided by noncapital financing activities	17,699,600
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(898,032)
Principal paid on capital debt	<u>(737,029)</u>
Net cash used for capital and related financing activities	(1,635,061)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	2,091,186
Interest on investments	<u>846,102</u>
Net cash provided by investing activities	<u>2,937,288</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,076,968
CASH AND CASH EQUIVALENTS at July 1, 2006	<u>525,166</u>
CASH AND CASH EQUIVALENTS at June 30, 2007	<u><u>\$ 1,602,134</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Community College
STATEMENT OF CASH FLOWS—CONTINUED
Year ended June 30, 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES

Operating loss	\$ (17,966,475)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and amortization expense	995,526
(Increases) decreases in assets	
Accounts receivables (net)	(156,055)
Prepaid expenses and other assets	(70,558)
Student loans receivable	(1,341)
Increases (decreases) in liabilities	
Accounts payable	(285,073)
Accrued interest payable	(2,066)
Accrued payroll and other compensation	(307,360)
Deposits	(26,817)
Deferred revenue	<u>(104,640)</u>
Net cash used for operating activities	<u>\$ (17,924,859)</u>

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Muskegon Community College (College) is a Michigan community college whose financial statements have been prepared in accordance with the generally accepted accounting principles outlined in *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*.

Muskegon Community College, established in 1926, is located in Muskegon, Michigan. The College provides educational services to residents of Muskegon County. A seven-member Board, which is elected by residents of Muskegon County, governs the College.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has no component units.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis – The financial statements of the College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Cash Equivalents – Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Investments – Investments are recorded at fair value, based on quoted market prices.

Accounts Receivable – Accounts receivable are recorded net of allowance of uncollectible accounts of \$2,954.

Property and Equipment – Property and equipment are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Capitalized property and equipment are assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Depreciation is provided on the straight-line basis over the following useful lives:

Land improvements	20 years
Buildings and improvements	50 years
Equipment	5-20 years

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment – Continued

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Accrued Sick Leave – Accrued sick leave represents the accumulated liability to be paid under the College's current sick pay policy. Under the College's policy, employees earn sick time based on time of service and/or contract with the College. Employment contracts generally provide for the payment of one-half of unused sick leave to a maximum per individual at retirement, or for clerical and custodial staff, at termination.

Deferred Revenues – Revenues received prior to year end that are related to the next fiscal period are recorded as deferred revenues. These consist primarily of grants and entitlements received before the eligibility requirements are met.

Gifts and Pledges – Gifts are recorded when received and pledges are recorded when it is determined that the gift is probable of collection at its net present value.

Internal Service Activities – Both revenue and expenses related to internal service activities including office equipment, maintenance, and copying have been eliminated.

Property Taxes – The College's property tax is levied and becomes a lien on December 1, based on the assessed value listed as of the prior December 31. Local governmental units within the College's jurisdiction collect and remit taxes until March 1, at which time the uncollected real property taxes are turned over to the County of Muskegon as delinquent. Delinquent real property taxes are funded by County of Muskegon bond issues and remitted to the College. Delinquent personal property taxes are recorded as revenue when received.

The 2006 state taxable value for real/personal property of the College totaled approximately \$4,090,000,000. The ad valorem taxes levied consisted of 2.2037 mills for operating purposes.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE B—DEPOSITS AND INVESTMENTS

As of June 30, 2007, the College had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Standard & Poor's rating</u>	<u>Percent</u>
Commercial paper	\$ 3,477,892	56	A1/P1	25.4%
U.S. agency obligations	6,717,725	608	AAA	49.1%
Money market mutual fund	<u>3,488,421</u>	39	AAA	<u>25.5%</u>
Total fair value	<u>\$ 13,684,038</u>			<u>100%</u>
Portfolio weighted average maturity		<u>266</u>		

Interest rate risk. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

Concentration of credit risk. The College does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the College investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the College's investments are in obligations issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. These investments are 23.24 percent, 12.27 percent, and 13.58 percent, of the College's investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2007, \$2,086,864 of the College's bank balance of \$2,889,223 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, in the College's name.

Custodial credit risk - investments. The College does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The College is not authorized to invest in investments which have this type of risk.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE C—PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 462,234	\$ -	\$ -	\$ 462,234
Construction in progress	367,795	2,286	367,795	2,286
Total capital assets, not being depreciated	830,029	2,286	367,795	464,520
Capital assets, being depreciated:				
Land improvements	1,402,824	382,576	-	1,785,400
Buildings and improvements	32,051,259	92,930	-	32,144,189
Equipment	3,291,370	788,035	143,153	3,936,252
Total capital assets, being depreciated	36,745,453	1,263,541	143,153	37,865,841
Less accumulated depreciation:				
Land improvements	885,688	52,971	-	938,659
Buildings and improvements	7,195,618	641,954	-	7,837,572
Equipment	1,907,906	286,885	130,373	2,064,418
Total accumulated depreciation	9,989,212	981,810	130,373	10,840,649
Total capital assets, being depreciated, net	26,756,241	281,731	12,780	27,025,192
Capital assets, net	<u>\$ 27,586,270</u>	<u>\$ 284,017</u>	<u>\$ 380,575</u>	<u>\$ 27,489,712</u>

Depreciation

Depreciation expense has been charged as unallocated depreciation.

NOTE D—RETIREMENT PLANS

Employee Retirement System – Defined Benefit Plan

Plan Description – The College participates in the Michigan Public School Employees’ Retirement System (MPERS), a statewide, cost-sharing, multiple employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental, and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing, MI 48909
1-800-381-5111

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE D—RETIREMENT PLANS—Continued

Employee Retirement System – Defined Benefit Plan—Continued

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34 percent for the months July through September and 17.74 percent for the remainder of the fiscal year. The College contributions to MPSERS for the year ended June 30, 2007, 2006, and 2005 were approximately \$2,039,000, \$1,872,000, and \$1,881,000, respectively and were equal to the required contribution for those years. Employee contributions to the MIP were approximately \$291,000.

Defined Contribution Plan

Effective, July 1, 1999, the Muskegon Community College Board of Trustees approved an Optional Retirement Plan (ORP) to be administered by TIAA-CREF. The ORP is available for all full-time faculty and full-time salaried administrative staff. Upon eligibility to participate in the ORP, employees have 90 days in which to elect participation in either the ORP or the MPSERS plan.

The ORP is a non-voluntary defined-contribution plan in which the College contributes 14.0 percent and the employee contributes 4.0 percent of the participating employee's includible compensation. Participants are immediately 100 percent vested in all ORP contributions. Participating employees elect their own allocation of contributions among the available investment vehicles offered by TIAA-CREF. ORP retirement benefits are based on the accumulation of contributions and the related investment income for each participant. Distributions of retirement benefits are available under the ORP when participants attain age 55. The College's contributions to the ORP were approximately \$358,000 and employee contributions were approximately \$101,000.

Other post-employment benefits – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2007 was as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2007</u>
Bond issuance costs and discounts	\$ 274,321	\$ -	\$ -	\$ 274,321
Less accumulated amortization	<u>25,796</u>	<u>13,716</u>	<u>-</u>	<u>39,512</u>
Bond issuance costs and discounts, net	<u>\$ 248,525</u>	<u>\$ (13,716)</u>	<u>\$ -</u>	<u>\$ 234,809</u>

Amortization

Amortization expense has been charged as unallocated amortization.

NOTE F— LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of long-term obligations activity for the College for the year ended June 30, 2007.

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2007</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 17,955,000	\$ -	\$ 720,000	\$ 17,235,000	\$ 745,000
Other obligations	<u>52,644</u>	<u>-</u>	<u>17,029</u>	<u>35,615</u>	<u>19,000</u>
	<u>\$ 18,007,644</u>	<u>\$ -</u>	<u>\$ 737,029</u>	<u>\$ 17,270,615</u>	<u>\$ 764,000</u>

General obligation bonds:

\$9,985,000 Community College Building and Site Bonds of 2003; payable in annual installments of \$375,000 to \$780,000 through May 2023; plus interest from 2.5% to 4.4%

\$ 8,945,000

\$9,000,000 College Facilities Bond of 2005; payable in annual installments of \$370,000 to \$580,000 through May 2025; plus interest from 3% to 4.125%

8,290,000

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE F—LONG-TERM DEBT OBLIGATIONS—Continued

Summary of Long-Term Obligations—Continued

Other obligations:

Capital lease, payable in monthly installments of \$1,028 through October 2009; including interest at 8.67%	\$ 15,478
Capital lease, payable in monthly installments of \$722 through June 2010; including interest at 9.5%	<u>20,137</u>
	<u>\$ 17,270,615</u>

Annual debt service requirements to maturity for debt outstanding as of June 30, 2007 follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 764,000	\$ 646,000	\$ 1,410,000
2009	781,000	624,000	1,405,000
2010	806,000	601,000	1,407,000
2011	830,000	574,000	1,404,000
2012	860,000	546,000	1,406,000
2013-2017	4,840,000	2,253,000	7,093,000
2018-2022	5,915,000	1,263,000	7,178,000
2023-2026	<u>2,474,615</u>	<u>174,866</u>	<u>2,649,481</u>
	<u>\$ 17,270,615</u>	<u>\$ 6,681,866</u>	<u>\$ 23,952,481</u>

\$8,070,000 of the Community College Building Site Bonds of 2003 were issued to construct, furnish, and equip a Career Technical Center that is being leased to the Muskegon Area Intermediate School District (MAISD). Lease payments from the MAISD are approximately equal to the annual debt service requirements of this portion of the bonds.

NOTE G—RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the College carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated.

The College participates in the Michigan Community College Risk Management Authority (risk pool) for claims relating to general and auto liability, motor vehicle physical damage, and property. Member contributions, which provide for losses incurred, reinsurance premiums, and risk management fees are allocated according to the actual costs incurred for each member. A member stop-loss fund provides for losses exceeding \$21,000 per occurrence or \$63,000 in the aggregate, on a year-to-year basis from the fund. Reinsurance agreements provide for loss coverage in excess of the amounts to be retained by the members. The Authority provides for withdrawal from membership at the end of any anniversary year.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE H—CONTINGENCIES

The College participates in federal student financial aid grant and loan programs which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of grants or expenditures which may be disallowed by the granting agencies cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

NOTE I—SELF-INSURANCE

The College has a self-insured medical reimbursement plan for substantially all employees. In general, the College is liable for benefits up to \$60,000 per covered individual per year, with an approximate aggregate liability of \$1,657,308 per year. Benefit payments in excess of \$60,000 per covered individual or \$1,657,308 in aggregate are payable by an insurance company subject to a \$1,000,000 lifetime maximum per employee and aggregate liability. Benefits in excess of \$1,000,000 in aggregate or \$1,000,000 per employee, if any, would be the liability of the covered individual.

The College utilizes a third party administrator to administer benefits payable under this plan. Reimbursement payments to the third party administrator, which have been charged to expense, approximated \$2,431,000 for the year ended June 30, 2007.

NOTE J—MUSKEGON COMMUNITY COLLEGE FOUNDATION

The Muskegon Community College Foundation (Foundation) was established in 1971 for the purpose of:

- a. Securing gifts of loans of property, works of art, historical papers, etc.
- b. Fundraising by means of loans, gifts, grants and bequests for a broad variety of purposes, including instruction and research, establishment of endowments, scholarships, fellowships, professorships, academic chairs, and cultural events and for buildings, equipment, and other facilities of all kinds.
- c. To act in the capacity of a fiduciary or trustee in carrying out these purposes and objectives.

The College is the sole beneficiary of any donations to, or funds raised by, the Foundation. At June 30, 2007, the stated value of the net assets of the Foundation approximated \$1,442,000. These assets are not included in the financial statements of the College because the College does not appoint a voting majority of the Foundation's Board of Directors, is not fiscally dependent on the Foundation, is not involved in the management of the Foundation and the Foundation can direct resources at its discretion. Contributions to and payments on behalf of the College by the Foundation approximated \$46,000 in the fiscal year ending June 30, 2007.

The College provides personnel support, supplies and equipment to the Foundation. The management of the College should be contacted for copies of the Foundation's financial statements.

SUPPLEMENTAL INFORMATION

Muskegon Community College
CONSOLIDATING BALANCE SHEET
 June 30, 2007

	Consolidated total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 1,602,134	\$ (6,702,680)	\$ 1,219,443	\$ 410,000	\$ 2,283,210	\$ 437,163	\$ 13,315	\$ -	\$ -	\$ 3,941,683
Investments	14,418,528	-	11,356,116	-	-	-	-	-	-	3,062,412
Property taxes receivable	118,325	-	118,325	-	-	-	-	-	-	-
State appropriation receivable	1,482,515	-	1,482,515	-	-	-	-	-	-	-
Accounts receivable	1,225,678	-	1,217,639	-	8,039	-	-	-	-	-
Prepaid expenses and other assets	313,261	-	313,261	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	19,160,441	(6,702,680)	15,707,299	410,000	2,291,249	437,163	13,315	-	-	7,004,095
STUDENT LOANS RECEIVABLE	8,452	-	-	-	-	-	8,452	-	-	-
PROPERTY AND EQUIPMENT										
Land and improvements	2,247,634	-	-	-	-	-	-	-	-	2,247,634
Buildings and improvements	32,144,189	-	-	-	-	-	-	-	-	32,144,189
Construction in progress	2,286	-	-	-	-	-	-	-	-	2,286
Equipment	3,936,252	-	-	-	-	-	-	-	-	3,936,252
Allowance for depreciation	(10,840,649)	-	-	-	-	-	-	-	-	(10,840,649)
TOTAL PROPERTY AND EQUIPMENT	27,489,712	-	-	-	-	-	-	-	-	27,489,712
BOND ISSUANCE COSTS, NET OF AMORTIZATION	104,777	-	-	-	-	-	-	-	-	104,777
BOND DISCOUNT, NET OF AMORTIZATION	130,032	-	-	-	-	-	-	-	-	130,032
TOTAL ASSETS	46,893,414	(6,702,680)	15,707,299	410,000	2,291,249	437,163	21,767	-	-	34,728,616

Muskegon Community College
CONSOLIDATING BALANCE SHEET—CONTINUED
 June 30, 2007

	Consolidated total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Checks drawn on future deposits	\$ -	\$ (6,702,680)	\$ 6,702,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of debt obligations	764,000	-	-	-	-	-	-	-	-	764,000
Accounts payable	469,671	-	434,489	-	-	-	800	-	-	34,382
Accrued interest payable	62,379	-	-	-	-	-	-	-	-	62,379
Accrued payrolls and other compensation	2,996,235	-	2,996,235	-	-	-	-	-	-	-
Deposits	6,482	-	6,482	-	-	-	-	-	-	-
Deferred revenue	62,935	-	62,935	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	4,361,702	(6,702,680)	10,202,821	-	-	-	800	-	-	860,761
LONG-TERM DEBT OBLIGATIONS	16,506,615	-	-	-	-	-	-	-	-	16,506,615
ACCRUED SICK LEAVE	2,055,739	-	2,055,739	-	-	-	-	-	-	-
TOTAL LIABILITIES	22,924,056	(6,702,680)	12,258,560	-	-	-	800	-	-	17,367,376
NET ASSETS										
Invested in capital assets, net or related debt	13,858,194	-	-	-	-	-	-	-	-	13,858,194
Restricted										
Expendable										
Scholarships	121,407	-	-	-	-	121,407	-	-	-	-
Instructional department uses	165,226	-	-	-	-	165,226	-	-	-	-
Loans	20,967	-	-	-	-	-	20,967	-	-	-
Unrestricted	9,803,564	-	3,448,739	410,000	2,291,249	150,530	-	-	-	3,503,046
TOTAL NET ASSETS	\$ 23,969,358	\$ -	\$ 3,448,739	\$ 410,000	\$ 2,291,249	\$ 437,163	\$ 20,967	\$ -	\$ -	\$ 17,361,240

Muskegon Community College
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
For the year ended June 30, 2007

	Consolidated total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund
REVENUES										
Operating revenues										
Tuition and fees (net of scholarship allowances of \$1,939,952)	\$ 7,917,200	\$ (1,939,952)	\$ 9,857,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	3,522,956	-	-	-	-	3,522,956	-	-	-	-
State and local grants and contracts	1,811,453	-	132,460	-	-	1,678,993	-	-	-	-
Nongovernmental grants	32,496	-	-	-	-	32,496	-	-	-	-
Auxiliary activities	797,742	-	-	-	797,742	-	-	-	-	-
Miscellaneous	866,640	-	209,089	-	-	-	432	571,730	-	85,389
Total operating revenue	14,948,487	(1,939,952)	10,198,701	-	797,742	5,234,445	432	571,730	-	85,389
EXPENSES										
Operating expenses										
Instruction	12,539,868	-	12,312,708	-	1,273	225,887	-	-	-	-
Information technology	2,432,567	-	2,432,567	-	-	-	-	-	-	-
Public services	720,882	-	686,381	-	31,575	2,926	-	-	-	-
Instructional support	3,094,399	-	3,069,999	-	-	24,400	-	-	-	-
Student services	6,651,518	(1,939,952)	3,307,528	-	266,937	5,017,005	-	-	-	-
Institutional administration	2,759,931	-	2,729,492	-	30,439	-	-	-	-	-
Operation and maintenance of plant	2,658,920	-	2,059,378	-	599,542	-	-	-	-	-
Depreciation and amortization	995,526	-	-	-	-	-	-	-	-	995,526
Interest on debt	661,337	-	-	-	-	-	-	342,345	321,058	(2,066)
Other expenditures	400,014	-	-	-	-	-	225	225	225	399,339
Total operating expenses	32,914,962	(1,939,952)	26,598,053	-	929,766	5,270,218	225	342,570	321,283	1,392,799
OPERATING INCOME (LOSS)	(17,966,475)	-	(16,399,352)	-	(132,024)	(35,773)	207	229,160	(321,283)	(1,307,410)

Muskegon Community College
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS—CONTINUED
For the year ended June 30, 2007

	Combined total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund
NONOPERATING REVENUES										
State appropriations	\$ 8,292,400	\$ -	\$ 8,292,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property tax levy	9,277,215	-	9,277,215	-	-	-	-	-	-	-
Gifts	154,530	-	-	-	-	-	-	-	-	154,530
Investment income	846,102	-	681,633	-	-	-	484	71	-	163,914
Total nonoperating revenues	<u>18,570,247</u>	<u>-</u>	<u>18,251,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>484</u>	<u>71</u>	<u>-</u>	<u>318,444</u>
Change in net assets	603,772	-	1,851,896	-	(132,024)	(35,773)	691	229,231	(321,283)	(988,966)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(952,888)</u>	<u>-</u>	<u>3,108</u>	<u>85,438</u>	<u>-</u>	<u>(229,231)</u>	<u>321,283</u>	<u>772,290</u>
Net change in net assets	603,772	-	899,008	-	(128,916)	49,665	691	-	-	(216,676)
Net assets at July 1, 2006	<u>23,365,586</u>	<u>-</u>	<u>2,549,731</u>	<u>410,000</u>	<u>2,420,165</u>	<u>387,498</u>	<u>20,276</u>	<u>-</u>	<u>-</u>	<u>17,577,916</u>
Net assets at June 30, 2007	<u>\$ 23,969,358</u>	<u>\$ -</u>	<u>\$ 3,448,739</u>	<u>\$ 410,000</u>	<u>\$ 2,291,249</u>	<u>\$ 437,163</u>	<u>\$ 20,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,361,240</u>

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

December 11, 2007

Board of Trustees
Muskegon Community College
Muskegon, Michigan

In planning and performing our audit of the financial statements of Muskegon Community College as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Muskegon Community College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muskegon Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Muskegon Community College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a deficiency that we consider to be a material weakness.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiency, identified as a material weakness, constitutes a material weakness.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



MATERIAL WEAKNESS

Recommendation 1: General ledger account balances should be regularly analyzed for their accuracy in relation to supporting documentation.

During our testing, we noted that numerous account balances were not reconciled to supporting schedules or analyzed for unusual balances during the year, causing adjustments at year end. Since some of the adjustments were individually significant to their accounts, the adjustments significantly affected balances previously reported on internally-prepared, interim financial statements.

The timely review and analysis of all general ledger account balances throughout the year and the reconciliation of significant account balances to supporting schedules would improve the accuracy of interim financial statements.

SIGNIFICANT DEFICIENCY

Recommendation 2: Key financial and operational information should be identified and regularly reported to the Board of Trustees and its Finance Committee.

During our testing, we noted that the Board of Trustees and its Finance Committee did not receive adequate financial reports during the year ended June 30, 2007. The Board of Trustees and its Finance Committee should receive a balance sheet and a detailed budget to actual report by department for the General Fund on a monthly basis. Summarized information for other key funds should be provided as well.

The providing of financial reports would assist the Board of Trustees and its Finance Committee in the evaluation of College's financial position and results of operations and would enable decisions to be made with current financial information.

Muskegon Community College
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2007

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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***

December 11, 2007

Board of Trustees
Muskegon Community College
Muskegon, Michigan

We have audited the financial statements of Muskegon Community College as of and for the year ended June 30, 2007 and have issued our report thereon dated December 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskegon Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Muskegon Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Community College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, as Findings 1 and 2, to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Board of Trustees
December 11, 2007
Page 2

Internal Control Over Financial Reporting—Continued

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 1 to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Muskegon Community College’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Muskegon Community College’s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Muskegon Community College’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive style with a large, stylized initial "B".

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 11, 2007

Board of Trustees
Muskegon Community College
Muskegon, Michigan

Compliance

We have audited the compliance of Muskegon Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Muskegon Community College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Muskegon Community College's management. Our responsibility is to express an opinion on Muskegon Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskegon Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Muskegon Community College's compliance with those requirements.

In our opinion, Muskegon Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described as Finding 3 in the accompanying Schedule of Findings and Responses.

Internal Control Over Compliance

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

Board of Trustees
December 11, 2007
Page 2

Internal Control Over Compliance—Continued

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Muskegon Community College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Muskegon Community College's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Muskegon Community College as of and for the year ended June 30, 2007 and have issued our report thereon dated December 11, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's I.D. number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2006	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2007
						Prior year	Current year	Total	
U.S. Department of Education									
Direct Programs and student financial assistance cluster									
College Work Study	84.033	P033A022052	\$ 135,085	\$ -	\$ 135,085	\$ -	\$ 135,085	\$ 135,085	\$ -
Pell Grant	84.063	P063P021645	2,960,247	313,861	3,103,861	-	2,960,247	2,960,247	170,247
Supplemental Education									
Opportunity Grant	84.007	P007A022052	93,434	(9,818)	80,182	-	93,434	93,434	3,434
Academic Competitiveness Grant	84.375		14,800	-	14,800	-	14,800	14,800	-
Total direct programs			3,203,566	304,043	3,333,928	-	3,203,566	3,203,566	173,681
Passed through the Michigan Department of Education:									
Carl D. Perkins Vocational Education Act									
	84.048								
Career Guidance		063490-7029CT20	6,000	-	6,000	-	6,000	6,000	-
Local Administration		073250-702520	18,400	-	18,400	-	18,400	18,400	-
Professional Development		073290-702920	3,074	-	3,074	-	3,074	3,074	-
Regional Allocation		073510-702120	291,916	-	291,916	-	291,916	291,916	-
			319,390	-	319,390	-	319,390	319,390	-
TOTAL FEDERAL AWARDS			\$ 3,522,956	\$ 304,043	\$ 3,653,318	\$ -	\$ 3,522,956	\$ 3,522,956	\$ 173,681

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, 2007

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. The value of Guaranteed Student Loans for the year ended June 30, 2007 was \$1,642,458.
4. The value of Federal PLUS Loans for the year ended June 30, 2007 was \$16,133.
5. 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, 2007
financial statements

Restricted Fund	\$ <u>3,522,956</u>
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Expenditures per single audit report

Schedule of Expenditures of Federal Awards	\$ <u>3,522,956</u>
--	---------------------

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2007

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Muskegon Community College.
2. **Two (2)** significant deficiencies disclosed during the audit of the financial statements are reported in the 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* and are reported in Part B of this schedule. **One (1)** of these significant deficiencies is reported as a material weakness.
3. There were **no** instances of noncompliance material to the financial statements of Muskegon Community College disclosed during the audit as reported in Part B of this Schedule.
4. There were **no** significant deficiencies disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and as reported in Parts B and C of this schedule.
5. The auditors' report on compliance for the major federal award programs for Muskegon Community College expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Education</i>	
Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.375
Carl D. Perkins Vocational Education Act	84.048

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Muskegon Community College was not determined to be a low-risk auditee.

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2007

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

Fiscal 2007 Finding No. 1: MATERIAL WEAKNESS—General Ledger Reconciliation Procedures

Criteria: Material general ledger account balances should be reconciled to supporting documentation on a regular basis.

Condition: During the year ended June 30, 2007, material general ledger account balances were not regularly reconciled to supporting documentation.

Cause: The College was in the midst of a complete installation of an integrated software, including financial and student accounting modules.

Effect: The interim financial reporting and underlying accounting records could have been materially misstated without being detected.

Recommendation: General ledger account balances should be regularly analyzed for their accuracy in relation to supporting documentation.

College Response: We concur with this comment and have established procedures to balance out accounts on a monthly basis.

Fiscal 2007 Finding No. 2: Procedures for Interim Financial Reporting to Governing Body

Criteria: The governing body members should be provided financial reporting regularly to assist with their oversight responsibilities.

Condition: During the year ended June 30, 2007, the Board of Trustees and its Finance Committee did not receive adequate interim financial reporting and key operational information.

Cause: College personnel were in the midst of an installation of software and did not generate adequate interim financial reporting for the Board of Trustees and its Finance Committee.

Effect: The Board of Trustees and its Finance Committee did not have adequate interim financial reporting and key operational information to assist with their evaluation of operations.

Recommendation: Key financial and operational information should be identified and regularly reported to the Board of Trustees and its Finance Committee.

College Response: A balance sheet and other operational information is now being prepared and provided to the Finance Committee and the Board of Trustees on a monthly basis.

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2007

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

COMPLIANCE

Fiscal 2007 Finding No. 3: Documentation of Employee Time and Effort

Carl D. Perkins Vocational Education Act

CFDA: 84.048

Award Numbers: 073250-702520, 073290-702920, 073510-702120,
063490-7029CT20

Award Year End: September 30, 2007

Specific Requirement: Allowable Costs/Cost Principles

Criteria: The cost principle of OMB Circular A-87 requires, "...Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. ...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation."

Condition: We noted one employee whose wages and benefits were charged partially to the grant and whose time studies were not adequate in relation to federal requirements.

Questioned Costs: \$14,132

Context: There was one employee for which Perkins time certifications were required.

Effect: The salaries and benefits charged to the grant for the employee could be disallowed.

Recommendation: The College should require all employees who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs to prepare the required documentation.

College Response: The employee was not consistently documenting the time they spent on the grant. In addition, they were not documenting their total time worked. We have now implemented this change.

SIGNIFICANT DEFICIENCIES

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 11, 2007

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, 2006, dated November 17, 2006.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

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

REPORTABLE CONDITIONS

There were *no* reportable conditions in relation to the financial statement audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

U.S. Department of Education

Fiscal 2006 Finding No. 1: Documentation of Employee Time and Effort

Carl D. Perkins Vocational Education Act

CFDA: 84.048

Award Numbers: 063250-602520, 063290-602920, 063510-602120

Award Year End: September 30, 2006

Condition: We noted four employees whose wages and benefits were charged partially or completely to the grant. No time studies or semi-annual time certifications were done for these employees.

Recommendation: The College should require all employees who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs to prepare the required documentation.

Current Status: See Fiscal 2007 Finding No. 1 for a similar finding noted during the single audit for the week ended June 30, 2007.

U.S. Department of Education
December 11, 2007
Page 2

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS—Continued

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to major federal award programs.

Sincerely,

A handwritten signature in black ink that reads "Rosemary A. Zink". The signature is written in a cursive style with a large initial 'R' and a distinct 'Z'.

Rosemary Zink
Associate Vice President of Administration

CORRECTIVE ACTION PLAN

December 11, 2007

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

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2007.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2007

The findings from the Schedule of Findings and Responses for the year ended June 30, 2007 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

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

SIGNIFICANT DEFICIENCIES

Fiscal 2007 Finding No. 1: MATERIAL WEAKNESS—General ledger Reconciliation Procedures

Recommendation: General ledger account balances should be regularly analyzed for their accuracy in relation to supporting documentation.

Action Taken: We concur with this comment and have established procedures to balance out accounts on a monthly basis.

B. FINDINGS—FINANCIAL STATEMENT AUDIT—Continued

SIGNIFICANT DEFICIENCIES—Continued

Fiscal 2007 Finding No. 2: Procedures for Interim Financial Reporting to Governing Body

Recommendation: Key financial and operational information should be identified and regularly reported to the Board of Trustees and its Finance Committee.

Action Taken: A balance sheet and other operational information is now being prepared and provided to the Finance Committee and the Board of Trustees on a monthly basis.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDITS

COMPLIANCE

Fiscal 2007 Finding No. 3: Documentation of Employee Time and Effort

Recommendation: The College should require all employees who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs to prepare the required documentation.

Action Taken: The employee was not consistently documenting the time they spent on the grant. In addition, they were not documenting their total time worked. We have now implemented this change.

SIGNIFICANT DEFICIENCIES

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

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

Sincerely,



Rosemary Zink
Associate Vice President of Administration

FORM **SF-SAC**
(5-2004)

U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN TO

**Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132**

PART I GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)

1. Fiscal period ending date for this submission Month Day Year 06 / 30 / 2007 Fiscal Period End Dates Must Be In 2004, 2005, or 2006	2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit
---	---

3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - <input type="text"/> Months	4. FEDERAL GOVERNMENT USE ONLY Date received by Federal clearinghouse
---	--

5. Auditee Identification Numbers a. Primary Employer Identification Number (EIN) 3 8 - 1 7 1 7 8 0 0	b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.
---	---

d. Data Universal Numbering System (DUNS) Number 0 2 - 0 9 0 - 2 3 9 1	e. Are multiple DUNS covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.
--	---

6. AUDITEE INFORMATION

a. Auditee name
MUSKEGON COMMUNITY COLLEGE

b. Auditee address (Number and street)
211 SOUTH QUARTERLINE ROAD
City
MUSKEGON
State ZIP + 4 Code
MI 4 9 4 4 2 -

c. Auditee contact
Name
ROSEMARY A. ZINK
Title
ASSOCIATE VICE PRESIDENT OF ADMINISTRATI

d. Auditee contact telephone
(231) 777 - 0314

e. Auditee contact FAX
() -

f. Auditee contact E-mail

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
BRICKLEY DELONG, PLC

b. Auditor address (Number and street)
316 MORRIS AVENUE, TERRACE PLAZA SUITE 500
City
MUSKEGON
State ZIP + 4 Code
MI 4 9 4 4 3 -

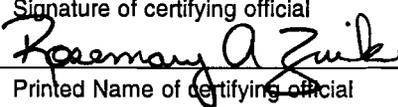
c. Auditor contact
Name
TIMOTHY D. ARTER
Title
PARTNER

d. Auditor contact telephone
(231) 726 - 5800

e. Auditor contact FAX
(231) 722 - 0260

f. Auditor contact E-mail
TARTER@BRICKLEYDELONG.COM

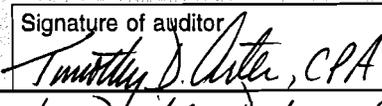
g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official Date
 12 / 11 / 07
 Month Day Year

Printed Name of certifying official
ROSEMARY A. ZINK

Printed Title of certifying official
ASSOCIATE VICE PRESIDENT OF ADMINISTRATI

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor Date
 12 / 11 / 07
 Month Day Year

for Brickley DeLong, PLC

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report

Mark either: 1 Unqualified opinion **OR**
any combination of: 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12) 1 Yes 2 No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b)) \$

3. Did the auditee qualify as a low-risk auditee? (§ .530) 1 Yes 2 No

4. Is a reportable condition disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No -SKIP to Item 6

5. Is any reportable condition reported as a material weakness? (§ .510(a)(1)) 1 Yes 2 No

6. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1 Yes 2 No

7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b)) 1 Yes 2 No

8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)

- | | | | |
|--|--|---|--|
| 98 <input type="checkbox"/> U.S. Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> U.S. Department of State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 97 <input type="checkbox"/> Homeland Security | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input type="checkbox"/> Housing and Urban Development | 07 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 03 <input type="checkbox"/> Institute of Museum and Library Services | 47 <input type="checkbox"/> National Science Foundation | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 00 <input checked="" type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 17 <input type="checkbox"/> Labor | | <input type="text"/> |
| | 09 <input type="checkbox"/> Legal Services Corporation | | <input type="text"/> |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the Federal cognizant agency

Count total number of boxes marked above and submit this number of reporting packages

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

Federal Agency Prefix ¹	CFDA Number Extension ²	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report ³ (h)	10. AUDIT FINDINGS	
						1 <input type="checkbox"/> Yes	2 <input type="checkbox"/> No		Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
8 4	.033	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COLLEGE WORK STUDY	\$ 135,085 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.063	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PELL GRANT	\$ 2,960,247 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.007	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT	\$ 93,434 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.375	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ACADEMIC COMPETITIVENESS GRANT	\$ 14,800 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.048	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CARL D. PERKINS VOCATIONAL EDUCATION ACT	\$ 319,390 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	B	2007-3
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
TOTAL FEDERAL AWARDS EXPENDED				\$ 3,522,956 .00						

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPIY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)
³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.
⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.
 A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis - Bacon Act
 N/A for NONE
 E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of Federal funds
 I. Procurement and suspension and debarment
 J. Program income
 K. Real property acquisition and relocation assistance
 L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None
 P. Other

