ALPENA COMMUNITY COLLEGE

Audited Financial Statements and
Other Supplementary Financial Information

Years Ended June 30, 2016 and 2015

STRALEY LAMP & KRAENZLEIN P.C.

ALPENA COMMUNITY COLLEGE

COLLEGE OFFICIALS

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EXECUTIVE COUNCIL

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Alpena Community College
Alpena, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Alpena Community College, Alpena, Michigan, (the "College") and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise Alpena Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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. The financial statements of Alpena Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all materials respects, the financial position of Alpena Community College and its discretely presented component unit as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the College's proportionate share of the net pension liability and the schedule of the College's pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Alpena Community College's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, as identified in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2016 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 *Government Auditing Standards* in considering Alpena Community College's internal control over financial reporting and compliance.

Straley Lamp & Kraenzlein P.C.

October 3, 2016

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ALPENA COMMUNITY COLLEGE

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, 2016. This discussion, the financial statements and related footnotes have been prepared by and are the responsibility of management at Alpena Community College, (the "College").

Using This Annual Report

This report consists of three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; 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.

Financial Highlights

- GASB 68 requires that the College incorporate into its financial statement the net unfunded pension liability for retirement funds managed by the State of Michigan. The reported unfunded pension liability of the Michigan Public Schools Employee Retirement System (MPSERS) for the non-university employees is approximately $24.43 billion. The College's allocated portion is $20,940,911, or .08574% of the total. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June of 2012, require the College to recognize its unfunded pension benefit obligation. The State's retirement system provides the apportioned amount of the overall obligation to the College and we then report it. The reporting requirement begins with the financial statements for the year ending June 30, 2015. GASB 68 does not change who the College is; how we do business; or how well we are doing. The College will still be able to determine how each fund is performing. The management discussion and analysis (MD&A) and the footnotes should provide enough information to enlighten the reader. Informed readers will be able to understand that the insertion of the unfunded pension liability in no way detracts from the College's ability to meet its financial obligations.

  The reasons we are dealing with GASB 68 are as follows:

  - Defined benefit pension plans are extremely complex in the calculation of net liabilities.

- To recognize the existing unfunded liability for current and past employees' defined benefit pension plan.
- The State determined that each entity participating in the MPSERS will be allocated a portion of the overall unfunded liability.
- This process only deals with the retirement component of MPSERS, healthcare comes later.

What GASB 68 means to ACC is as follows:

- No tangible change to the College's finances.
- Other calculations include looking at deferred outflows and inflows of resources.
- Each year the balance will be adjusted for changes in assumptions, proportions and differences between employer and proportionate share of contributions.
- The yearly adjustment could result in increases or decreases in expenses.
- A separate fund will be established to account for the net pension liability, deferred liability and the recording of expenses.
- Entries will be reviewed by Straley Lamp & Kraenzlein, Certified Public Accountants.
- A note to financial statements looks at all the implications of the GASB 68 as it relates to MPSERS as well as future considerations of the liability.
- The note includes explanations, plan descriptions, benefits provided by various changes enacted by legislation, assumptions, and other definitions.
- The auditors will only be able to provide an opinion on ACC's financial statements once the State has issued an opinion on its allocation of the net pension liability.
- No requirement for restating previous years of financials.
- Ten years of progress of pension funding and contributions will be included in the *Required Supplementary Information* starting with FY 2015.
- The College cannot contribute directly to the State to reduce the liability.

- The liabilities of Alpena Community College exceeded its assets at June 30, 2016 by $1,985,312. This deficit was created by the inclusion of the unfunded pension liability.

- Student credit hour enrollment for the year fell by 4.4% to 29,842.

- Approximately 52.5% of tuition revenue is generated from in-district students.

- During a thorough review of the College's bookstore inventory, it was discovered that books listed at approximately $216,000 were no longer used by the College and had little or no remaining value. The books were determined to have lost their value over the span of several years. Governmental Accounting Standards requires a prior period adjustment. The adjustment modifies the beginning balance of Net Position of the General Fund along with the Consolidated Financial Statement for FY 2015 by lowering each by $178,721. In addition, a loss of $21,010 was recorded for the bookstore within the Auxiliary Fund in FY 2015. In addition, $16,000 of books was written down for FY 2016. Although book write-offs cannot be eliminated entirely, measures were implemented to minimize further occurrences.

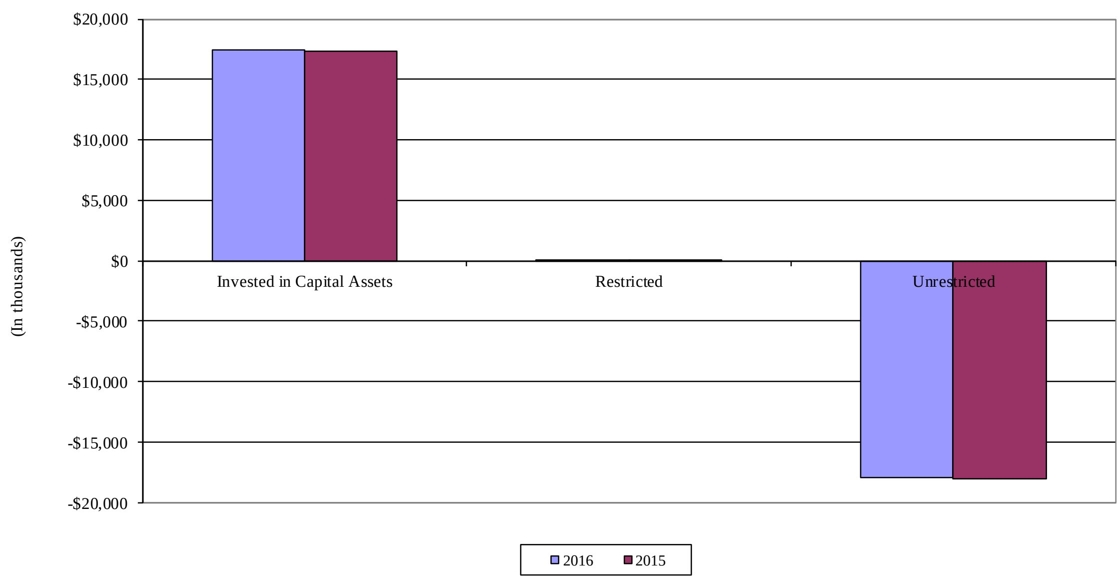
- The College's net position improved by $219,214. Changes in the unfunded pension liability were offset by the acquisition of capital equipment and improvements. General fund net position was $92,396 more due to higher state appropriations and local property tax. The lower operating expenses more than covered decreased tuition and fee revenue.

- Operating revenues accounted for 50% of the total revenues of the College while non-operating revenues account for 50%. The change is due to the completion of the EPTC project last year and higher state appropriations.

- The College experienced an operating loss of $9,528,619 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. All of the operating loss was offset by State appropriations of $6,852,059, local property tax of $2,577,183, and other non-operating revenues of $318,591, leaving an increase of $219,214.

- The College recorded $350,152 in gifts and endowments this year, primarily from donations toward the new Electrical Power Technology Center (EPTC) project.

Net Position:
Alpena Community College
2015-2016



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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer the question "Is the College 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 position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as operating results.

These two statements report the College's net position and any changes. 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 data such as enrollment trends, retention, condition of the facilities, and national and regional economic conditions.

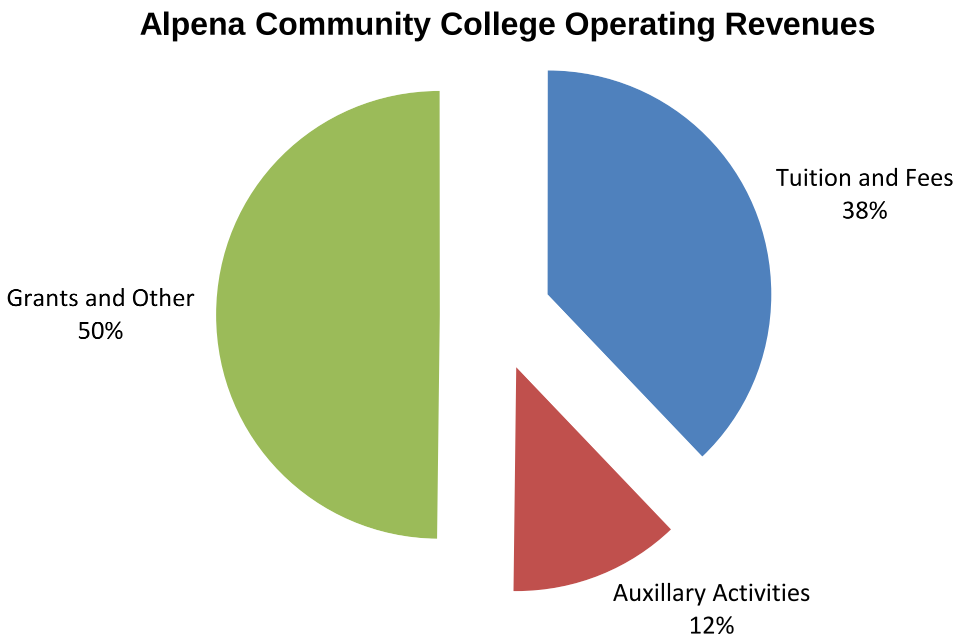
The College breaks its revenue down into two major categories, operating and non-operating. Operating revenue is revenue brought in by a direct action of the College, such as tuition and fees and grants requiring specific outcomes. Non-operating revenue is revenue that comes to the College through legislation,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

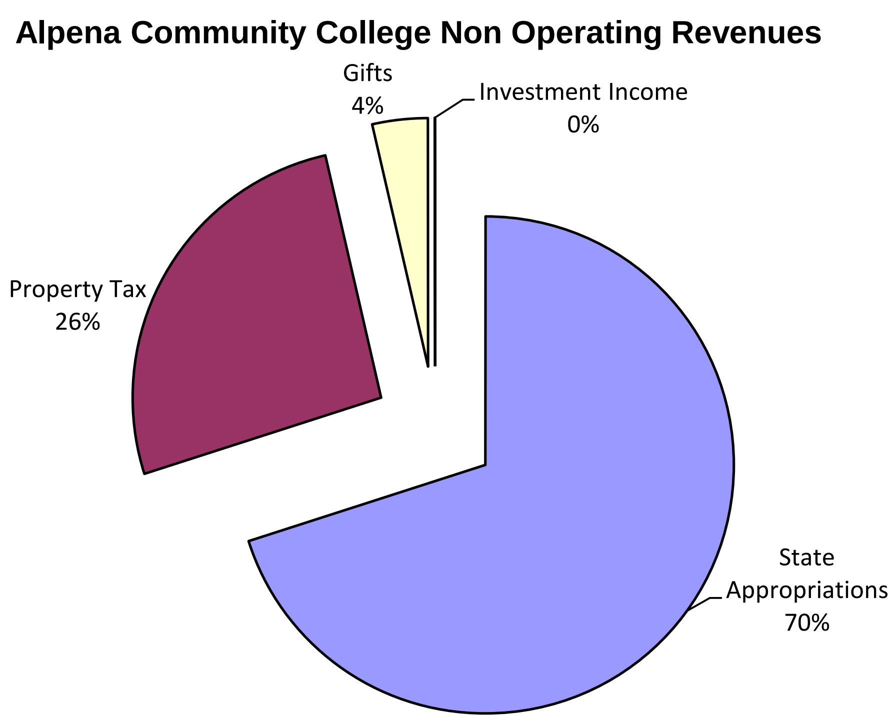
The College records all assets and liabilities on an accrual basis, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net Position, End of Year
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	06/30/16	06/30/15	06/30/16	06/30/15
Current Assets	$ 6,475	$ 5,951	$ 436	$ 65
Noncurrent Assets	17,821	17,902	4,771	5,247
Total Assets	24,296	23,853	5,207	5,312
Current Liabilities	3,862	3,847	-	1
Unfunded Pension Liability	20,941	18,938	-	-
Other Noncurrent Liabilities	1,478	1,650	-	-
Total Liabilities	26,281	24,435	-	1
Deferred Inflows of Resources	(1,598)	25	-	-
Net Position				
Invested in capital assets, net of related debt	17,489	17,372	-	-
Restricted	55	58	3,238	3,303
Unrestricted	(17,932)	(18,037)	1,969	2,008
	$ (388)	$ (607)	$ 5,207	$ 5,311
Increase (Decrease) in Net Position	$ 219		$ (104)	

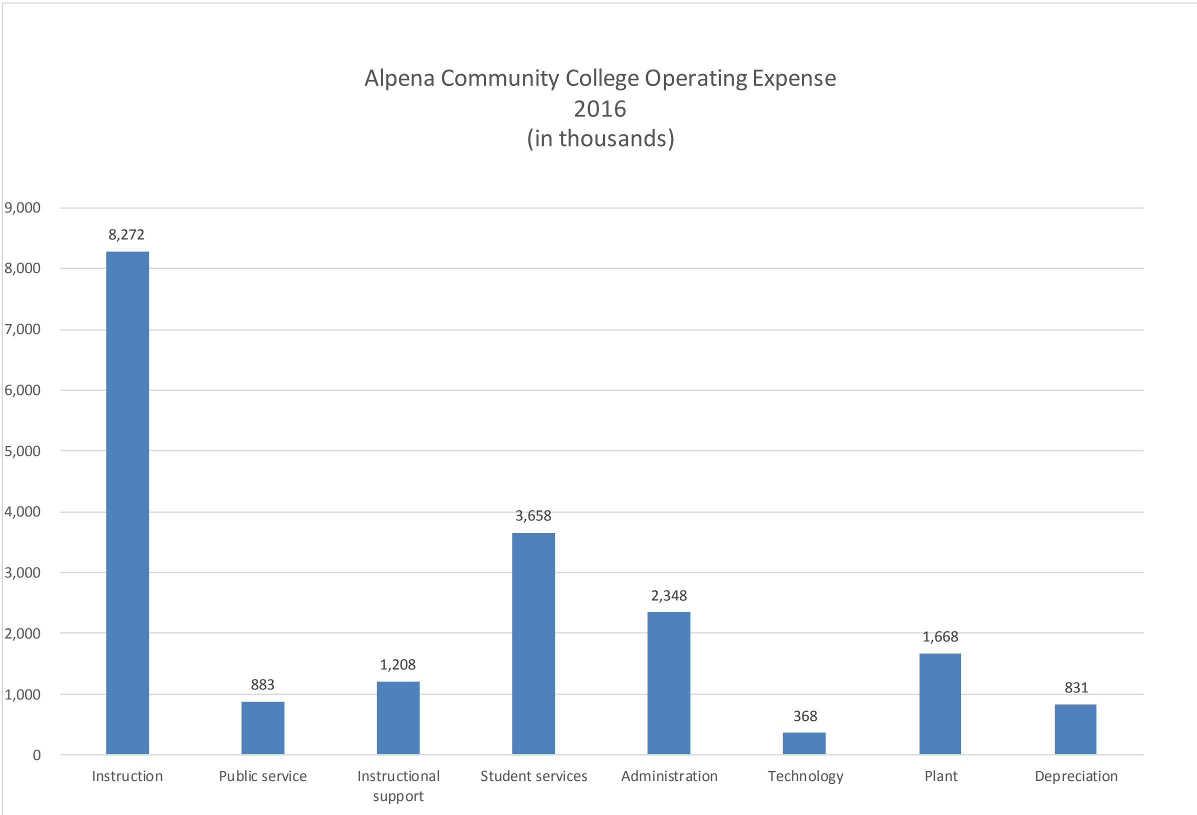
Operating and non-operating revenues and operating expenses for the fiscal year ended June 30, 2016:





ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis



Operating Results for the Year 2015-2016
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	06/30/16	06/30/15	06/30/16	06/30/15
Operating Revenues				
Tuition and fees	$ 3,675	$ 3,395	$ -	$ -
Grants and contracts	4,826	5,079	-	-
Auxiliary activities	1,196	1,092	-	-
Other	10	26	19	25
	9,707	9,592	19	25
Operating Expenses	19,236	19,111	361	1,824
Net Operating Revenues (Expenses)	(9,529)	(9,519)	(342)	(1,799)

	Alpena Community College		Alpena Community College Foundation	
	06/30/16	06/30/15	06/30/16	06/30/15
Non-operating Revenues				
State Appropriations	6,852	7,894	-	-
Other non-operating revenue	2,896	4,325	238	347
Net non-operating revenue	9,748	12,219	238	347
Income before other revenues, expenses, gains and losses	219	2,700	(104)	(1,452)
Net Position				
Net position-beginning of year	(607)	15,910	5,311	6,763
Prior period adjustment (Note 12)	-	(179)	-	-
Adjustment for change in accounting principle (Note 4)	-	(19,038)	-	-
Net position-beginning of year as restated	(607)	(3,307)	5,311	6,763
Net position-end of year	$ (388)	$ (607)	$ 5,207	$ 5,311

Operating Revenues

Operating revenue changes were the result of the following factors:

- Tuition and fees increased by $280,130, while Pell grant awards used for tuition and fees decreased by $402,415, causing a net increase in operational tuition and fees of 8.3%.
- Federal grants and contracts decreased 6.3% due to a decline in Pell Grant awards.

Non-operating Revenues

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

- Overall State appropriations were decreased by 13.2%. State appropriations for general funds and the state retirement system increased 5.2% while capital appropriations fell 82.5% with the final capital contribution to the EPTC building project.
- Property tax revenue was slightly higher than last year as property valuations have leveled off.

Operating Expenses

Operating expense changes were the result of the following factors:

- Instructional costs increased 3.64% due to unfunded pension liability expense and salary and fringe benefit increases.
- Public services decreased by 9.7% because of the completion of a Department of Labor grant.
- Instructional support declined 10.4% primarily due to the assigning an administrative position to student services.
- Student services decreased slightly because of the decrease in Pell grant awards.
- Institutional administration decreased by only .3%.
- Operation and maintenance of plant cost rose due to the acquisition of non-depreciable equipment for the EPTC and other College departments.

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 entity's 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
2015-2016
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	06/30/16	06/30/15	06/30/16	06/30/15
Cash provided (used) by:				
Operating activities	$ (8,449)	$ (9,014)	$ (649)	$ (1,889)
Non-capital financing activities	9,245	10,328	493	296
Capital and related financing activities	(473)	(1,677)	336	86
Investing activities	(2)	7	224	170
Net increase (decrease) in cash	321	(356)	404	(1,337)
Cash, beginning of the year	1,262	1,618	12	1,349
Cash, end of the year	$ 1,583	$ 1,262	$ 416	$ 12

The College's liquidity increased during the year by $320,529. The following information is provided to help the reader better understand the cash flows presented above.

Alpena Community College

State appropriations for capital outlay were received and cash gifts for the EPTC were transferred from the ACC Foundation to the College. In addition, funds borrowed to help finance the EPTC were used to pay the construction company and other vendors.

Alpena Community College Foundation

The Foundation's liquidity increased due to the donations collected.

Capital Assets and Debt Administration

Capital Assets

The College was awarded a 50% match for the construction of the EPTC. The ACC Foundation fund raising, a sizable gift of a number of years ago and other fund raising activities allowed the College to move forward in constructing the EPTC. In other capital expenditures, the College has kept a close eye on the economic conditions of the state and nation. With the continued decline in student enrollments 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.

Capital Assets, Net at Year-End
2015-2016
(in thousands)

	College		Foundation		Totals	
	06/30/16	06/30/15	06/30/16	06/30/15	06/30/16	06/30/15
Land	$ 340	$ 340	$ -	$ 40	$ 340	$ 380
Land improvements	1,156	1,156	-	-	1,156	1,156
Buildings	29,806	29,651	-	-	29,806	29,651
Furniture, fixtures and equipment	4,931	4,363	-	-	4,931	4,363
Vehicles	382	381	-	-	382	381
Books	1,508	1,507	-	-	1,508	1,507
Totals	38,123	37,398	-	40	38,123	37,438
Depreciation	20,322	19,519	-	-	20,322	19,519
Net	$ 17,801	$ 17,879	$ -	$ 40	$ 17,801	$ 17,919

Debt

At year-end, the College maintains a low debt profile. While the College has a $387,791 deficit, due to the inclusion of $20,940,911 of net pension liability included in the total net position (see page 3), there is only $1.49 million of long-term debt. $.70 million is set aside for the balance of the note acquired to cash flow the EPTC construction.

Economic Factors That Will Affect the Future

The economic condition of the College is closely tied to the State. After declining from 2000 until 2009, Michigan's economy has improved over the past several years, providing greater employment opportunities. The College's State appropriations were down significantly due to capital outlay funding of only $477,113 for FY 2016, State appropriation of $879,834 for the MPSERS unfunded actuarial accrued liability, and an operational increase of $75,000. The College's State appropriation for FY 2016 was increased by 1.5%. There is little growth anticipated over the next two years that would fuel significant additional increased local tax support. The College experienced an unexpected 3.3% increase in Fall enrollment in FY 2017, because typically when employment in the region and the state is rebounding (community college enrollments tend to decline as unemployment decreases), the population that supports the College's enrollment is aging, federal and state tuition assistance programs (i.e. No Worker Left Behind and CBJT grants) have dried up, and the feeder high school enrollments are down. All three union bargaining contracts expired in 2014 with new agreements that will help in managing the shrinking enrollments. State mandated healthcare premium caps began with the new contracts. Significant savings are budgeted. The College is looking at several areas including:

- Expand niche programs, such as Nursing, Concrete Technology, Utility Technology, and Marine Technology.
- Begin building and recruiting for the College's first bachelor's program in Energy Technology.
- Keep tuition at the College affordable without sacrificing a quality education by taking a very hard look at future tuition increases or decreases, so as not to price students out of the market.
- Through the College's Marketing Plan, look at other opportunities to make up the decrease in our market base, in addition to expansion in our niche programs, improving partnerships with businesses, area high schools and communities.
- Closely look at the College's financial reserves and determine how best to manage them.

ACC continues to be the college of choice for Northeast Lower Michigan and to provide the highest quality education for its citizens.

Contacting Alpena Community College Management

This financial report is designed to provide Alpena Community College's citizens, taxpayers, customers, investors, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have any questions about the report or need additional financial information, contact the office of Administration and Finance at:

Alpena Community College
665 Johnson Street
Alpena, Michigan 49707-1495
(989) 356-9021

FINANCIAL STATEMENTS

ALPENA COMMUNITY COLLEGE

Statement of Net Position

	Alpena Community College		A.C.C. Foundation	
	Years Ending June 30		Years Ending June 30	
	2016	2015	2016	2015
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,582,869	$ 1,262,340	$ 416,406	$ 11,986
State appropriations receivable	1,153,499	1,096,628	-	-
Accounts receivable	2,534,738	2,304,458	-	-
Prepaid expenses	38,160	133,575	-	
Contributions receivable	-	-	19,473	53,305
Federal and state grants receivable	158,641	72,737	-	-
Student loans receivable	137	137	-	-
Inventories	544,078	626,533	-	-
Insurance funds on deposit	462,863	454,335	-	-
Total Current Assets	6,474,985	5,950,743	435,879	65,291
Restricted investments	-	-	4,279,101	4,532,538
Split interest investments	-	-	492,300	674,226
Other investments	19,928	22,916	-	-
Property and equipment	17,800,980	17,879,295	-	40,000
TOTAL ASSETS	$ 24,295,893	$ 23,852,954	$ 5,207,280	$ 5,312,055
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	$ 205,000	$ 200,000	$ -	$ -
Accounts payable	314,099	548,267	37	1,085
Accrued interest payable	9,273	9,967	-	-
Accrued payroll and related liabilities	947,019	967,810	-	-
Deposits	16,436	10,712	-	-
Unearned student tuition and fees	2,370,266	2,110,085	-	-
Total Current Liabilities	3,862,093	3,846,841	37	1,085
Long-term debt obligations	1,285,000	1,490,000	-	-
Net pension liability	20,940,911	18,937,550	-	-
Accrued compensated balances	193,201	160,211	-	-
Total Liabilities	26,281,205	24,434,602	37	1,085
DEFERRED INFLOWS OF RESOURCES	(1,597,521)	25,357		
NET POSITION				
Invested in capital assets, net of related debt	17,488,619	17,371,934	-	-
Restricted for:				
Expendable scholarships and grants	51,385	53,713	2,308,856	2,620,424
Permanently restricted	-	-	929,681	682,409
Student loans	4,244	4,243	-	-
Unrestricted				
Unallocated	(17,932,039)	(18,036,895)	1,968,706	2,008,137
Total Net Position	(387,791)	(607,005)	5,207,243	5,310,970
TOTAL LIABILITIES AND NET POSITION	$ 24,295,893	$ 23,852,954	$ 5,207,280	$ 5,312,055

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

	Alpena Community College		A.C.C. Foundation	
	Years Ending June 30		Years Ending June 30	
	2016	2015	2016	2015
REVENUE				
Operating Revenue				
Tuition and fees (net of scholarship allowance of $2,348,772 and $2,751,187)	$ 3,675,372	$ 3,395,242	$ -	$ -
Federal grants and contracts	4,429,737	4,727,710	-	-
State grants and contracts	367,143	308,818	-	-
Local grants and fees	29,000	42,500	-	-
Auxiliary activities	1,196,074	1,091,747	-	-
Miscellaneous	10,353	25,782	19,088	25,136
Total Operating Revenue	9,707,679	9,591,799	19,088	25,136
EXPENSES				
Operating Expenses				
Instruction	8,271,891	7,981,083	-	-
Technology	367,652	123,160	-	-
Public services	883,579	978,669	-	-
Instructional support	1,207,604	1,347,351	-	-
Student services	3,658,329	3,677,997	256,545	1,705,538
Institutional administration	2,348,140	2,354,489	104,194	118,329
Operation and maintenance of plant	1,667,622	1,933,140	-	-
Depreciation	831,481	715,471	-	-
Total Operating Expenses	19,236,298	19,111,360	360,739	1,823,867
Operating Income (Loss)	(9,528,619)	(9,519,561)	(341,651)	(1,798,731)
NONOPERATING REVENUE (EXPENSES)				
State appropriations	6,852,059	7,894,370	-	-
Property tax	2,577,183	2,549,593	-	-
Investment income	(2,337)	7,279	(221,499)	117,769
Student loan interest	1	1	-	-
Interest on capital asset - related debt	(29,453)	(31,257)	-	-
Gifts and permanent endowments	350,152	1,797,269	459,423	229,013
Gain (loss) on sale of capital assets	228	1,909	-	-
Net Nonoperating Revenue (Expense)	9,747,833	12,219,164	237,924	346,782
Increase (Decrease) in Net Position	219,214	2,699,603	(103,727)	(1,451,949)
NET POSITION - beginning of year	(607,005)	15,910,329	5,310,970	6,762,919
Prior period adjustment (Note 12)	-	(178,721)	-	-
Adjustment for Change in Accounting Principle (Note 4)	-	(19,038,216)	-	-
NET POSITION - beginning of year, as restated	(607,005)	(3,306,608)	5,310,970	6,762,919
NET POSITION - end of year	$ (387,791)	$ (607,005)	$ 5,207,243	$ 5,310,970

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Statement of Cash Flows

	Alpena Community College		A.C.C. Foundation	
	Years Ending June 30		Years Ending June 30	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 3,705,274	$ 3,415,102	$ -	$ -
Grants and contracts	4,739,976	5,013,936	-	-
Payments to suppliers	(4,263,681)	(4,553,372)	(283,461)	(1,755,340)
Payments to employees	(13,837,560)	(13,988,905)	(78,326)	(72,488)
Auxiliary enterprise charges	1,196,074	1,082,928	-	-
Contributions restricted for long-term investments	-	-	(306,436)	(86,014)
Other	10,353	16,601	19,088	25,136
Net cash provided (used) for operating activities	(8,449,564)	(9,013,710)	(649,135)	(1,888,706)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	6,318,077	5,980,643	-	-
Property tax levy	2,577,183	2,549,593	-	-
Gifts	350,152	1,797,269	493,255	295,578
Net cash provided (used) by noncapital financing activities	9,245,412	10,327,505	493,255	295,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State appropriations	477,113	1,833,475	-	-
Capital acquisitions	(753,166)	(3,285,270)	-	-
Proceeds from sale of assets	228	1,909	29,317	-
Principal paid on capital debt	(200,000)	(195,000)	-	-
Interest paid on capital debt	(30,147)	(31,805)	-	-
Contributions restricted for long-term investments	-	-	306,436	86,014
Prepaid closing costs	(1)	-	-	-
Change in compensated absences liability	32,990	(20)	-	-
Net cash provided (used) by capital and and related financing activities	(472,983)	(1,676,711)	335,753	86,014
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(9,953,270)	(11,070,867)
Proceeds from sales and maturities of investment	-	-	9,824,945	11,023,290
Investment income (loss)	(2,337)	7,279	352,872	217,607
Student loan interest	1	1	-	-
Net cash provided (used) by investing activities	(2,336)	7,280	224,547	170,030
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	320,529	(355,636)	404,420	(1,337,084)
CASH AND CASH EQUIVALENTS - beginning of the year	1,262,340	1,617,976	11,986	1,349,070
CASH AND CASH EQUIVALENTS - end of the year	$ 1,582,869	$ 1,262,340	$ 416,406	$ 11,986

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	
	Years Ending June 30		Years Ending June 30	
	2016	2015	2016	2015
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	$ 1,582,869	$ 1,262,340	$ 416,406	$ 11,986
RECONCILIATION OF NET OPERATING EXPENSES TO CASH USED FOR OPERATING ACTIVITIES:				
Operating Income (loss)	$ (9,528,619)	$ (9,519,561)	$ (341,651)	$ (1,798,731)
Adjustment to reconcile operating loss to net cash used for operating activities:				
Depreciation	831,481	715,471	-	-
Amortization	2,989	2,989	-	-
Contributions restricted for long-term investments	-	-	(306,436)	(86,014)
Unfunded pension liability expense	380,483	(75,309)	-	-
(Increase) decrease in net assets:				
Accounts receivable	(230,280)	(3,580)	-	-
Federal and state grants receivable	(85,904)	(65,093)	-	-
Student loans receivable	-	-	-	-
Inventories	82,454	(27,018)	-	-
Insurance funds on deposit	(8,528)	(10,653)	-	-
Prepaid expenses	95,415	(133,575)	-	-
Increase (decrease) in liabilities:				
Accounts payable	(234,168)	41,963	(1,048)	(3,961)
Accrued payrolls and related liabilities	(20,792)	52,240	-	-
Deposits	5,724	2,976	-	-
Unearned student tuition and fees	260,181	5,440	-	-
	$ (8,449,564)	$ (9,013,710)	$ (649,135)	$ (1,888,706)

The accompanying notes are an integral part of this statement.

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES.

Reporting Entity. Alpena Community College (the “College”) is a Michigan community college whose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to public colleges and universities prescribed by the Governmental Accounting Standards Board (GASB) and as outlined in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges,* 2001.

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 College has one component unit. A component unit is a separate legal entity that is included in the College’s reporting entity because of the significance of its operational financial relationships with the College.

Alpena Community College Foundation (“ACC Foundation” or the “Foundation”) is discretely reported in accordance with GASB Statement No. 39 as a separate component unit of the College’s reporting entity (although it is legally separate and governed by its own board of trustees) because its sole purpose is to provide support for the College. Separate financial statements of ACC Foundation may be obtained by contacting Alpena Community College Foundation, 665 Johnson Street, Alpena, MI 49707-1495.

The ACC Foundation is a nonprofit organization that reports under the provisions of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation’s financial information in the College’s financial report for these differences.

Basis of Presentation. The accompanying financial statements have been prepared using an economic resource measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The statements incorporate all fund groups utilized internally by the College.

The College follows the “business-type” activities requirements of GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities.* This statement requires the following components of the College’s financial statements:

- Management’s discussion and analysis
- Basic financial statements including a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows for the college as a whole
- Notes to the financial statements

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

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

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

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES. (continued)

Risks and Uncertainties. The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net position.

Accounts Receivable. Accounts receivable are recorded net of allowance of uncollectible accounts of approximately $574,190 and $547,457 as of June 30, 2016 and 2015, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience.

Student Loans Receivable. Student loans receivable are recorded net of allowance of uncollectible accounts of approximately $26,243 at June 30, 2016 and 2015.

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

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 materials are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. No depreciation is recorded on land. Expenditures for major renewals and betterment that extend the useful lives of the assets are capitalized.

Depreciation is provided for physical properties on a straight-line basis of the estimated useful life of the assets. The following useful lives are used to compute depreciation:

Land Improvements	15 years
Buildings and improvements	40 years
Furniture, fixtures and equipment	3-7 years
Library materials	10 years
Vehicles	4 years

Operating and Non-Operating Revenues. Operating revenues of the college consist of tuition, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state appropriations, property taxes, gifts and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient department within the guidelines of donor restrictions, if any.

Revenue Recognition. Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

Student Tuition. Student tuition revenues are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the college and the amount that is paid by the students or third parties on behalf of the students, where the college has discretion over such expenses.

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 unearned student tuition and fees. Unearned student tuition and fees of $2,370,266 and $2,110,085 for future semesters existed at June 30, 2016 and 2015, respectively.

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES. (continued)

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

Gifts and Pledges. Gifts are recorded at estimated fair value when received. Pledges are recorded as contributions in the year received, if there is sufficient evidence that a promise to contribute cash or other assets in the future has been made and collection is reasonably assured.

Net Position. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the College's policy is to first apply restricted resources.

Invested in Capital Assets, Net of Related Debt – Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Restricted net position represent amounts over which third parties have imposed restrictions that cannot be changed by the Board.

Unrestricted Net Position. The College, through Board action, has designated the use of unrestricted net position as follows:

	June 30	
	2016	2015
Designated for unreported insurance claims	$ 462,863	$ 454,335
Unrestricted and unallocated	(18,394,902)	(18,491,230)
Total unrestricted net position	$(17,932,039)	$(18,036,895)

Eliminations. In preparing the financial statements, the college eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statements of Net Position. Similarly, revenues and expenses related to internal service activities are also eliminated from the Statements of Revenues, Expenses and Changes in Net Position. Both revenue and expenses related to internal service activities including print shops, office equipment, maintenance, telecommunications, and institutional computing have been eliminated. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the college has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public Schools Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

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.

Reclassification. Certain items reported in the June 30, 2015, financial statements may have been reclassified to conform to the presentation for the current year.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS.

The College did not maintain investments at June 30, 2016 and 2015. Investments reflected in these financial statements are held by the Foundation, which is shown as a component unit. The Foundation Board governs all investment policies with regard to these investments. Information related to these investments can be obtained by contacting the Foundation management.

The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2016:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	$ 1,582,869	$ 416,406
Restricted investments	-	4,279,101
Total deposits and investments	$ 1,582,869	$ 4,695,507

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2016:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	$ 1,579,069	$ 416,406
Investments in securities and similar vehicles	-	4,279,101
Petty cash and cash on hand	3,800	-
Total deposits and investments	$ 1,582,869	$ 4,695,507

The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2015:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	$ 1,262,340	11,986
Restricted investments	-	4,532,538
Total deposits and investments	$ 1,262,340	$ 4,544,524

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2015:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	$ 1,258,140	$ 11,986
Investments in securities and similar vehicles	-	4,532,538
Petty cash and cash on hand	4,200	-
Total deposits and investments	$ 1,262,340	$ 4,544,524

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS. (continued)

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. According to Michigan Public Act 331 of 1966, as amended through 2012, the College may invest in: bonds, bills or notes of the United States or its agencies; obligations of the State of Michigan; corporate commercial paper rated prime by at least one of the standard rating services; bankers' acceptances and certificates of deposit issued by financial institutions which are members of the Federal Deposit Insurance Corporation; mutual funds and investment pools that are composed of authorized investment instruments; and certain repurchase agreements.

Certificates of deposit at any one financial institution may not exceed 25 percent of the total investable balance or more than 15 percent of the net worth of the financial institution. Commercial paper may not exceed 30 percent of the total investable balance or $1,000,000 per corporation.

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. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. The deposits were reflected in the accounts of banks at $1,667,279 at June 30, 2016, and $1,321,905 at June 30, 2015. Of the bank balance, $1,164,142 at June 30, 2016, and $818,769 at June 30, 2015, was uninsured and exposed to custodial credit risk because it was not covered by Federal Deposit Insurance Corporation (FDIC) insurance.

The Dodd-Frank Act that provided unlimited FDIC insurance for noninterest-bearing transaction accounts in all banks through December 31, 2012 has expired. Starting January 1, 2013 the FDIC insurance has reverted to $250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank.

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.

Foundation Investments – Investments at ACC Foundation at June 30, 2016 and 2015 are as follows:

Description	Market Value
Investments – June 30, 2016	$ 4,279,101
Investments – June 30, 2015	$ 4,532,538

NOTE 3. PROPERTY AND EQUIPMENT.

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2016 as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Estimated Useful Life
Capital Assets					
Land	$ 339,600	$ -	$ -	$ 339,600	
Land Improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	29,650,543	155,267	-	29,805,810	40
Construction in progress	-	-	-	-	40
Furniture, fixtures, equipment	4,363,097	596,673	28,638	4,931,132	3-7
Vehicles	381,403	-	-	381,403	4
Library materials	1,507,008	1,226	-	1,508,234	10
	37,398,055	753,166	28,638	38,122,583	
Less accumulated depreciation					
Land Improvements	1,152,647	1,667	-	1,154,314	15
Buildings and improvements	12,997,740	639,395	-	13,637,135	40
Furniture, fixtures, equipment	3,648,884	140,413	28,638	3,760,659	3-7
Vehicles	316,199	20,801	-	337,000	4
Library materials	1,403,290	29,205	-	1,432,495	10
	19,518,760	831,481	28,638	20,321,603	
	$ 17,879,295	$ (78,315)	$ -	$ 17,800,980	

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2015 as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Estimated Useful Life
Capital Assets					
Land	$ 339,600	$ -	$ -	$ 339,600	
Land Improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	25,856,369	3,794,174	-	29,650,543	40
Construction in progress	785,324	-	785,324	-	40
Furniture, fixtures, equipment	4,390,339	219,883	247,125	4,363,097	3-7
Vehicles	331,699	49,704	-	381,403	4
Library materials	1,500,175	6,833	-	1,507,008	10
	34,359,910	4,070,594	1,032,449	37,398,055	
Less accumulated depreciation					
Land Improvements	1,150,980	1,667	-	1,152,647	15
Buildings and improvements	12,451,701	546,039	-	12,997,740	40
Furniture, fixtures, equipment	3,772,706	123,303	247,125	3,648,884	3-7
Vehicles	307,821	8,378	-	316,199	4
Library materials	1,367,206	36,084	-	1,403,290	10
	19,050,414	715,471	247,125	19,518,760	
	$ 15,309,496	$ 3,355,123	$ (785,324)	$ 17,879,295	

NOTE 4. PENSION PLAN.

Industry Information and Significant Accounting Policies.

Adoption of New Standard. The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported a Net Pension Liability of $20,133,525 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

Michigan Public School Employees' Retirement System.

Plan Description. The College participates in the Michigan Public School Employees' Retirement System (MPSERS or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. 30171, Lansing, MI 48909.

Contributions. Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each College's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The College's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates are as follows:

July 1, 2013 – September 30, 2013	12.78% - 15.21%
October 1, 2013 – September 30, 2014	15.44% - 18.34%
October 1, 2014 – September 30, 2015	18.76% - 23.07%
October 1, 2015 – June 30, 2016	14.56% - 18.95%

NOTE 4. PENSION PLAN. (continued)

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The College's required and actual contributions to the plan for the years ended June 30, 2016 and 2015 were $2,310,890 and $2,368,803, respectively. Contributions include $879,734 and $640,739 revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2016 and 2015.

Benefits Provided. Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earning are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death, and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense. At June 30, 2016, the College reported a liability of $20,940,911 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the College's proportion was 0.08574%.

For the year ended June 30, 2016, the College recognized pension expense of $1,757,788 (Table 2 Column P). At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 4. PENSION PLAN. (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 69,362
Changes of assumptions	515,610	-
Net difference between projected and actual earnings on pension plan assets	106,886	-
Changes in proportion and differences between College contributions and proportionate share of contributions	67	45,304
College contributions subsequent to the measurement date	1,092,707	-
Total	$ 1,715,270	$ 114,666

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ 46,595
2017	46,595
2018	18,633
2019	396,074
2020	-
Thereafter	-
Total	$ 507,897

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

Actuarial Assumptions. The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality Improvements to 2020 using projection scale AA

The actuarial assumptions used for the June 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4. PENSION PLAN. (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the College, calculated using the discount rate of 8.00 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 percent decrease (7.00 percent)	Current Discount Rate (8.00 percent)	1.00 percent increase (9.00 percent)
$ 26,998,203	$ 20,940,911	$ 15,834,367

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS report.

Assumption changes. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158.

Recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

Payable to the Pension Plan. The College reported a payable of $160,176 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 4. PENSION PLAN. (continued)

Postemployment Benefits Other Than Pensions (OPEB). Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS Board of trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through September 30, 2015, and from 6.40 percent to 6.83 percent of covered payroll for the period October 1, 2015 through June 30, 2016, dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2016, 2015, and 2014 were $436,992, $202,172, and $649,329, respectively.

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 as of June 30, 2016. These compensated absences include vacation leave 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.

NOTE 6. 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 7. LONG-TERM DEBT OBLIGATION.

Long-term Debt obligations of the college consist of the following as of June 30, 2016:

	Balances June 30, 2015	Additions	(Deductions)	Balances June 30, 2016	Current Maturities
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest 0.65% - 2.35%	$ 1,690,000	$ -	$ (200,000)	$ 1,490,000	$ 205,000
Other long-term obligations Compensated absences	160,211	-	32,990	193,201	-
Total	$ 1,850,211	$ -	$ (167,010)	$ 1,683,201	$ 205,000

Long-term Debt obligations of the college consist of the following as of June 30, 2015:

	Balances June 30, 2014	Additions	(Deductions)	Balances June 30, 2015	Current Maturities
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest 0.65% - 2.35%	$1,885,000	$ -	$ (195,000)	$ 1,690,000	$ 200,000
Other long-term obligations Compensated absences	160,231	-	(20)	160,211	-
Total	$2,045,231	$ -	$(195,020)	$ 1,850,211	$ 200,000

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2016 are as follows:

For the year ended June 30	Principal	Interest	Annual Requirement
2017	205,000	28,047	233,047
2018	210,000	25,485	235,485
2019	215,000	22,230	237,230
2020	215,000	18,468	233,468
2021	220,000	14,382	234,382
2022-2023	425,000	14,463	439,463
	$1,490,000	$ 123,075	$ 1,613,075

NOTE 8. 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 July 31 for City of Alpena residents (representing approximately 23.8% of collections), with the remainder levied December 1, and payable by February 14, for the balance of taxpayers in Alpena and Presque Isle Counties. 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 property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV) by limiting annual increases to a cost-of-living adjustment or 5 percent, whichever is less by the provisions of the Headlee Amendment. The Taxable Value for the 2015-2016 school year for Alpena Community College was established at $1,037,415,736 and $1,015,335,252 for the 2014-2015 school year. The College's total tax rate was established at 2.500 mills (1.4615 charter mills and 1.0385 additional mills voted for general operations).

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.

The Alpena Community College Foundation is a separate not-for-profit corporation, with its own independent board, established to accept, collect, hold, and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. Each year, applications for grant funds are submitted to the Foundation Board where they are considered for funding. In the past, funding has been used to support student scholarships, and capital initiatives. The College provides personnel support, supplies and equipment to the Foundation.

11. CHANGE IN ACCOUNTING PRINCIPLE.

The financial statements have been restated to incorporate the requirements of Governmental Accounting Standards Board (GASB) Statement #68 – Accounting and Financial Reporting for Pensions – as follows:

Beginning net position as previously reported at June 30, 2014	$ 15,910,329
Change in accounting principle:	
Net pension liability (at measurement date of 9/30/13)	(18,937,550)
Deferred inflows – College contributions made during fiscal year 2014	(25,357)
Net pension expense	(73,309)
Net prior period adjustment	(19,038,216)
Net position as restated, July 1, 2014	$ (3,127,887)

12. PRIOR PERIOD ADJUSTMENT.

During a thorough review of the College's bookstore inventory, it was discovered that books listed at approximately $216,000 were no longer used by the College and had little or no remaining value. The books were determined to have lost their value over the span of several years. Governmental Accounting Standards requires a prior period adjustment. The adjustment modifies the beginning balance of Net Position of the General Fund along with the Consolidated Financial Statement for FY 2015 by lowering each by $178,721. In addition, a loss of $21,010 was recorded for the bookstore within the Auxiliary Fund in FY 2015. An additional $16,000 of books were written down for FY 2016.

13. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 3, 2016, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

ALPENA COMMUNITY COLLEGE

Required Supplemental Information

Schedule of Alpena Community College's Proportionate Share of the Net Pension Liability of the Michigan Public School Employees Retirement System

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2015	2014
A. Reporting unit's proportion of net pension liability (%)	0.08574%	0.08598%
B. Reporting unit's proportionate share of net pension liability	$ 20,940,911	$ 18,937,550
C. Reporting unit's covered-employee payroll	$ 7,455,745	$ 7,748,819
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	280.87%	244.39%
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

ALPENA COMMUNITY COLLEGE

Required Supplemental Information

Schedule of Alpena Community College's Contributions to the Michigan Public School Employees Retirement Plan

Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	2016	2015
A. Statutorily required contributions	$ 1,653,949	$ 1,335,262
B. Contributions in relation to statutorily required contributions*	$ 1,653,949	$ 1,335,262
C. Contribution deficiency (excess)	$ -	$ -
D. Reporting unit's covered-employee payroll	$ 7,455,745	$ 7,748,819
E. Contributions as a percentage of covered-employee payroll	22.18%	17.23%

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS, which may differ from the statutorily required contributions.

Notes to Required Supplementary Information:

Changes of benefit terms: There were no changes of benefit terms in 2015.
Changes of assumption: There were no changes of assumptions in 2015.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with FYE June 30, 2015.

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SUPPLEMENTAL INFORMATION

ALPENA COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2016

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
ASSETS					
Current Assets					
Cash and cash equivalents	$ 263,659	$ 100	$ 1,900	$ -	$ 581
State appropriations receivable	1,153,499	-	-	-	-
Accounts receivable	2,501,814	-	32,924	-	-
Prepaid expense	38,160				
Contributions receivable	-	-	-	-	-
Federal and state grants receivable	-	-	-	-	158,641
Student loans receivable	-	-	-	-	-
Inventories	1,932	-	542,146	-	-
Insurance funds on deposit	462,863	-	-	-	-
Due from (to) other funds	53,979	19,547	(490,545)	-	(60,773)
Total Current Assets	4,475,906	19,647	86,425	-	98,449
Restricted investments	-	-	-	-	-
Split interest investments	-	-	-	-	-
Prepaid costs	-	-	-	-	-
Property and equipment	-	-	-	-	-
TOTAL ASSETS	$ 4,475,906	$ 19,647	$ 86,425	$ -	$ 98,449
LIABILITIES AND NET POSITION					
Current Liabilities					
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -
Accounts payable	314,099	-	-	-	-
Accrued interest payable	-	-	-	-	-
Accrued payroll and related liabilities	733,666	8,174	4,176	-	36,518
Deposits	-	-	-	-	-
Unearned student tuition and fees	2,370,266	-	-	-	-
Total Current Liabilities	3,418,031	8,174	4,176	-	36,518
Long-term debt obligations	-	-	-	-	-
Net pension liability	-		-	20,940,911	-
Accrued compensated balances	148,211	11,043	8,671	-	25,276
Total Liabilities	3,566,242	19,217	12,847	20,940,911	61,794
DEFERRED INFLOWS OF RESOURCES	-	-	-	(1,597,521)	-
Net Position					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Expendable scholarships and grants	-	-	-	-	36,655
Permanently restricted	-	-	-	-	-
Student loans	-	-	-	-	-
Unrestricted					
Unallocated	909,664	430	73,578	(19,343,390)	-
Total Net Position	909,664	430	73,578	(19,343,390)	36,655
TOTAL LIABILITIES AND NET POSITION	$ 4,475,906	$ 19,647	$ 86,425	$ -	$ 98,449

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ 4,107	$ -	$ 1,312,522	$ -	$ -	$ 1,582,869	$ 416,406
-	-	-	-	-	1,153,499	-
-	-	-	-	-	2,534,738	-
					38,160	
-	-	-	-	-	-	19,473
-	-	-	-	-	158,641	-
137	-	-	-	-	137	-
-	-	-	-	-	544,078	-
-	-	-	-	-	462,863	-
-	14,730	282,141	180,921	-	-	-
4,244	14,730	1,594,663	180,921	-	6,474,985	435,879
-	-	-	-	-	-	4,279,101
-	-	-	-	-	-	492,300
-	-	19,928	-	-	19,928	-
-	-	17,800,980	-	-	17,800,980	-
$ 4,244	$ 14,730	$ 19,415,571	$ 180,921	$ -	$ 24,295,893	$ 5,207,280
$ -	$ -	$ 205,000	$ -	$ -	$ 205,000	$ -
-	-	-	-	-	314,099	37
-	-	9,273	-	-	9,273	-
-	-	-	164,485	-	947,019	-
-	-	-	16,436	-	16,436	-
-	-	-	-	-	2,370,266	-
-	-	214,273	180,921	-	3,862,093	37
-	-	1,285,000	-	-	1,285,000	-
-	-	-	-	-	20,940,911	-
-	-	-	-	-	193,201	-
-	-	1,499,273	180,921	-	26,281,205	37
-	-	-	-	-	(1,597,521)	-
-	-	17,488,619	-	-	17,488,619	-
-	14,730	-	-	-	51,385	2,308,856
-	-	-	-	-	-	929,681
4,244	-	-	-	-	4,244	-
-	-	427,679	-	-	(17,932,039)	1,968,706
4,244	14,730	17,916,298	-	-	(387,791)	5,207,243
$ 4,244	$ 14,730	$ 19,415,571	$ 180,921	$ -	$ 24,295,893	$ 5,207,280

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2016

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
REVENUE					
Operating Revenue					
Tuition/fees	$ 5,448,781	$ 374,464	$ -	$ -	$ -
Federal grants and contracts	11,034	-	-	-	4,418,703
State grants and contracts	-	-	-	-	333,376
Local grants and fees	-	-	-	-	29,000
Auxiliary activities	-	110,416	1,085,658	-	-
Indirect cost recovery	99,272	-	-	-	(99,272)
Current funds expenditures for equipment and capital improvements	-	-	-	-	-
Miscellaneous	9,209	1,144	-	-	-
Total Operating Revenue	5,568,296	486,024	1,085,658	-	4,681,807
EXPENSES					
Operating Expenses					
Instruction	7,992,109	22,440	286	201,601	55,455
Technology	-	104,426	243,050	20,176	-
Public services	-	90,406	35,176	-	1,050,251
Instructional support	1,111,693	1,393	-	28,042	79,579
Student services	1,341,921	283,630	821,897	33,850	3,558,804
Institutional administration	2,290,064	309	-	57,767	-
Operation and maintenance of plant	1,549,030	9,723	7,516	39,047	-
Depreciation	-	-	-	-	-
Total Operating Expenses	14,284,817	512,327	1,107,925	380,483	4,744,089
Operating Income (Loss)	(8,716,521)	(26,303)	(22,267)	(380,483)	(62,282)
NONOPERATING REVENUE (EXPENSES)					
State appropriations	6,374,946	-	-	-	-
Property tax	2,577,183	-	-	-	-
Investment income	(3,555)	-	-	-	-
Student loan interest	-	-	-	-	-
Interest on capital asset - related debt	-	-	-	-	-
Gifts and permanent endowments	78,926	1,937	-	-	38,779
Gain (loss) on sale of capital assets	-	-	-	-	-
Net Nonoperating Revenue (Expense)	9,027,500	1,937	-	-	38,779
Increase (Decrease) in Net Position	310,979	(24,366)	(22,267)	(380,483)	(23,503)
Transfers In (Out)	(218,583)	23,774	4,450	-	10,359
Net Increase (Decrease) in Net Position	92,396	(592)	(17,817)	(380,483)	(13,144)
NET POSITION - beginning of year	817,268	1,022	91,395	(18,962,907)	49,799
NET POSITION - end of year	$ 909,664	$ 430	$ 73,578	$ (19,343,390)	$ 36,655

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ -	$ -	$ 200,899	$ -	$ (2,348,772)	$ 3,675,372	$ -
-	-	-	-	-	4,429,737	-
-	33,767	-	-	-	367,143	-
-	-	-	-	-	29,000	-
-	-	-	-	-	1,196,074	-
-	-	-	-	-	-	-
-	-	753,166	-	(753,166)	-	-
-	-	-	-	-	10,353	19,088
-	33,767	954,065	-	(3,101,938)	9,707,679	19,088
-	-	-	-	-	8,271,891	-
-	-	-	-	-	367,652	-
-	-	-	-	(292,254)	883,579	-
-	-	-	-	(13,103)	1,207,604	-
-	149,397	-	-	(2,531,170)	3,658,329	256,545
-	-	-	-	-	2,348,140	104,194
-	-	327,717	-	(265,411)	1,667,622	-
-	-	831,481	-	-	831,481	-
-	149,397	1,159,198	-	(3,101,938)	19,236,298	360,739
-	(115,630)	(205,133)	-	-	(9,528,619)	(341,651)
-	-	477,113	-	-	6,852,059	-
-	-	-	-	-	2,577,183	-
-	-	1,218	-	-	(2,337)	(221,499)
1	-	-	-	-	1	-
-	-	(29,453)	-	-	(29,453)	-
-	126,446	104,064	-	-	350,152	459,423
-	-	228	-	-	228	-
1	126,446	553,170	-	-	9,747,833	237,924
1	10,816	348,037	-	-	219,214	(103,727)
-	-	180,000	-	-	-	-
1	10,816	528,037	-	-	219,214	(103,727)
4,243	3,914	17,388,261	-	-	(607,005)	5,310,970
$ 4,244	$ 14,730	$ 17,916,298	$ -	$ -	$ (387,791)	$ 5,207,243

ALPENA COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2015

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
ASSETS					
Current Assets					
Cash and cash equivalents	$ 127,114	$ -	$ 1,900	$ -	$ 580
State appropriations receivable	1,096,628	-	-	-	-
Accounts receivable	2,246,197	-	58,261	-	-
Prepaid expense	133,575				
Contributions receivable	-	-	-	-	-
Federal and state grants receivable	-	-	-	-	72,737
Student loans receivable	-	-	-	-	-
Inventories	2,153	-	624,380	-	-
Insurance funds on deposit	454,335	-	-	-	-
Due from (to) other funds	323,676	22,561	(568,957)	-	33,637
Total Current Assets	4,383,678	22,561	115,584	-	106,954
Restricted investments	-	-	-	-	-
Split interest investments	-	-	-	-	-
Prepaid costs	-	-	-	-	-
Property and equipment	-	-	-	-	-
TOTAL ASSETS	$ 4,383,678	$ 22,561	$ 115,584	$ -	$ 106,954
LIABILITIES AND NET POSITION					
Current Liabilities					
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -
Accounts payable	548,267	-	-	-	-
Accrued interest payable	-	-	-	-	-
Accrued payroll and related liabilities	790,280	9,580	17,122	-	33,748
Deposits	-	-	-	-	-
Unearned student tuition and fees	2,110,085	-	-	-	-
Total Current Liabilities	3,448,632	9,580	17,122	-	33,748
Long-term debt obligations	-	-	-	-	-
Net pension liability	-	-	-	18,937,550	-
Accrued compensated balances	117,778	11,959	7,067	-	23,407
Total Liabilities	3,566,410	21,539	24,189	18,937,550	57,155
DEFERRED INFLOWS OF RESOURCES	-	-	-	25,357	-
NET POSITION					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Expendable scholarships and grants	-	-	-	-	49,799
Permanently restricted	-	-	-	-	-
Student loans	-	-	-	-	-
Unrestricted					
Unallocated	817,268	1,022	91,395	(18,962,907)	-
Total Net Position	817,268	1,022	91,395	(18,962,907)	49,799
TOTAL LIABILITIES AND NET POSITION	$ 4,383,678	$ 22,561	$ 115,584	$ -	$ 106,954

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ 4,106	$ -	$ 1,128,640	$ -	$ -	$ 1,262,340	$ 11,986
-	-	-	-	-	1,096,628	-
-	-	-	-	-	2,304,458	-
					133,575	
-	-	-	-	-	-	53,305
-	-	-	-	-	72,737	-
137	-	-	-	-	137	-
-	-	-	-	-	626,533	-
-	-	-	-	-	454,335	-
-	3,914	57,377	127,792	-	-	-
4,243	3,914	1,186,017	127,792	-	5,950,743	65,291
-	-	-	-	-	-	4,532,538
-	-	-	-	-	-	674,226
-	-	22,916	-	-	22,916	-
-	-	17,879,295	-	-	17,879,295	40,000
$ 4,243	$ 3,914	$ 19,088,228	$ 127,792	$ -	$ 23,852,954	$ 5,312,055
$ -	$ -	$ 200,000	$ -	$ -	$ 200,000	$ -
-	-	-	-	-	548,267	1,085
-	-	9,967	-	-	9,967	-
-	-	-	117,080	-	967,810	-
-	-	-	10,712	-	10,712	-
-	-	-	-	-	2,110,085	-
-	-	209,967	127,792	-	3,846,841	1,085
-	-	1,490,000	-	-	1,490,000	-
-	-	-	-	-	18,937,550	-
-	-	-	-	-	160,211	-
-	-	1,699,967	127,792	-	24,434,602	1,085
-	-	-	-	-	25,357	-
-	-	17,371,934	-	-	17,371,934	-
-	3,914	-	-	-	53,713	2,620,424
-	-	-	-	-	-	682,409
4,243	-	-	-	-	4,243	-
-	-	16,327	-	-	(18,036,895)	2,008,137
4,243	3,914	17,388,261	-	-	(607,005)	5,310,970
$ 4,243	$ 3,914	$ 19,088,228	$ 127,792	$ -	$ 23,852,954	$ 5,312,055

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
REVENUE					
Operating Revenue					
Tuition/fees	$ 5,490,157	$ 441,362	$ -	$ -	$ -
Federal grants and contracts	11,700	-	-	-	4,716,010
State grants and contracts	-	-	-	-	262,905
Local grants and fees	-	-	-	-	42,500
Auxiliary activities	-	76,810	1,014,937	-	-
Indirect cost recovery	118,164	-	-	-	(118,164)
Current funds expenditures for equipment and capital improvements	-	-	-	-	-
Miscellaneous	11,490	892	-	-	-
Total Operating Revenue	5,631,511	519,064	1,014,937	-	4,903,251
EXPENSES					
Operating Expenses					
Instruction	7,964,337	47,528	74	(39,664)	8,808
Technology	-	62,835	64,272	(3,947)	-
Public services	-	107,839	44,270	-	826,560
Instructional support	1,266,186	2,852	-	(6,306)	84,619
Student services	1,138,226	262,517	900,181	(5,669)	4,005,424
Institutional administration	2,353,805	12,406	-	(11,722)	-
Operation and maintenance of plant	1,618,215	4,640	11,337	(8,001)	-
Depreciation	-	-	-	-	-
Total Operating Expenses	14,340,769	500,617	1,020,134	(75,309)	4,925,411
Operating Income (Loss)	(8,709,258)	18,447	(5,197)	75,309	(22,160)
NONOPERATING REVENUE (EXPENSES)					
State appropriations	6,060,895	-	-	-	-
Property tax	2,549,593	-	-	-	-
Investment income	6,248	-	-	-	-
Student loan interest	-	-	-	-	-
Interest on capital asset - related debt	-	-	-	-	-
Gifts and permanent endowments	73,488	1,917	-	-	40,327
Gain (loss) on sale of capital assets	-	-	-	-	-
Net Nonoperating Revenue (Expense)	8,690,224	1,917	-	-	40,327
Increase (Decrease) in Net Position	(19,034)	20,364	(5,197)	75,309	18,167
Transfers In (Out)	(95,348)	(19,782)	(10,100)	-	10,230
Net Increase (Decrease) in Net Position	(114,382)	582	(15,297)	75,309	28,397
NET POSITION - beginning of year	1,110,371	440	106,692	-	21,402
Prior period adjustment (Note 12)	(178,721)				
Adjustment for Change in Accounting Principle (Note 4)	-	-	-	(19,038,216)	-
NET POSITION - beginning of year, as restated	931,650	440	106,692	(19,038,216)	21,402
NET POSITION - end of year	$ 817,268	$ 1,022	$ 91,395	$ (18,962,907)	$ 49,799

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ -	$ -	$ 214,910	$ -	$ (2,751,187)	$ 3,395,242	$ -
-	-	-	-	-	4,727,710	-
-	45,913	-	-	-	308,818	-
-	-	-	-	-	42,500	-
-	-	-	-	-	1,091,747	-
-	-	-	-	-	-	-
-	-	3,285,270	-	(3,285,270)	-	-
-	-	13,400	-	-	25,782	25,136
-	45,913	3,513,580	-	(6,036,457)	9,591,799	25,136
-	-	-	-	-	7,981,083	-
-	-	-	-	-	123,160	-
-	-	-	-	-	978,669	-
-	-	-	-		1,347,351	-
-	128,505	-	-	(2,751,187)	3,677,997	1,705,538
-	-	-	-	-	2,354,489	118,329
-	-	3,592,219	-	(3,285,270)	1,933,140	-
-	-	715,471	-	-	715,471	-
-	128,505	4,307,690	-	(6,036,457)	19,111,360	1,823,867
-	(82,592)	(794,110)	-	-	(9,519,561)	(1,798,731)
-	-	1,833,475	-	-	7,894,370	-
-	-	-	-	-	2,549,593	-
-	-	1,031	-	-	7,279	117,769
1	-	-	-	-	1	-
-	-	(31,257)	-	-	(31,257)	-
-	82,568	1,598,969	-	-	1,797,269	229,013
-	-	1,909	-	-	1,909	
1	82,568	3,404,127	-	-	12,219,164	346,782
1	(24)	2,610,017	-	-	2,699,603	(1,451,949)
-	-	115,000	-	-	-	-
1	(24)	2,725,017	-	-	2,699,603	(1,451,949)
4,242	3,938	14,663,244	-	-	15,910,329	6,762,919
					(178,721)	-
-	-	-	-	-	(19,038,216)	-
4,242	3,938	14,663,244	-	-	(3,306,608)	6,762,919
$ 4,243	$ 3,914	$ 17,388,261	$ -	$ -	$ (607,005)	$ 5,310,970

Straley Lamp & Kraenzlein P.C.

Certified Public Accountants

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Andrew R. Lamp, CPA
Donald C. Levren

Gordon A. Nethercut, CPA-Retired

AUDIT COMMUNICATIONS

To the Board of Trustees
Alpena Community College
Alpena, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alpena Community College for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters dated September 6, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practi*ces

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Alpena Community College 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 2016. We noted no transactions entered into by Alpena Community College during the year for which there is a lack of authorities guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the 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; 4) the amount of tuition and fees received by students who are awarded PELL and SEOG grants; 5) allocation of technology and indirect costs to departments; and 6) management’s estimate of its pension liability which is based upon actuarial valuations which considers such assumptions as long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statement taken as a whole.

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

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 clearly trivial, and communicate them to the appropriate level of management. We proposed no material adjusting journal entries to management as part of the audit.

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 3, 2016.

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.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Schedules of Net Pension Liability and Pension Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplemental Information, which includes combining fund statements, that accompanies the financial statements but are not RSI. With respect to this supplementary information, 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 State 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.

Recent Pronouncements.

The Governmental Accounting Standards Board, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that have impacted the way Alpena Community College maintains its financial records:

A. **GASB Statement No. 68, Accounting and Reporting for Pensions.** This statement establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires employers report net pension benefits as a liability on the Statement of Net Position. The standard requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. Statement 68 is effective for fiscal years beginning after June 15, 2014. This statement was adopted by Alpena Community College with the June 30, 2015 financial statements, therefore, these financial statements mark the second year of implementation of this standard. The contribution rate Alpena Community College is required to pay into the Michigan Public School Employee's Retirement System (MPSERS) continues to rise. After taking into consideration the categorical aid to help offset the impact of the increase in retirement costs under the State Aid Act, the net effect is that Alpena Community College is responsible for approximately a 26 percent contribution of covered payroll to the retirement system.

B. **Summary of Statement No. 72, Fair Value Measurement and Application.** This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment. At this time, this statement is not expected to impact Alpena Community College.

   The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2015.

C. **Summary of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.** The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

   A cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan) – the collective net OPEB liability. This statement largely mirrors recent changes to pension accounting and reporting and when implemented, this statement is expected to have a significant effect on Alpena Community College's entity-wide financial statements. This Statement is effective for fiscal years beginning after June 15, 2017.

D. Federal Awards Programs. Changes have been made to compliance requirements that must be followed by non-federal entities receiving federal funding. The threshold for a federal awards audit requirement has increased from $500,000 in annual federal spending to $750,000. There have also been changes in cash management of federal funds, monitoring of subrecipients, and maintenance of written procedures and policies. The new Uniform Guidance requires certain written board policies and procedures in certain areas that effect federal funds and their administration. Alpena Community College must implement these written procedures not later than July 1, 2017. Failure to have written policies in place could exclude the College from future federal grants.

E. New Overtime Regulations. The Department of labor recently released updated overtime regulations that will take effect by December 1, 2016. Under the updated regulations, a white collar employee must earn a salary of at least $913 per week ($47,476 per year) and satisfy the duties test in order to be exempt from the overtime pay rules. Any white collar employee making less than $47,476 will generally be entitled to be paid overtime, regardless of job duties.

An employee is generally entitled to minimum wage and overtime payment unless the employee satisfies a worker exemption. Salaried employees that perform certain duties, such as executive, administrative, and professional employees, are referred to as white collar employees.

The regulations have a special exemption for those that are bona fide teachers, or who have a primary duty of teaching. Teachers are considered to be an exempt professional even though they may not meet the required salary level threshold. In addition, the regulations provide another exemption for academic administrative employees. Academic administrative employees must be paid a salary that is equal to or greater than the salary for entry-level teachers in the same educational institution in order to be considered an exempt employee. There are likely many employees with duties not unique to an educational setting that may now become eligible for overtime due to the salary level increase, such as managers in food service or transportation areas. We recommend that you evaluate your staff compensation levels to determine which employees may now be subject to the new overtime regulations.

Restriction on Use

This report is intended solely for the information and use of the Alpena Community College's Board of Trustees, 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 wish to thank the staff of Alpena Community College for their assistance during the audit.

We commend the College for its excellent recordkeeping system and 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 Lamp & Kraenzlein P.C.

October 3, 2016