

**ALPENA COMMUNITY COLLEGE**

Audited Financial Statements and  
Other Supplementary Financial Information

Year Ended June 30, 2009

**STRALEY, ILSLEY & LAMP P.C.**

# **ALPENA COMMUNITY COLLEGE**

## **COLLEGE OFFICIALS**

### **BOARD OF TRUSTEES**

John E. Briggs, Chairperson

Thomas R. Townsend, Vice-Chairperson

Joseph Gentry II, Treasurer

Florence Stibitz, Trustee

Marc K. Ferguson, Trustee

Dr. Judy Grenkowicz, Trustee

Lisa Hilberg, Trustee

Elizabeth L. Spragg, Board Secretary

### **EXECUTIVE COUNCIL**

Dr. Olin H. Joynton, President

Richard L. Sutherland, Vice President for Administration and Finance

Dr. Mark Curtis, Vice President of Instruction

Max P. Lindsay, Dean of Student Affairs

Denis J. Walterreit, Director of Public Information

Penny L. Boldrey, Executive Director of ACC Foundation

Elizabeth L. Spragg, Assistant to the President

Donald C. MacMaster, Associate Dean for Workforce Development

Wendy Brooks, Dean for Learning Resource Center/Media

## **CONTENTS**

	<b><u>Page</u></b>
<b>COLLEGE OFFICIALS</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Management's Discussion and Analysis	3
Balance Sheet	12
Statement of Revenue, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to Financial Statements	16
<b>SUPPLEMENTAL INFORMATION</b>	
Combining Balance Sheet - June 30, 2009	24
Combining Statement of Revenues, Expenditures and Changes in Net Assets – For the Year Ended June 30, 2009	26
Combining Balance Sheet - June 30, 2008	28
Combining Statement of Revenues, Expenditures and Changes in Net Assets – For the Year Ended June 30, 2008	30



Certified Public Accountants

**STRALEY, ILSLEY & LAMP P.C.**

2106 U.S. 23 SOUTH, P.O. BOX 738  
ALPENA, MICHIGAN 49707  
TELEPHONE (989) 356-4531  
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

PHILIP T. STRALEY, C.P.A.  
ROBERT D. ILSLEY, C.P.A.  
BERNARD R. LAMP, C.P.A.  
TERRENCE D. YULE, C.P.A.  
MARK L. SANDULA, C.P.A.  
JAMES E. KRAENZLEIN, C.P.A./A.B.V., C.V.A.  
DONALD C. LEVREN

RETIRED  
GORDON A. NETHERCUT, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Alpena Community College  
Alpena, Michigan

We have audited the accompanying basic financial statements of Alpena Community College, Alpena, Michigan, as of June 30, 2009 and 2008 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of Alpena Community College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Alpena Community College at June 30, 2009 and 2008, and the results of its operations and cash flows for the years 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 a report dated September 25, 2009 on our consideration of Alpena Community College's internal control over financial reporting and on 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 10 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Alpena Community College taken as a whole. The other supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Straley, Isley & Lamb P.C.

September 25, 2009

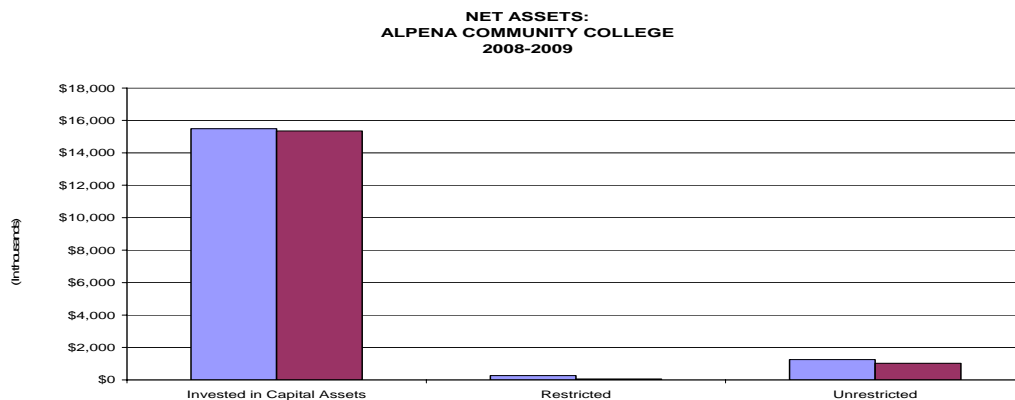
## Management Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2009. This discussion, the financial statements and related footnotes have been prepared by and are the responsibility of management at Alpena Community College.

Understanding Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Colleges and Universities* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 1* is vital to comprehending Alpena Community College's financial statements. The presentation of the financial statements required by GASB Statements Nos. 34 and 35 provide a comprehensive, entity-wide perspective on the College's total assets, total liabilities, total net assets, program revenues, general revenues, total revenues, program expenses, total expenses, excesses or deficiencies, contributions, special and extraordinary items, transfers, changes in net assets, ending net assets, and cash flows. These statements replace the fund-group presentations previously required. The *State of Michigan's Manual for Uniform Financial Reporting for Michigan Public Community Colleges* requires that entities reporting under GASB No. 35 to utilize the Business-Type Activities (BTA) model. This BTA model is used because the college's functionality is more closely aligned with business than with governments. In addition, this presentation allows a better comparability between public and private colleges and universities. Finally, GASB No. 39 provides that the Alpena Community College Foundation's financials be presented with the College's financials.

## Financial Highlights

- Student credit hour enrollment for the year increased by 1.5% to 43,982.
- The assets of Alpena Community College exceeded its liabilities at June 30, 2009, by \$16,426,316.



- The College's net assets decreased by \$577,044, or 3.4%, due to lower donations, state grants, and the disposal of the East Campus facility.
- Operating revenues accounted for only 59% of the total revenues of the College while nonoperating revenues account for 41%. The College experienced an operating loss of \$8,436,048 as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Most of the operating loss was offset by State appropriations of \$5,210,610, local property tax of \$2,603,627 and other non-operating revenues of \$44,767, leaving a decrease of \$577,044. The College recorded nearly \$263,104 in gifts and endowments this year, primarily from Alpena Community College Foundation's 25<sup>th</sup> Anniversary fundraising campaign.

### **Using This Annual Report**

This report consists of three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. Taken together these three statements provide information on the College as a whole as well as a long-term view of the College's finances. The following activities are included in the College's basic financial Statements:

Primary institution (College) – All of the programs and services associated with a college fall into this category, including instruction, public service, and support services.

Component Unit (Alpena Community College Foundation) – GASB No. 39 requires a legally separate, tax-exempt entity be presented with a primary institution that meets the following criteria:

1. The economic resources received by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization, when the specific primary government or its component units is entitled to or has the ability to otherwise access, are significant to that primary government.

### **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 answers the question "Is ACC as a whole better off or worse off as a result of the year's activities?" 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. The relationship between revenues and expenses may be thought of as ACC's operating results.

These two statements report ACC's net assets and changes in them. The difference between assets and liabilities is one way to measure the College's financial stability. A single year of data is insufficient to determine the overall health of a college; however, viewing the changes over time will give one good indication of the College's financial position. Other factors to consider are other non-financial such as enrollment trends, retention, condition of the facilities, and national and regional economic conditions.

The College breaks its revenue down into two major categories, operating and non-operating. Operating revenue is revenue brought in by a direct action of the College, such as tuition and fees and grants requiring specific outcomes. Non-operating revenue is revenue that that comes to the College though legislation, millage, and funds not directly related to the operation of the College, such as investment income and gifts.

The College records all assets and liabilities on an accrual basis, 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.

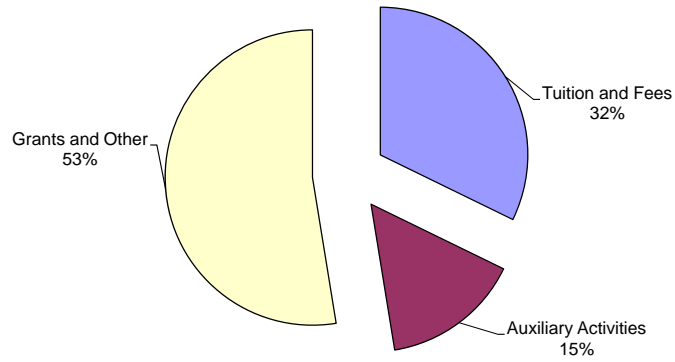
Net Assets, End of Year  
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/09	6/30/08	6/30/09	6/30/08
Current Assets	\$ 4,287	\$ 4,344	\$ 1,258	\$ 271
Noncurrent Assets	17,146	17,499	3,128	4,001
Total Assets	21,433	21,843	4,386	4,272
Current Liabilities	3,253	2,861	0	0
Noncurrent Liabilities	1,753	1,979	0	0
Total Liabilities	5,006	4,840	0	0
Net Assets				
Invested in capital assets net of related debts	15,353	15,482	0	0
Restricted	53	268	2,824	2,222
Unrestricted	1,020	1,253	1,562	2,050
Total Net Assets	\$ 16,426	\$ 17,003	\$ 4,386	\$ 4,272
Increase (Decrease) Net Assets	(\$ 577)		\$ 114	

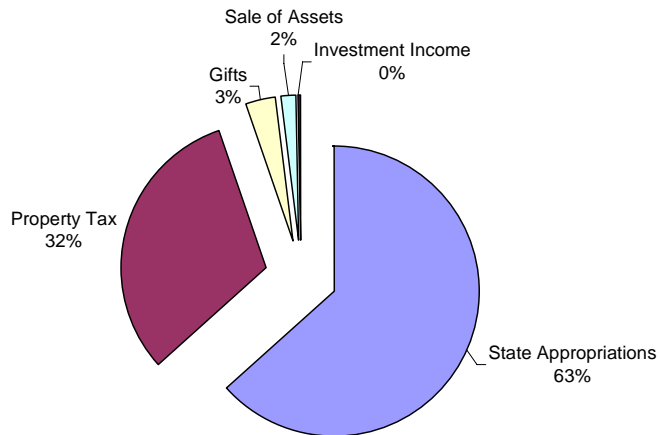


Operating and non-operating revenues and operating expenses for the fiscal year ended June 30, 2009:

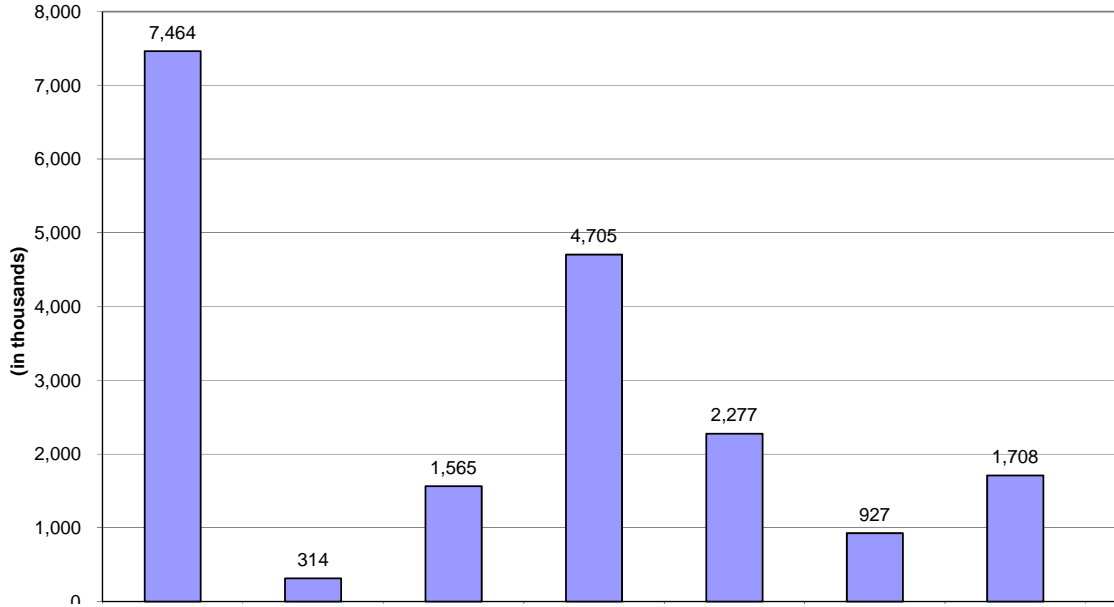
**Operating Revenues:  
Alpena Community College**



**Non-Operating Revenues:  
Alpena Community College**



**Operating Expense:  
Alpena Community College  
2009**  
(in thousands)



Operating Results for the Year  
2008-2009  
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/09	6/30/08	6/30/09	6/30/08
<b>Operating Revenues</b>				
Tuition and fees	\$ 3,638	\$ 3,834	\$ 0	\$ 0
Grants and contracts	5,897	6,390	0	0
Auxiliary Activities	1,719	1,588	0	0
Other	40	85	19	20
<b>Total Operating Revenues</b>	<b>11,294</b>	<b>11,897</b>	<b>19</b>	<b>20</b>
<b>Operating Expenses</b>	<b>19,730</b>	<b>18,705</b>	<b>403</b>	<b>632</b>
<b>Net Operating Revenues(Expenses)</b>	<b>(8,436)</b>	<b>(6,808)</b>	<b>(384)</b>	<b>(612)</b>
<b>Nonoperating Revenues</b>				
State appropriations	5,211	5,562	0	0
Other nonoperating revenues	2,648	2,912	497	228
<b>Net Nonoperating Revenues</b>	<b>7,859</b>	<b>8,474</b>	<b>228</b>	<b>228</b>
<b>Income before other revenues, expenses, gains or losses</b>	<b>(577)</b>	<b>1,666</b>	<b>113</b>	<b>(384)</b>
<b>Net Assets</b>				
Net Assets - beginning of year	17,003	15,337	4,272	4,656
<b>Net Assets - end of year</b>	<b>\$ 16,426</b>	<b>\$ 17,003</b>	<b>\$ 4,385</b>	<b>\$ 4,272</b>

## Operating Revenues

### Alpena Community College

Operating revenue changes were the result of the following factors:

- Restoration of state appropriations received in FY 2008 from FY 2007 of \$440,000.
- An increase of state appropriations over FY 2008's original appropriations by 1.8%.
- Tuition and fees, due to net increase of scholarship allowance, decreased by 5.1%. The rise in scholarship is due to the increase use of Pell Grants awards.
- Increased Pell Grant usage and the Community Based Job Training Grant contributed to Federal grants and contracts increase of 17.3%.
- State grants and contracts decreased by 70% due to no capital projects this year.

## Operating Expenses

### Alpena Community College

Operating expense changes were the result of the following factors:

- Instructional costs rose 13% due to full-time faculty hires and contractual obligations.
- Depreciation decreased due to seven year assets being fully depreciated in FY 2008.
- Healthcare expense, contractual obligations, additional costs from last year's level enrollments contribute to the higher costs in the other expense categories.

## The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash flows also helps users assess: an entities ability to generate future cash flows, its ability to meet its financial obligations as they come due, and its needs for external financing.

Cash Flows for the Year  
2008-2009  
(in thousands)

	College		Foundation	
	6/30/09	6/30/08	6/30/08	6/30/07
Cash provided (used) by:				
Operating activities	\$ (7,545)	\$(6,148)	\$ (382)	\$ (618)
Non-capital financing activities	8,061	7,959	1,429	610
Capital and related financing activities	(853)	(1,637)	0	0
Investing activities	11	52	(9)	(134)
Net increase (decrease) in cash	(325)	225	1,038	(142)
Cash, beginning of the year	757	532	64	206
Cash, end of the year	\$ 432	\$757	\$ 1,102	\$ 64

The College's liquidity increased during the year. The following information is provided to help the reader better understand the cash flows presented above.

Alpena Community College

Capital purchases for FY 2009 decreased by nearly \$819,486 over FY 2008 primarily due to the completion of the *Pathways to the Future* project. The College acquired a short-term loan to insure proper cash availability during the first half of FY 2009. The College assumed no additional long-term debt.

Alpena Community College Foundation

The Foundation's liquidity decreased primarily due to investment activities.

**Capital Assets and Debt Administration**

**Capital Assets**

The College has kept a close eye on the economic conditions of the state and nation. With the economic downturn and future appropriation levels in question, the College has turned to purchasing only the capital assets that are immediately needed for replacements or have major funding opportunities available, such as Perkins Grants and Technology Fund computer rotations. One of the major capital acquisitions is the *Pathways to the Future* new building and renovation project. This project updated obsolete science labs and added new computer labs to a vacated space and added fine art labs and classrooms in a new building.

Capital Assets, Net, at Year-End  
2008-2009  
(in thousands)

	College		Foundation		Totals	
	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	6/30/08
Land	\$ 340	\$ 340	\$ 0	\$ 0	\$ 340	\$ 340
Land improvements	1,156	1,156	0	0	1,156	1,156
Buildings	25,530	25,674	0	0	25,530	25,674
Furniture, fixtures and equipment	4,068	3,966	0	0	4,068	3,966
Vehicles	359	358			359	358
Books	1,430	1,380	0	0	1,430	1,380
Totals	<u>\$ 32,883</u>	<u>\$ 32,874</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,883</u>	<u>\$ 32,874</u>

## **Debt**

At year-end, the College maintains a low debt profile. While the College has over \$21 million in total assets (see page 3), there is only \$1.82 million of long-term debt.

## **Economic Factors That Will Affect the Future**

The economic condition of the College is closely tied to the State. The economy of Michigan has been down for seven years and is anticipated to be down for at least one more year. The College's state appropriation increased by 1.8 for FY 2009 over FY 2008. The College's appropriations for FY 2010 look to dip slightly due to a redistribution of Indian Tuition Waiver allocation. In the coming year, the College may face further Executive Orders or negative appropriations. A millage renewal that took the millage from five years to ten years and restoration of the Headlee Amendment reductions will add to property tax revenues of about \$60,000 a year. There is little growth anticipated over the next two years that would fuel additional increased local tax support and perhaps some reductions due to the slow housing market. The population that supports the College's enrollment is aging and the feeder high school enrollments are down. The College is looking at several areas including:

- Expand niche programs, such as Nursing, Concrete Technology and Utility Technology.
- Delay the hiring or restructure faculty and staff positions.
- Increased tuition and fees to meet the growing costs of retirement and health care, but is taking a very hard look at future tuition increases, so as not to price some students out of the market.
- Through the College's Marketing Plan, look at other opportunities to make up the decrease in our market base by encouraging expansion in our niche programs and improving partnerships with area high schools and communities.
- Closely look at the College's financial reserves and determine how best to allocate them.

In spite of the downturn of the economy and other outside pressures, ACC will continue to be the college of choice for Northeast Lower Michigan and to provide the highest quality education for its citizens.

This page left blank

**ALPENA COMMUNITY COLLEGE**

Balance Sheet

	Alpena Community College		A.C.C. Foundation	
	June 30		June 30	
	2009	2008	2009	2008
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 431,524	\$ 756,868	\$ 1,102,116	\$ 64,130
State appropriation receivable	932,018	915,418	-	-
Accounts receivable	2,014,441	1,716,993	-	-
Contributions receivable	-	-	155,736	205,001
Federal and state grants receivable	156,101	131,248	-	-
Student loans receivable	760	759	-	-
Inventories	487,331	538,047	-	-
Insurance funds on deposit	264,802	284,730	-	-
Due from (to) other funds	-	-	-	-
Other current assets	-	-	159	1,467
Total Current Assets	<u>4,286,977</u>	<u>4,344,063</u>	<u>1,258,011</u>	<u>270,598</u>
Restricted investments	-	-	2,647,482	3,382,076
Split interest agreements	-	-	480,185	618,860
Other investments	-	-	-	-
Property and equipment	<u>17,145,663</u>	<u>17,499,614</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 21,432,640</u></b>	<b><u>\$ 21,843,677</u></b>	<b><u>\$ 4,385,678</u></b>	<b><u>\$ 4,271,534</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Current portion of debt obligations	\$ 235,000	\$ 225,000	\$ -	\$ -
Accounts payable	251,671	240,945	129	-
Accrued interest payable	21,660	23,981	-	-
Accrued payroll and related liabilities	841,070	772,855	-	-
Deposits	9,179	6,146	-	-
Unearned student tuition and fees	<u>1,894,190</u>	<u>1,592,574</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>3,252,770</u>	<u>2,861,501</u>	<u>129</u>	<u>-</u>
Long-term debt obligations	1,580,000	1,815,000	-	-
Accrued compensated absences	<u>173,554</u>	<u>163,816</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,006,324</u>	<u>4,840,317</u>	<u>129</u>	<u>-</u>
Net Assets				
Invested in capital assets, net of related debt	15,353,102	15,482,053	-	-
Restricted for:				
Expendable scholarships and grants	46,078	57,539	2,824,140	2,221,598
Student loans	4,237	4,231	-	-
Debt service	2,514	206,950	-	-
Unrestricted:				
Unallocated	<u>1,020,385</u>	<u>1,252,587</u>	<u>1,561,409</u>	<u>2,049,936</u>
Total Net Assets	<u>16,426,316</u>	<u>17,003,360</u>	<u>4,385,549</u>	<u>4,271,534</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 21,432,640</u></b>	<b><u>\$ 21,843,677</u></b>	<b><u>\$ 4,385,678</u></b>	<b><u>\$ 4,271,534</u></b>

The accompanying notes are an integral part of this statement.

**ALPENA COMMUNITY COLLEGE**

Statement of Revenue, Expenses and Changes in Net Assets

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2009	2008	2009	2008
<b>REVENUE</b>				
Operating Revenue				
Tuition and fees (net of scholarship allowance of \$2,572,077 and \$2,268,270)	\$ 3,637,961	\$ 3,834,079	\$ -	\$ -
Federal grants and contracts	5,316,409	4,532,041	-	-
State grants and contracts	544,164	1,823,281	-	-
Local grants and fees	35,896	34,500	-	-
Auxiliary activities	1,719,178	1,587,782	-	-
Miscellaneous	40,132	85,502	19,100	20,105
Total Operating Revenue	<u>11,293,740</u>	<u>11,897,185</u>	<u>19,100</u>	<u>20,105</u>
<b>EXPENSES</b>				
Operating Expenses				
Instruction	7,464,030	6,844,789	-	-
Public services	313,736	364,162	-	-
Instructional support	1,564,595	1,396,530	-	-
Student services	4,704,620	4,471,128	310,750	486,297
Institutional administration	2,277,392	2,007,324	91,967	145,840
Technology	926,955	820,376	-	-
Operation and maintenance of plant	1,708,324	1,653,720	-	-
Depreciation expense	759,465	1,145,067	-	-
Other expenditures	10,671	2,335	-	-
Total Operating Expenses	<u>19,729,788</u>	<u>18,705,431</u>	<u>402,717</u>	<u>632,137</u>
Operating Loss	<u>(8,436,048)</u>	<u>(6,808,246)</u>	<u>(383,617)</u>	<u>(612,032)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
State appropriations	5,210,610	5,561,634	-	-
Property tax levy	2,603,627	2,508,049	-	-
Investment income (loss)	11,485	51,563	(881,759)	(313,177)
Student loan interest	6	7	-	-
Interest on capital asset - related debt	(79,452)	(89,965)	-	-
Gifts and permanent endowments	263,104	441,965	1,379,391	540,856
Gain (loss) on sale of capital assets	(150,376)	1,010	-	-
Net Nonoperating Revenue (Expense)	<u>7,859,004</u>	<u>8,474,263</u>	<u>497,632</u>	<u>227,679</u>
Increase (Decrease) in Net Assets	(577,044)	1,666,017	114,015	(384,353)
<b>NET ASSETS - beginning of year,</b>	<u>17,003,360</u>	<u>15,337,343</u>	<u>4,271,534</u>	<u>4,655,887</u>
<b>NET ASSETS - end of year</b>	<u>\$ 16,426,316</u>	<u>\$ 17,003,360</u>	<u>\$ 4,385,549</u>	<u>\$ 4,271,534</u>

The accompanying notes are an integral part of this statement.



ALPENA COMMUNITY COLLEGE

Statement of Cash Flows

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2009	2008	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 3,642,129	\$ 3,893,233	\$ -	\$ -
Grants and contracts	5,871,616	6,918,690	-	-
Payments to suppliers	(5,382,420)	(6,430,622)	(334,280)	(577,948)
Payments to employees	(13,435,285)	(12,235,829)	(67,000)	(60,170)
Collection of loans from students	-	-	-	-
Auxiliary enterprise charges	1,719,178	1,621,119	-	-
Other	40,132	85,502	19,100	20,105
Net cash provided (used) for operating activities	(7,544,650)	(6,147,907)	(382,180)	(618,013)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	5,194,010	5,008,547	-	-
Property tax levy	2,603,627	2,508,049	-	-
Gifts and permanent endowments	263,104	441,965	1,428,656	609,536
Net cash provided (used) by noncapital financing activities	8,060,741	7,958,561	1,428,656	609,536
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(555,890)	(1,375,376)	-	-
Proceeds from sale of assets	-	21,010	-	-
Proceeds from issuance of debt	600,000	-	-	-
Principal paid on capital debt	(825,000)	(212,808)	-	-
Interest paid on capital debt	(81,773)	(91,834)	-	-
Change in compensated absences liability	9,738	21,873	-	-
Net cash provided (used) by capital and related financing activities	(852,925)	(1,637,135)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	(6,238,495)	(8,760,912)
Proceeds from sales and maturities of investment	-	-	6,118,667	8,450,376
Investment income (loss)	11,485	51,563	111,338	176,777
Student loan interest	5	7	-	-
Net cash provided (used) by investing activities	11,490	51,570	(8,490)	(133,759)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(325,344)	225,089	1,037,986	(142,236)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	756,868	531,779	64,130	206,366
<b>CASH AND CASH EQUIVALENTS - end of the year</b>	\$ 431,524	\$ 756,868	\$ 1,102,116	\$ 64,130

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE  
Statement of Cash Flows (Continued)

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2009	2008	2009	2008
<b>BALANCE SHEET CLASSIFICATIONS OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ 431,524	\$ 756,868	\$ 1,102,116	\$ 64,130
<b>RECONCILIATION OF NET OPERATING EXPENSES TO CASH USED FOR OPERATING ACTIVITIES:</b>				
Operating Income (loss)	\$ (8,436,048)	\$ (6,808,246)	\$ (383,617)	\$ (612,032)
Adjustment to reconcile operating loss to net cash used for operating activities:				
Depreciation	759,465	1,145,067	-	-
(Increase) decrease in net assets:				
Accounts receivable	(297,448)	(261,882)	-	-
Federal and state grants receivable	(24,853)	528,868	-	-
Student loans receivable	-	-	-	-
Inventories	50,716	(122,709)	-	-
Insurance funds on deposit	19,928	(6,285)	-	-
Prepaid expenses	-	-	1,308	(1,467)
Increase (decrease) in liabilities:				
Accounts payable	10,726	(955,462)	129	(4,514)
Accrued payrolls and related liabilities	68,215	45,929	-	-
Deposits	3,033	(34,223)	-	-
Unearned student tuition and fees	301,616	321,036	-	-
	<u>\$ (7,544,650)</u>	<u>\$ (6,147,907)</u>	<u>\$ (382,180)</u>	<u>\$ (618,013)</u>

The accompanying notes are an integral part of this statement.

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES.**

**Reporting Entity.** Alpena Community College is a Michigan community college whose financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and as outlined in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*.

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board 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 individual component unit discussed in Note 11, is included in the College's reporting entity.

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

**Accrual Basis.** The financial statements 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.

**Accounts Receivable.** Accounts receivable are recorded net of allowance of uncollectible accounts of approximately \$106,458 at June 30, 2009.

**Student Loans Receivable.** Student loans receivable are recorded net of allowance of uncollectible accounts of approximately \$26,243 at June 30, 2009.

**Inventories.** Inventories are stated at the lower of cost or market using the first-in, first-out method.

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

**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. Library books are recorded using a historically based estimated value. Depreciation is provided for physical properties on a straight-line basis of the estimated useful life of the assets.

**Unearned Student Tuition and Fees.** Student tuition and fees are recorded as a receivable at registration. Revenues received prior to year end that relate to future fiscal periods are recorded as deferred revenues. Deferred revenue of \$1,894,190 for unearned tuition and fees for future semesters existed at June 30, 2009.

**Compensated Absences.** Compensated absences represent the accumulated liability to be paid under the College's current sick and vacation pay policy. Under the College's policy, employees earn sick and vacation time based on time of service with the College

**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 print shops, office equipment, maintenance, telecommunications, and institutional computing have been eliminated.

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**Unrestricted Net Assets.** The College, through Board action, has designed the use of unrestricted net assets as follows:

Designated for unreported insurance claims	\$ 264,802
Unrestricted and unallocated	<u>755,583</u>
Total unrestricted net assets	\$ <u>1,020,385</u>

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS.**

The College's deposits and investments are included on the balance sheet under the following classifications:

	<u>Alpena Community College</u>	<u>A.C.C. Foundation</u>
Cash and cash equivalents	\$ 431,524	\$ 1,102,116
Restricted investments	<u>-</u>	<u>2,647,482</u>
Total unrestricted net assets	\$ <u>431,524</u>	\$ <u>3,749,598</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	<u>Alpena Community College</u>	<u>A.C.C. Foundation</u>
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 428,024	\$ 1,102,116
Investments in securities and similar vehicles	-	2,647,482
Petty cash and cash on hand	<u>3,500</u>	<u>-</u>
Total unrestricted net assets	\$ <u>431,524</u>	\$ <u>3,749,598</u>

**Interest rate risk.** In accordance with its investment policy, the College will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the College's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2009, the College did not have any investments which have ratings below prime.

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**Concentration of credit risk.** The College will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the College's 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.

**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, 2009, \$81,547 of the College's bank balance of \$586,991 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, but not in the College's name.

**Custodial credit risk – investments.** For an investment, 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.

The College will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the College will do business.

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

**NOTE 3. PROPERTY AND EQUIPMENT.**

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2009 as follows:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2009</u>	Estimated Useful Life <u>(In Years)</u>
Capital Assets					
Land	\$ 339,600	\$ -	\$ -	\$ 339,600	
Land improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	25,674,205	306,523	(450,176)	25,530,552	40
Furniture, fixtures, and equipment	3,965,884	166,825	(64,649)	4,068,060	3-7
Vehicles	357,978	32,200	(31,000)	359,178	4
Books	<u>1,379,540</u>	<u>50,342</u>	<u>-</u>	<u>1,429,882</u>	10
Total capital assets	32,873,611	555,890	(545,825)	32,883,676	
Less accumulated depreciation					
Land improvements	1,053,002	38,653	-	1,091,655	15
Buildings and improvements	9,433,624	543,339	(299,800)	9,677,163	40
Furniture, fixtures, and equipment	3,480,779	115,467	(64,649)	3,531,597	3-7
Vehicles	307,421	24,812	(31,000)	301,233	4
Books	<u>1,099,171</u>	<u>37,194</u>	<u>-</u>	<u>1,136,365</u>	10
Total accumulated depreciation	<u>15,373,997</u>	<u>759,465</u>	<u>(395,449)</u>	<u>15,738,013</u>	
Capital assets, net	<u>\$ 17,499,614</u>			<u>\$ 17,145,663</u>	

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. PENSION PLAN.**

**Plan Description.** The College participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan that covers most employees of the College. The System provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at P.O. Box 30171, Lansing, MI 48909-7611.

**Funding Policy.** Employer contributions to the System result from the effects of implementing the School Finance Reform Act. Under these procedures, each 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 class disbursement basis. The obligation to contribute to and maintain the system for these employees was established by negotiation with the College's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The College is required to contribute at an actuarially determined rate; the current rate totals 16.72 percent for the period from July 1, 2008 through September 30, 2008 and 16.54 percent from October 1, 2008 through June 30, 2009 of the covered payroll to the plan. The College's contributions to the MPERS plan for the years ended June 30, 2009, 2008 and 2007 were \$1,289,260, \$1,223,553, and \$1,087,310, respectively. Basic plan members make no contributions, but contribute to a Member Investment Plan (MIP) at rates ranging from 3.0 percent to 4.3% of gross wages. For the years ended June 30, 2009, 2008 and 2007 Alpena Community College members contributed \$258,655, \$193,394, and \$196,985, respectively. The College's contributions to the Optional Retirement Plan (ORP) were \$147,179 with members making matching contributions of \$49,056 for the year ended June 30, 2009.

**Post-employment benefits.** In addition to the pension benefits, the College provides post-employment health care benefits (reimbursement of premium co-payment) not covered by the Michigan Public School Employee's Retirement System (MPERS), for administrative personnel until they reach age 65, who otherwise are eligible under the MPERS. All other College employees receive post-employment health care coverage through the MPERS. Currently, 1 employee meets the eligibility requirements, as defined under the contractual agreement for reimbursement of premium co-payments. Expenditures for post-retirement health care benefits are recognized as retirees' premiums for health care are presented for payment. For the year's ended June 30, 2009, 2008 and 2007 expenditures of \$578, \$913, and \$812, respectively were recognized for post-retirement health care.

**NOTE 5. COMPENSATED ABSENCES AND OTHER EMPLOYEE PAYMENTS.**

Employee benefits that will be paid at a future date but attributable to services already rendered are recorded at June 30, 2009. These compensated absences include vacation leave, sick pay and longevity. In addition, any salary-related payments (such as Social Security) associated with the payment of compensated absences are also recorded.

Any fringe benefits (such as health insurance) associated with faculty compensation that are paid during July and August are recorded as liabilities at June 30, since future services are not required for the receipt of these benefits.

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. NOTES AND BONDS PAYABLE.**

Notes and bonds payable of the College are as follows:

	<u>Balances</u> <u>June 30, 08</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances</u> <u>June 30, 09</u>	<u>Current</u> <u>Maturities</u>
2002 College Improvement And Refunding Bonds Installment Loan Dated: 09-01-2002 Matures: 03-01-2022 Interest 2.7% - 4.75%	\$ 1,520,000	\$ -	\$ (145,000)	\$ 1,275,000	\$ 155,000
Installment Loan Dated: 12-01-2004 Matures: 05-01-2014 Interest 2.5% - 4.0%	<u>520,000</u>	<u>-</u>	<u>(80,000)</u>	<u>440,000</u>	<u>80,000</u>
	<u>\$ 2,040,000</u>	<u>\$ -</u>	<u>\$ (225,000)</u>	<u>\$ 1,815,000</u>	<u>\$ 235,000</u>

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2009 are as follows:

<u>For the year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Requirement</u>
2010	\$ 235,000	\$ 73,856	\$ 308,856
2011	245,000	65,321	310,321
2012	255,000	56,160	311,160
2013	265,000	46,350	311,350
2014	275,000	35,862	310,862
2015 – 2019	315,000	97,690	412,690
2020 – 2022	<u>225,000</u>	<u>21,375</u>	<u>246,375</u>
	<u>\$1,815,000</u>	<u>\$ 396,614</u>	<u>\$ 2,211,614</u>

Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PROPERTY TAXES.**

The assessed values of real and personal property situated in the College District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50 percent of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Alpena residents (representing approximately 27% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Alpena and Presque Isle Counties, the Counties purchase at face value the real property taxes receivable returned delinquent each March 1. The Taxable Value for the 2008-09 school year in Alpena Community College was established at \$1,066,754,501. The College's operating tax rate was established at 2.4358 mills (1.4615 charter mills and .9743 additional mills voted as reduced under the Headlee Tax Amendment) for general operations.

**NOTE 8. RISK MANAGEMENT.**

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for claims relating to all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the College participates operates as a common risk-sharing management program for community colleges in Michigan; members' premiums are used to purchase commercial excess coverage and to pay member claims in excess of deductible amounts.

**NOTE 9. CLAIMS AND CONTINGENCIES.**

In the ordinary course of business the College is exposed to various claims and legal actions, which may be partially or fully covered by insurance. In the opinion of the College's management, the ultimate loss, if any, resulting from any claims and legal actions will not be material to the financial position of the College. The College participates in a number of federally and state assisted grant programs. These programs are subject to program compliance audits. The compliance audit reports have not yet been completed and accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; however, the College expects such amounts, if any, to be immaterial.

**NOTE 10. RELATED PARTY TRANSACTIONS.**

An independent Alpena Community College Foundation exists. The Foundation has a separate board of trustees and operates independently from the College. The purpose of the Foundation is to raise funds which will be transferred to Alpena Community College to assist the College financially in its endeavor to promote educational opportunities.



Alpena Community College

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11. COMMUNITY COLLEGE FOUNDATION.**

Alpena Community College Foundation is a separate legal entity established as 501(c)3 corporation to accept, collect, hold and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. At June 30, 2009 the stated value of the net assets of the Foundation totaled \$4,385,678. These assets and all activity of the Foundation are included in the financial statements of the college as a discretely presented component unit.

The College provides personnel support, supplies and equipment to the Foundation.

## **SUPPLEMENTAL INFORMATION**

ALPENA COMMUNITY COLLEGE

Combining Balance Sheet

June 30, 2009

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 80,119	\$ 9,855	\$ 1,400	\$ 391
State appropriation receivable	932,018	-	-	-
Accounts receivable	1,929,732	52,000	46,534	-
Contributions receivable	-	-	-	-
Federal and state grants receivable	-	-	-	156,101
Student loans receivable	-	-	-	-
Inventories	-	12,587	474,744	-
Insurance funds on deposit	264,802	-	-	-
Other current assets	-	-	-	-
Due from (to) other funds	601,635	(106,002)	(373,010)	43,312
Total Current Assets	<u>3,808,306</u>	<u>(31,560)</u>	<u>149,668</u>	<u>199,804</u>
Restricted investments	-	-	-	-
Split interest agreements	-	-	-	-
Other investments	-	-	-	-
Property and equipment	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,808,306</u>	<u>\$ (31,560)</u>	<u>\$ 149,668</u>	<u>\$ 199,804</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -
Accounts payable	248,708	396	-	2,567
Accrued interest payable	-	-	-	-
Accrued payroll and related liabilities	715,176	19,652	5,006	105,370
Deposits	4,225	-	-	-
Unearned student tuition and fees	1,896,276	(5,010)	-	2,924
Total Current Liabilities	<u>2,864,385</u>	<u>15,038</u>	<u>5,006</u>	<u>110,861</u>
Long-term debt obligations	-	-	-	-
Accrued compensated absenses	117,126	7,291	1,543	47,594
Total Liabilities	<u>2,981,511</u>	<u>22,329</u>	<u>6,549</u>	<u>158,455</u>
Net Assets				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for				
Expendable scholarships and grants	-	-	-	41,349
Student loans	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Unrestricted				
Unallocated	826,795	(53,889)	143,119	-
Total Net Assets	<u>826,795</u>	<u>(53,889)</u>	<u>143,119</u>	<u>41,349</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,808,306</u>	<u>\$ (31,560)</u>	<u>\$ 149,668</u>	<u>\$ 199,804</u>

Student Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ 3,477	\$ -	336,282	\$ -	\$ -	\$ 431,524	\$ 1,102,116
-	-	-	-	-	932,018	-
(13,825)	-	-	-	-	2,014,441	-
-	-	-	-	-	-	155,736
-	-	-	-	-	156,101	-
759	-	-	-	-	759	-
-	-	-	-	-	487,331	-
-	-	-	-	-	264,802	-
-	-	-	-	-	-	159
13,825	4,729	(185,309)	820	-	-	-
<u>4,236</u>	<u>4,729</u>	<u>150,973</u>	<u>820</u>	<u>-</u>	<u>4,286,976</u>	<u>1,258,011</u>
-	-	-	-	-	-	2,647,482
-	-	-	-	-	-	480,185
-	-	-	-	-	-	-
-	-	17,145,663	-	-	17,145,663	-
<u>\$ 4,236</u>	<u>\$ 4,729</u>	<u>\$ 17,296,636</u>	<u>\$ 820</u>	<u>\$ -</u>	<u>\$ 21,432,639</u>	<u>\$ 4,385,678</u>
\$ -	\$ -	\$ 235,000	\$ -	\$ -	\$ 235,000	\$ -
-	-	-	-	-	251,671	129
-	-	21,660	-	-	21,660	-
-	-	-	(4,134)	-	841,070	-
-	-	-	4,954	-	9,179	-
-	-	-	-	-	1,894,190	-
-	-	256,660	820	-	3,252,770	129
-	-	1,580,000	-	-	1,580,000	-
-	-	-	-	-	173,554	-
-	-	1,836,660	820	-	5,006,324	129
-	-	15,353,102	-	-	15,353,102	-
-	4,729	-	-	-	46,078	2,824,140
4,236	-	-	-	-	4,236	-
-	-	-	-	-	-	-
-	-	2,514	-	-	2,514	-
-	-	104,360	-	-	1,020,385	1,561,409
<u>4,236</u>	<u>4,729</u>	<u>15,459,976</u>	<u>-</u>	<u>-</u>	<u>16,426,315</u>	<u>4,385,549</u>
<u>\$ 4,236</u>	<u>\$ 4,729</u>	<u>\$ 17,296,636</u>	<u>\$ 820</u>	<u>\$ -</u>	<u>\$ 21,432,639</u>	<u>\$ 4,385,678</u>

## ALPENA COMMUNITY COLLEGE

## Combining Statement of Revenues, Expenditures and Changes in Net Assets

For the Year Ended June 30, 2009

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
<b>REVENUE</b>				
Operating Revenue				
Tuition and fees (net of scholarship allowance of \$2,572,077)	\$ 5,334,904	\$ 567,352	\$ 7,500	\$ 974
Federal grants and contracts	6,383	-	-	5,310,026
State grants and contracts	-	-	-	232,418
Local grants and fees	-	1,000	-	34,896
Auxiliary activities	-	306,724	1,412,454	-
Indirect cost recoveries	117,333	2,475	-	(119,808)
Current funds expenditures for equipment and capital improvements	-	-	-	-
Miscellaneous	26,835	9,024	-	(538)
Total Operating Revenue	<u>5,485,455</u>	<u>886,575</u>	<u>1,419,954</u>	<u>5,457,968</u>
<b>EXPENSES</b>				
Operating Expenses				
Instruction	6,555,906	99,713	-	808,411
Public services	-	81,241	10,205	222,290
Instructional support	1,218,035	25,917	81,658	238,985
Student services	924,778	394,281	1,221,504	4,331,497
Institutional administration	1,995,282	107,732	-	174,258
Technology	725,505	189,179	12,271	-
Operation and maintenance of plant	1,573,903	99,824	11,692	-
Depreciation expense	-	-	-	-
Other expenditures	-	2,021	-	-
Total Operating Expenses	<u>12,993,409</u>	<u>999,908</u>	<u>1,337,330</u>	<u>5,775,441</u>
Operating Income (Loss)	<u>(7,507,954)</u>	<u>(113,333)</u>	<u>82,624</u>	<u>(317,473)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
State appropriations	5,130,410	-	-	80,200
Property tax levy	2,603,627	-	-	-
Investment income	8,911	308	-	-
Student loan interest	-	-	-	-
Interest on capital asset - related debt	-	-	-	-
Gifts and permanent endowments	67,000	3,365	4,479	40,255
Gain (loss) on sale of capital assets	-	-	-	-
Net Nonoperating Revenue (Expense)	<u>7,809,948</u>	<u>3,673</u>	<u>4,479</u>	<u>120,455</u>
Increase (Decrease) in Net Assets	301,994	(109,660)	87,103	(197,018)
Transfers In (Out)	<u>(319,683)</u>	<u>122,440</u>	<u>(58,726)</u>	<u>185,825</u>
Net Increase (Decrease) in Net Assets	(17,689)	12,780	28,377	(11,193)
<b>NET ASSETS</b> - Beginning of Year	<u>844,484</u>	<u>(66,669)</u>	<u>114,742</u>	<u>52,542</u>
<b>NET ASSETS</b> - End of Year	<u>\$ 826,795</u>	<u>\$ (53,889)</u>	<u>\$ 143,119</u>	<u>\$ 41,349</u>

Student Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 299,308	\$ -	\$ (2,572,077)	\$ 3,637,961	\$ -
-	-	-	-	-	5,316,409	-
-	311,746	-	-	-	544,164	-
-	-	-	-	-	35,896	-
-	-	-	-	-	1,719,178	-
-	-	-	-	-	-	-
-	-	555,890	-	(555,890)	-	-
-	-	4,811	-	-	40,132	19,100
-	311,746	860,009	-	(3,127,967)	11,293,740	19,100
-	-	-	-	-	7,464,030	-
-	-	-	-	-	313,736	-
-	-	-	-	-	1,564,595	-
-	404,637	-	-	(2,572,077)	4,704,620	310,750
-	-	120	-	-	2,277,392	91,967
-	-	-	-	-	926,955	-
-	-	578,795	-	(555,890)	1,708,324	-
-	-	759,465	-	-	759,465	-
-	8,650	-	-	-	10,671	-
-	413,287	1,338,380	-	(3,127,967)	19,729,788	402,717
-	(101,541)	(478,371)	-	-	(8,436,048)	(383,617)
-	-	-	-	-	5,210,610	-
-	-	-	-	-	2,603,627	-
-	-	2,266	-	-	11,485	(881,759)
5	-	-	-	-	5	-
-	-	(79,452)	-	-	(79,452)	-
-	83,005	65,000	-	-	263,104	1,379,391
-	-	(150,376)	-	-	(150,376)	-
5	83,005	(162,562)	-	-	7,859,003	497,632
5	(18,536)	(640,933)	-	-	(577,045)	114,015
-	18,268	51,876	-	-	-	-
5	(268)	(589,057)	-	-	(577,045)	114,015
4,231	4,997	16,049,033	-	-	17,003,360	4,271,534
\$ 4,236	\$ 4,729	\$ 15,459,976	\$ -	\$ -	\$ 16,426,315	\$ 4,385,549

ALPENA COMMUNITY COLLEGE

Combining Balance Sheet

June 30, 2008

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 399,911	\$ 9,547	\$ 1,400	\$ 463
State appropriation receivable	915,418	-	-	-
Accounts receivable	1,693,183	36	4,348	-
Contributions receivable	-	-	-	-
Federal and state grants receivable	-	-	-	131,248
Student loans receivable	-	-	-	-
Inventories	-	15,733	522,314	-
Insurance funds on deposit	284,730	-	-	-
Other current assets	-	-	-	-
Due from (to) other funds	173,379	(68,374)	(408,069)	76,459
Total Current Assets	<u>3,466,621</u>	<u>(43,058)</u>	<u>119,993</u>	<u>208,170</u>
Restricted investments	-	-	-	-
Split interest agreements	-	-	-	-
Other investments	-	-	-	-
Property and equipment	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,466,621</u>	<u>\$ (43,058)</u>	<u>\$ 119,993</u>	<u>\$ 208,170</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -
Accounts payable	238,378	-	-	2,567
Accrued interest payable	-	-	-	-
Accrued payroll and related liabilities	680,309	19,375	4,556	100,827
Deposits	4,225	-	-	-
Unearned student tuition and fees	1,594,225	(4,575)	-	2,924
Total Current Liabilities	<u>2,517,137</u>	<u>14,800</u>	<u>4,556</u>	<u>106,318</u>
Long-term debt obligations	-	-	-	-
Accrued compensated absenses	105,000	8,811	695	49,310
Total Liabilities	<u>2,622,137</u>	<u>23,611</u>	<u>5,251</u>	<u>155,628</u>
Net Assets				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for				
Expendable scholarships and grants	-	-	-	52,542
Student loans	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Unrestricted				
Unallocated	844,484	(66,669)	114,742	-
Total Net Assets	<u>844,484</u>	<u>(66,669)</u>	<u>114,742</u>	<u>52,542</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,466,621</u>	<u>\$ (43,058)</u>	<u>\$ 119,993</u>	<u>\$ 208,170</u>

Student Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ 3,472	\$ -	343,102	\$ (1,027)	\$ -	\$ 756,868	\$ 64,130
-	-	-	-	-	915,418	-
10,776	8,650	-	-	-	1,716,993	-
-	-	-	-	-	-	205,001
-	-	-	-	-	131,248	-
759	-	-	-	-	759	-
-	-	-	-	-	538,047	-
-	-	-	-	-	284,730	-
-	-	-	-	-	-	1,467
(10,776)	(3,653)	270,298	(29,264)	-	-	-
4,231	4,997	613,400	(30,291)	-	4,344,063	270,598
-	-	-	-	-	-	3,382,076
-	-	-	-	-	-	618,860
-	-	-	-	-	-	-
-	-	17,499,614	-	-	17,499,614	-
<u>\$ 4,231</u>	<u>\$ 4,997</u>	<u>\$ 18,113,014</u>	<u>\$ (30,291)</u>	<u>\$ -</u>	<u>\$ 21,843,677</u>	<u>\$ 4,271,534</u>
\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ 225,000	\$ -
-	-	-	-	-	240,945	-
-	-	23,981	-	-	23,981	-
-	-	-	(32,212)	-	772,855	-
-	-	-	1,921	-	6,146	-
-	-	-	-	-	1,592,574	-
-	-	248,981	(30,291)	-	2,861,501	-
-	-	1,815,000	-	-	1,815,000	-
-	-	-	-	-	163,816	-
-	-	2,063,981	(30,291)	-	4,840,317	-
-	-	15,482,053	-	-	15,482,053	-
-	4,997	-	-	-	57,539	2,221,598
4,231	-	-	-	-	4,231	-
-	-	-	-	-	-	-
-	-	206,950	-	-	206,950	-
-	-	360,030	-	-	1,252,587	2,049,936
4,231	4,997	16,049,033	-	-	17,003,360	4,271,534
<u>\$ 4,231</u>	<u>\$ 4,997</u>	<u>\$ 18,113,014</u>	<u>\$ (30,291)</u>	<u>\$ -</u>	<u>\$ 21,843,677</u>	<u>\$ 4,271,534</u>



## ALPENA COMMUNITY COLLEGE

## Combining Statement of Revenues, Expenditures and Changes in Net Assets

For the Year Ended June 30, 2008

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
<b>REVENUE</b>				
Operating Revenue				
Tuition and fees (net of scholarship allowance of \$2,268,270)	\$ 5,024,700	\$ 765,807	\$ 9,413	\$ 2,949
Federal grants and contracts	6,126	-	-	4,525,915
State grants and contracts	-	-	-	239,503
Local grants and fees	-	-	-	34,500
Auxiliary activities	-	266,181	1,321,601	-
Indirect cost recoveries	96,633	-	-	(96,633)
Current funds expenditures for equipment and capital improvements	-	-	-	-
Miscellaneous	47,165	33,060	-	(4,772)
Total Operating Revenue	<u>5,174,624</u>	<u>1,065,048</u>	<u>1,331,014</u>	<u>4,701,462</u>
<b>EXPENSES</b>				
Operating Expenses				
Instruction	6,054,010	155,295	-	635,484
Public services	-	126,411	12,388	225,363
Instructional support	1,059,032	20,380	81,031	236,087
Student services	924,400	396,695	1,128,573	3,861,698
Institutional administration	1,893,626	102,281	-	-
Technology	644,880	166,966	8,530	-
Operation and maintenance of plant	1,549,395	104,025	11,076	-
Depreciation expense	-	-	-	-
Other expenditures	-	2,335	-	-
Total Operating Expenses	<u>12,125,343</u>	<u>1,074,388</u>	<u>1,241,598</u>	<u>4,958,632</u>
Operating Income (Loss)	<u>(6,950,719)</u>	<u>(9,340)</u>	<u>89,416</u>	<u>(257,170)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
State appropriations	5,481,134	-	-	80,500
Property tax levy	2,508,049	-	-	-
Investment income	40,771	461	-	-
Student loan interest	-	-	-	-
Interest on capital asset - related debt	-	-	-	-
Gifts and permanent endowments	60,170	3,192	4,229	58,444
Gain (loss) on sale of capital assets	-	-	-	-
Net Nonoperating Revenue (Expense)	<u>8,090,124</u>	<u>3,653</u>	<u>4,229</u>	<u>138,944</u>
Increase (Decrease) in Net Assets	1,139,405	(5,687)	93,645	(118,226)
Transfers In (Out)	<u>(659,559)</u>	<u>-</u>	<u>(85,108)</u>	<u>153,312</u>
Net Increase (Decrease) in Net Assets	479,846	(5,687)	8,537	35,086
<b>NET ASSETS - Beginning of Year</b>	<u>364,638</u>	<u>(60,982)</u>	<u>106,205</u>	<u>17,456</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 844,484</u>	<u>\$ (66,669)</u>	<u>\$ 114,742</u>	<u>\$ 52,542</u>

Student Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 299,480	\$ -	\$ (2,268,270)	\$ 3,834,079	\$ -
-	-	-	-	-	4,532,041	-
-	400,678	1,183,100	-	-	1,823,281	-
-	-	-	-	-	34,500	-
-	-	-	-	-	1,587,782	-
-	-	-	-	-	-	-
-	-	1,375,376	-	(1,375,376)	-	-
-	(1,000)	11,049	-	-	85,502	20,105
-	399,678	2,869,005	-	(3,643,646)	11,897,185	20,105
-	-	-	-	-	6,844,789	-
-	-	-	-	-	364,162	-
-	-	-	-	-	1,396,530	-
-	428,032	-	-	(2,268,270)	4,471,128	486,297
-	-	11,417	-	-	2,007,324	145,840
-	-	-	-	-	820,376	-
-	-	1,364,600	-	(1,375,376)	1,653,720	-
-	-	1,145,067	-	-	1,145,067	-
-	-	-	-	-	2,335	-
-	428,032	2,521,084	-	(3,643,646)	18,705,431	632,137
-	(28,354)	347,921	-	-	(6,808,246)	(612,032)
-	-	-	-	-	5,561,634	-
-	-	-	-	-	2,508,049	-
-	-	10,331	-	-	51,563	(313,177)
7	-	-	-	-	7	-
-	-	(89,965)	-	-	(89,965)	-
-	23,430	292,500	-	-	441,965	540,856
-	-	1,010	-	-	1,010	-
7	23,430	213,876	-	-	8,474,263	227,679
7	(4,924)	561,797	-	-	1,666,017	(384,353)
-	-	591,355	-	-	-	-
7	(4,924)	1,153,152	-	-	1,666,017	(384,353)
4,224	9,921	14,895,881	-	-	15,337,343	4,655,887
\$ 4,231	\$ 4,997	\$ 16,049,033	\$ -	\$ -	\$ 17,003,360	\$ 4,271,534



Certified Public Accountants

## STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738  
ALPENA, MICHIGAN 49707  
TELEPHONE (989) 356-4531  
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

PHILIP T. STRALEY, C.P.A.  
ROBERT D. ILSLEY, C.P.A.  
BERNARD R. LAMP, C.P.A.  
TERRENCE D. YULE, C.P.A.  
MARK L. SANDULA, C.P.A.  
JAMES E. KRAENZLEIN, C.P.A./A.B.V., C.V.A.  
DONALD C. LEVREN

RETIRE  
CORDON A. NETHERCUT, C.P.A.

To the Board of Trustees  
Alpena Community College  
Alpena, Michigan

We have completed our engagement of the audit of the financial statements of Alpena Community College (the College) for the year ended June 30, 2009. In addition to our audit report, we are providing the following:

Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112

Letter of required audit communication, as prescribed by SAS 114

Other recommendations and informational comments which impact the College

	<u>Page</u>
<b>Internal Control Communications (SAS 112 Letter)</b>	<b>2</b>
<b>Audit Communications (SAS 114 Letter)</b>	<b>4</b>

We appreciate the opportunity to serve Alpena Community College. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*

October 1, 2009



Certified Public Accountants

## STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738  
ALPENA, MICHIGAN 49707  
TELEPHONE (989) 356-4531  
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

PHILIP T. STRALEY, C.P.A.  
ROBERT D. ILSLEY, C.P.A.  
BERNARD R. LAMP, C.P.A.  
TERRENCE D. YULE, C.P.A.  
MARK L. SANDULA, C.P.A.  
JAMES E. KRABNZLEIN, C.P.A./A.B.V., C.V.A.  
DONALD C. LEVREN

RETIRE  
GORDON A. NETHERCUT, C.P.A.

### INTERNAL CONTROL COMMUNICATIONS

To the Board of Trustees  
Alpena Community College  
Alpena, Michigan

Newer auditing rules have resulted in changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the College Board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the basic financial statements of Alpena Community College as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Alpena Community College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 consider the following to be significant deficiencies in internal control over financial reporting:

- **Plant Funds.** During our audit we noted that the third-party report on the physical properties did not include certain assets acquired during the year while reflecting assets that had been disposed. We would suggest that the College be sure that the firm preparing the report has a listing of all assets acquired and disposed and that a College staff member review the report for accuracy.
- **State Aid.** An adjustment was made to reduce the amount of State Aid reflected on the books by \$45,800. It appears that the amount recorded was based upon budgeted expectations and was not corrected to reflect the amount actually awarded to the College.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We wish to thank the staff of Alpena Community College for their assistance during the audit.

This report is intended solely for the information and use of the management, the Board of Trustees, and others within the organization, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Alpena Community College. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Staley, Iisley & Lamb P.C.*

October 1, 2009



Certified Public Accountants

## STRALEY, ILSLEY & LAMP P.C.

2106 U.S. 23 SOUTH, P.O. BOX 738  
ALPENA, MICHIGAN 49707  
TELEPHONE (989) 356-4531  
FACSIMILE (989) 356-0494

TAX, AUDIT AND BUSINESS CONSULTANTS

PHILIP T. STRALEY, C.P.A.  
ROBERT D. ILSLEY, C.P.A.  
BERNARD R. LAMP, C.P.A.  
TERRENCE D. YULE, C.P.A.  
MARK L. SANDULA, C.P.A.  
JAMES E. KRAENZLEIN, C.P.A./A.B.V., C.V.A.  
DONALD C. LEVREN

RETIRED  
GORDON A. NETHERCUT, C.P.A.

### AUDIT COMMUNICATIONS

To the Board of Trustees  
Alpena Community College  
Alpena, Michigan

We have audited the financial statements of Alpena Community College for the year ended June 30, 2009, and have issued our report thereon dated October 1, 2009. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards and OMB Circular-133**

As stated in our engagement letter dated July 6, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing an audit, we considered Alpena Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 Alpena Community 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 Alpena Community College's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Alpena Community College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Alpena Community College's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 17, 2009.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's 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 significantly from those expected. Following are some of the more significant estimates made by management: 1) the amount of uncollectible receivables and contributions; 2) the actuarial present value of split interest agreements; 3) the valuation, useful lives and depreciation of capital assets; and, the amount of tuition and fees received by students who are awarded PELL and SEOG grants. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit

### **Corrected and Uncorrected Misstatements**

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. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These items are identified starting on page 3 of this report.

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 1, 2009.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Eleven new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control
- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider “what could go wrong” in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor’s work to those charged with governance (the Board of Trustees)

As you can see, auditors will spend significantly more time working with all aspects of your internal control. These new rules are not limited to the public sector – they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.). These new rules have impacted audited organizations in two ways: your finance staff has incurred more time and effort in preparation for the audit, and the audit process has required additional time.

### **Other Matters and Recommendations**

1. **Recent Pronouncements.** The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Alpena Community College maintains its financial records:



**A. GASB Statement No. 52 Land and Other Real Estate Held as Investments by Endowments.**

This statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of the endowments. Reporting land and other real estate held as investments at fair value enhances user's ability to meaningfully evaluate an entity's investment decisions and performance. The requirements of this statement are effective for financial statements of the College for the year ended June 30, 2009.

**B. Status of Prior Year Comments.** In last year's internal control communications letter we identified various areas of deficiencies that could be improved upon. We are pleased to inform you that the College has done an excellent job at resolving the deficiencies noted and implementing the suggestions made during the current fiscal year. We commend the College for their proactive approach in devoting the time and resources needed to insure the accuracy of the College's books and records.

**C. Student Loan Fund.** Currently the College records all Student Loan Fund activity into one common clearing account for all type of student loans. This treatment does not allow the College to reconcile these accounts and does not lend itself to a reconciliation of the student loan activity. We believe each type of loan the College is processing should be segregated into its own set of revenue and expenditure accounts. This would allow the College to reconcile to the Fund Management Reports produced for the Financial Aid Office.

**D. Endowment Fund.** The activity reflected in the Endowment Fund does not reconcile to the financial aid award listing. Scholarship refund/returns should be posted against revenue. Most likely, awards would then reconcile to the awards listings.

**E. Journal Entries.** The College controller is often required to post various journal entries to the books of record as a routine matter. As part of the College's internal controls, these journal entries should reflect that they have been reviewed by another College staff member who is in a position to understand the purpose and financial consequences of each journal entry being made.

**2. Issues Likely to Impact Governments.**

**A. Government Deposit Insurance.** Under Michigan Law, governmental units, including Colleges, are directed and limited where they may invest or deposit public funds. Depository institutions such as banks, credit unions, or savings and loans may offer FDIC insurance coverage.

The insurance coverage of a College's accounts depends upon the type of deposit. All time and savings deposits (which include NOW accounts, CD's, money market deposit accounts, and other interest-bearing accounts) held by a College in a particular insured depository institution within the State are added together and insured up to \$250,000 (until December 31, 2013). Separately, all demand deposits (checking accounts) held in the same insured depository institution within the same State are added together and insured up to \$250,000. Special rules apply to funds that are required to be set aside for debt owed to holders of notes or bonds – additional insured coverage may be available for the beneficial interest of each bondholder.

Market events have indicated that certain financial institutions, including some within the Midwest region, continue to experience financial distress. In the event of a regulatory takeover of a financial institution, uninsured or underinsured depositors may not receive all of their funds back after the regulatory takeover.

We wish to thank the staff of Alpena Community College for their assistance during the audit.

This report is intended solely for the information and use of Alpena Community College Board of Trustees, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Alpena Community College. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Straley, J. J. & Lamp P.C.*

October 1, 2009