

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 10, 2015

To the Board of Trustees of
West Shore Community College
Scottsville, Michigan

We have audited the financial statements of the business-type activities and the discretely presented component unit of *West Shore Community College* (the "College") as of and for the year ended June 30, 2015 and have issued our report thereon dated November 10, 2015. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit and OMB Circular A-133

As communicated in our engagement letter dated May 20, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the of the College's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the College solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We also considered 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.

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the College's compliance with the types of compliance requirements described in the 2 CFR 200 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the College's compliance with those requirements.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in Attachment A to this letter.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter and in our meeting about planning matters on May 20, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the College's Significant Accounting Practices

Significant Accounting Practices

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the College is included in Note 1 to the financial statements.

As described in Note 5 to the financial statements, the College changed accounting policies related to accounting for its proportionate share of the net pension liability of the liability of the Michigan Public School Employees Retirement System (MPERS) by adopting Statement of Governmental Accounting Standard Board (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the fiscal 2015 Statement of Revenues, Expenses and Changes in Net Position.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgment. Those judgments are normally based on knowledge and

experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- The assumptions used in the actuarial valuations of the MPSERS pension plans to determine the net pension liability, and deferred outflows and inflows related to the pension plan are based on historical trends and industry standards

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole are summarized in Attachment B to this letter.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. However, there were none.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment C to this letter contains a brief overview of recent pronouncements of the GASB and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the College's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain representations from management, which are included in the attached letter dated November 10, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the College, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the College, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the College's auditors.

This report is intended solely for the information and use of the governing body and management of West Shore Community College and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

Attachment A - Comments and Recommendations

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the College's internal control over financial reporting is described in our report, dated November 10, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated November 10, 2015, on the financial statements of West Shore Community College.

During our audit, specifically through the interviews that were conducted, we noted the following *other matters*:

Pension Accounting

The College is required to account for its proportionate share of the MPSERS pension plan beginning in fiscal year 2015. We recommend that management establish and implement internal control procedures to monitor the annual pension liability calculation. The internal control procedures should include the preparation and review of the pension liability in accordance with the accounting standards.

Health Insurance Expense

During our audit of accrued liability balances, we noted management does not perform an analysis of potential healthcare claims incurred before June 30, 2015, but reported after that date. In the past, the estimated amount of this reserve has been immaterial. In 2015, we noted the estimate was increasing to approximately \$74,500. We recommend that management perform an analysis of these claims and record any material amounts at year-end.

**West Shore Community College
Attachment B - Unadjusted Differences
For the Year Ended June 30, 2015**

AJE #	Description	Debit (Credit)				
		Assets	Liabilities	Net Position	Revenues	Expenses
1	Accrued liability Health insurance expense --To accrue for actual medical claims incurred on or before June 30, 2015 and paid in July or August 2015.	\$ - -	\$ (74,500) -	\$ - -	\$ - -	\$ - 74,500
2	Accrued Separation Recognition Program Separation Recognition Program Expense --To record the present value of the Accrued Separation Recognition Program.	- -	35,500 -	- -	- -	- (35,500)
3	Bad Debt Expense Allowance for Doubtful Accounts --To increase reserve for potential uncollectible receivables.	- (40,500)	- -	- -	- -	40,500 -
Total adjustments passed		(40,500)	(39,000)	-	-	79,500
Current year effect of prior year adjustments passed						
	Health insurance expense	-	-	29,000	-	(29,000)
	Other post-employment benefit accrual	-	-	(99,500)	-	99,500
Total current year effect of prior year adjustments passed		-	-	(70,500)	-	70,500
Net adjustments passed - current year		(40,500)	(39,000)	(70,500)	-	150,000
Total financial statement base (i.e. assets, liab., net assets and change in net assets)		\$ 45,111,447	\$ (14,727,393)	\$ (30,641,292)	\$ (17,463,943)	\$ 16,364,825
Net adjustments passed as a % of base		0.09%	0.26%	0.23%	0.00%	0.92%

Attachment C - Selected New or Pending Accounting Pronouncements
For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the College in the near future. We encourage management to review the following information and determine if the standard is applicable to the College. Questions on the applicability, timing, and implementation approach for this standard should be directed to your audit team.

GASB 72 ■ Fair Value Measurement and Application
Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68
Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the College.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions
Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments
Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

GASB 77 ■ Tax Abatement Disclosures
Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required

disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principals Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements



November 10, 2015

Rehmann Robson
2330 East Paris Ave SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of *West Shore Community College* (the "College"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of **November 10, 2015**:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 20, 2015, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

For the purposes of this letter, related parties mean affiliated or financially interrelated Colleges; entities for which investments are accounted for by the equity method by the College; trusts for the benefit of employees, such as pension trusts that are managed by or under the trusteeship of management or the governing board; members of the College's management and governing board and their immediate families; and other parties with which the College may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, such as significant contributors. Another party also is a related party if it can significantly influence the management or

operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. Additional related parties may include certain national and local affiliates and a separate entity with officers or directors also on the nonprofit College's governing board.

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
9. We have complied with all contractual agreements, grants, and donor restrictions.
10. We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
11. We have accurately presented the College's position regarding taxation and tax-exempt status.
12. The bases used for allocation of functional expenses are reasonable and appropriate.
13. We have included in the financial statements all assets and liabilities under the College's control.
14. We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
15. Reclassifications between net asset classes are proper.
16. The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
17. Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

Information Provided

18. We have provided you with:
 - a. Access to all information that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the College from whom you determined it necessary to obtain audit evidence.

19. All transactions have been recorded in the accounting records and are reflected in the financial statements.
20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
21. We have no knowledge of any fraud or suspected fraud that affects the College and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
22. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the College's financial statements communicated by employees, former employees, analysts, regulators or others.
23. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
24. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation of claims.
25. We have disclosed to you the identity of the College's related parties and all the related party relationships and transactions of which we are aware.

Supplementary Information in Relation to the Financial Statements as a Whole

26. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - e. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the College of the supplementary information and the auditor's report thereon.

Required Supplementary Information

27. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

OMB Circular A-133

28. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. The significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
 - h. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative

agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

- i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the U.S. Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Colleges*, and Subpart C, *Cost Sharing and Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Colleges*.
- p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- u. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- v. We have disclosed all contracts or other agreements with service Colleges and disclosed to you all communications from these service Colleges relating to noncompliance at the Colleges.
- w. We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- x. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Scott Ward, VP of Administrative Service



Kristen Biggs, Director of Accounting



Rebekah Schaub, Director of Financial Aid