Kirtland Community College

Federal Awards
Supplemental Information
June 30, 2012
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Independent Auditor's Report

To the Board of Trustees
Kirtland Community College

We have audited the basic financial statements of Kirtland Community College (the "College") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 8, 2012 which contained an unqualified opinion on those financial statements. Those basic financial statements are the responsibility of the management of Kirtland Community College. Our responsibility is to express an opinion on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited financial statements subsequent to October 2, 2012.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Kirtland Community College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

October 8, 2012
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

Independent Auditor's Report

To the Board of Trustees
Kirtland Community College

We have audited the financial statements of Kirtland Community College (the "College") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 8, 2012. 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

The management of Kirtland Community College is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered Kirtland 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
To the Board of Trustees
Kirtland Community College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kirtland 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.

We also noted certain matters that we have reported to management of Kirtland Community College in a separate letter dated October 8, 2012.

This report is intended solely for the information and use of management, the board of trustees, others within the College, 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.

October 8, 2012
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
Kirtland Community College

Compliance

We have audited the compliance of Kirtland Community College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of Kirtland Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kirtland Community College's management. Our responsibility is to express an opinion on Kirtland 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 Kirtland 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 Kirtland Community College's compliance with those requirements.

In our opinion, Kirtland Community College complied, in all material respects, with the 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, 2012.
To the Board of Trustees  
Kirtland Community College

**Internal Control Over Compliance**

The management of Kirtland 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 Kirtland 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 deficiencies, 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.

This report is intended solely for the information and use of management, the board of trustees, others within the College, 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.

October 8, 2012

[Signature]
# Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2012

<table>
<thead>
<tr>
<th>Federal Agency/Pass-through Agency/Program Title</th>
<th>CFDA Number</th>
<th>Pass-through Entity Project/Grant Number</th>
<th>Award Amount</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Financial Aid Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Education - Direct Program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal PELL Grant Program - 1011 FY</td>
<td>84.063P</td>
<td>P063P102898</td>
<td>$4,992,049</td>
<td>$39,470</td>
</tr>
<tr>
<td>Federal PELL Grant Program - 1112 FY</td>
<td>84.063P</td>
<td>P063P112898</td>
<td>$4,376,633</td>
<td>$4,372,964</td>
</tr>
<tr>
<td>Federal Work-Study Program</td>
<td>84.033A</td>
<td>P033A112026</td>
<td>72,756</td>
<td>72,576</td>
</tr>
<tr>
<td><strong>Federal Supplemental Employment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Opportunity Grant - 1011 FY</td>
<td>84.007A</td>
<td>P007A102026</td>
<td>72,756</td>
<td>72,576</td>
</tr>
<tr>
<td>Education Opportunity Grant - 1112 FY</td>
<td>84.007A</td>
<td>P007A112026</td>
<td>72,756</td>
<td>72,576</td>
</tr>
<tr>
<td>Academic Competitiveness Grant - 1011 FY</td>
<td>84.375</td>
<td>P375A102898</td>
<td>36,421</td>
<td>282</td>
</tr>
<tr>
<td><strong>Federal Direct Student Loans:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stafford Subsidized</td>
<td>84.268</td>
<td>N/A</td>
<td>1,706,807</td>
<td>1,706,807</td>
</tr>
<tr>
<td>Stafford Unsubsidized</td>
<td>84.268</td>
<td>N/A</td>
<td>1,113,656</td>
<td>1,113,656</td>
</tr>
<tr>
<td>PLUS loans</td>
<td>84.268</td>
<td>N/A</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Total Federal Direct Student Loans</strong></td>
<td></td>
<td></td>
<td>2,827,463</td>
<td></td>
</tr>
<tr>
<td><strong>Total Student Financial Aid Cluster</strong></td>
<td></td>
<td></td>
<td>7,375,466</td>
<td></td>
</tr>
<tr>
<td><strong>Other federal awards:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Education - Direct Program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title III, Part A Strengthening Institutions Program - 1011 FY</td>
<td>84.031A</td>
<td>P031A1000041</td>
<td>400,000</td>
<td>81,748</td>
</tr>
<tr>
<td>Title III, Part A Strengthening Institutions Program - 1112 FY</td>
<td>84.031A</td>
<td>P031A1100041</td>
<td>400,000</td>
<td>368,573</td>
</tr>
<tr>
<td><strong>Total Title III, Part A Strengthening Institutions</strong></td>
<td></td>
<td></td>
<td>450,321</td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Education - Passed through the Michigan Department of Education - Vocational Education Basic Grants to States:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Administration</td>
<td>84.048A</td>
<td>V048A122113</td>
<td>196,796</td>
<td>196,796</td>
</tr>
<tr>
<td>Local Administration</td>
<td>84.048A</td>
<td>V048A122513</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td><strong>Total Vocational Education - Basic Grants to States</strong></td>
<td></td>
<td></td>
<td>214,796</td>
<td></td>
</tr>
<tr>
<td><strong>Total other federal awards</strong></td>
<td></td>
<td></td>
<td>665,117</td>
<td></td>
</tr>
<tr>
<td><strong>Total federal awards</strong></td>
<td></td>
<td></td>
<td>$8,040,583</td>
<td></td>
</tr>
</tbody>
</table>

See Notes to Schedule of Expenditures of Federal Awards.
Kirtland Community College  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Kirtland Community College (the "College") under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Educational Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Kirtland Community College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Kirtland Community College. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.
Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Numbers</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.063P, 84.033A, 84.007A, 84.375, 84.268, 84.031A</td>
<td>Student Financial Aid Cluster, Title III - Part A - Strengthening Institutions Program</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? Yes X No
Kirtland Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Section II - Financial Statement Audit Findings
None

Section III - Federal Program Audit Findings
None
## Summary Schedule of Prior Audit Findings

**Year Ended June 30, 2012**

<table>
<thead>
<tr>
<th>Prior year Finding Number</th>
<th>Federal Program</th>
<th>Original Finding Description</th>
<th>Status</th>
<th>Planned Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-3</td>
<td>Student Financial Aid Cluster</td>
<td>The review process for the Title IV return of funds calculations did not catch an error in the amount identified to be returned.</td>
<td>Corrected</td>
<td>Instituted a formal tandem approach to return of Title IV calculations where the initial calculation is reviewed by another staff. The return of Title IV calculation data sheets were updated to record sign-off on calculations.</td>
</tr>
</tbody>
</table>