ALPENA COMMUNITY COLLEGE

Audited Financial Statements and
Other Supplementary Financial Information

Years Ended June 30, 2017 and 2016

STRALEY LAMP & KRAENZLEIN P.C.

ALPENA COMMUNITY COLLEGE

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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, 2017 and 2016 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 basic financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of Alpena Community College Foundation, the discretely presented component unit, were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alpena Community College and its discretely presented component unit as of June 30, 2017 and 2016, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance 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 proportionate share of the net pension liability, and the schedule of the pension contributions, as identified in the table of contents 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, who 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was 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.

The other supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of 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 4, 2017 on our consideration of Alpena Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Alpena Community College's internal control over financial reporting and compliance.

Straley Lamp & Kraenzlein P.C.

October 4, 2017

2106 US 23 South, PO Box 738, Alpena, MI 49707 Telephone (989) 356-4531 Facsimile (989) 356-0494 Website silcpa.com

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2017. 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 – the "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 $24.95 billion. The College's allocated portion is $22,041,884, or .088347% of the total. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June of 2012, requires 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 will be presented with the fiscal year 2018 financial statements.

What GASB 68 means to the College 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, PC.
- 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 the College'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 fiscal year 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, 2017 by $380,691. The inclusion of the unfunded pension liability created this deficit.

- Student credit hour enrollment for the year rose by 3.1% to 30,795.

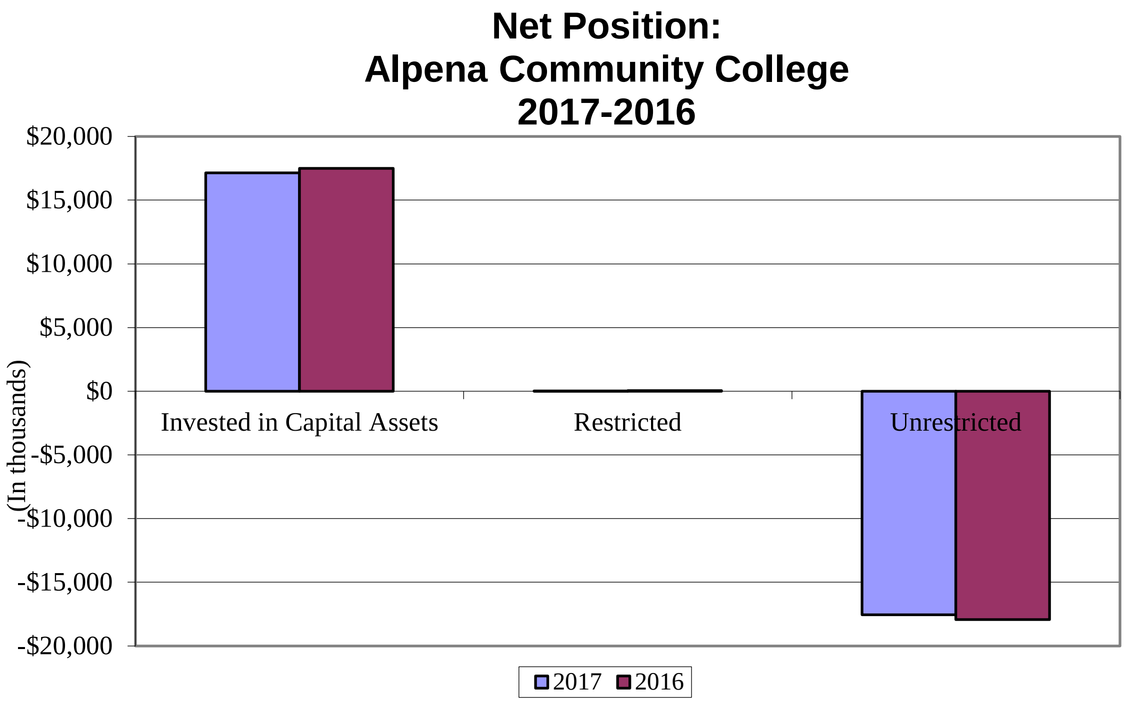
- Approximately 52.1% of tuition revenue is generated from in-district students.

- Changes in the unfunded pension liability continue to be a challenge with additional expenses recorded of $304,138 and state UAAL pension appropriations allocated to deferred outflows of $684,676 in that fund. Depreciation without substantial accompanying capital acquisitions will cause the net position of the College to decrease. However, the general fund net position increased by $239,107 primarily due to higher student enrollments, state appropriations, the state's personal property tax allocation, and lower payroll from turnover and fringe benefit cost from changes initiated by employees. In addition to the increase in the general fund balance, $670,197 was transferred to designated and property funds. In summary, the College's net position improved by $7,100.

- Operating revenues accounted for 52% of the total revenues of the College while nonoperating revenues account for 48%.

- The College experienced an operating loss of $8,782,439 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. State appropriations of $5,999,144, local property tax of $2,546,312 and other nonoperating revenue (expenses) of $244,083 offsets all of the operating loss, leaving an increase of $7,100. The General Fund net position increased by $239,107 to $1,148,771.

- The College recorded $220,291 in gifts and endowments this year.



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 nonoperating. Operating revenue is revenue brought in by a direct action of the College, such as tuition and fees and grants requiring specific outcomes. Nonoperating 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.

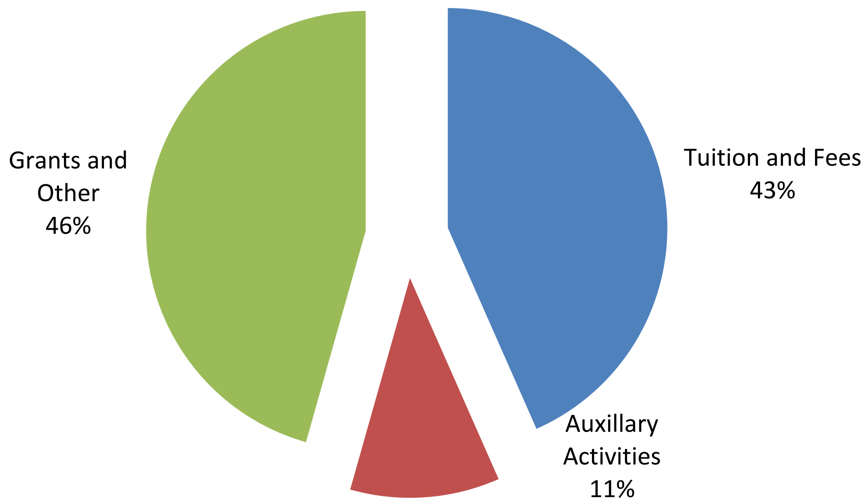
The College records all assets and liabilities on an accrual basis, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net Position, End of Year
(in thousands)

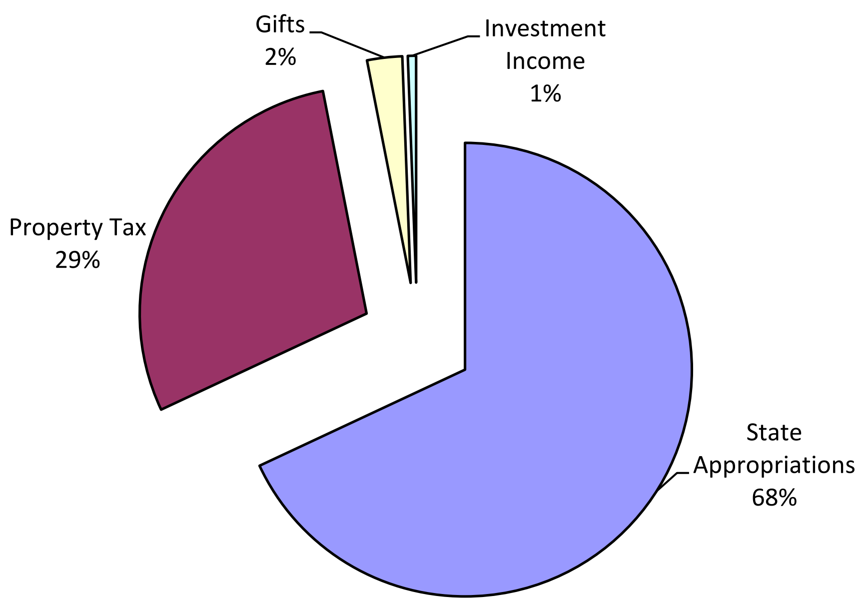
	Alpena Community College		Alpena Community College Foundation	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current Assets	$ 7,042	$ 6,475	$ 18	$ 436
Noncurrent Assets	17,961	17,821	5,907	4,771
Total Assets	25,003	24,296	5,925	5,207
Deferred Outflows of Resources	3,178	1,712	-	-
Current Liabilities	3,845	3,862	-	-
Unfunded Pension Liability	22,042	20,941	-	-
Other Noncurrent Liabilities	1,891	1,478	-	-
Total Liabilities	27,778	26,281	-	-
Deferred Inflows of Resources	784	115	-	-
Net Position				
Invested in capital assets, net of related debt	17,152	17,489	-	-
Restricted	29	55	3,802	3,238
Unrestricted	(17,562)	(17,932)	2,123	1,969
	$ (381)	$ (388)	$ 5,925	$ 5,207
Increase (Decrease) in Net Position	$ 7		$ 718	

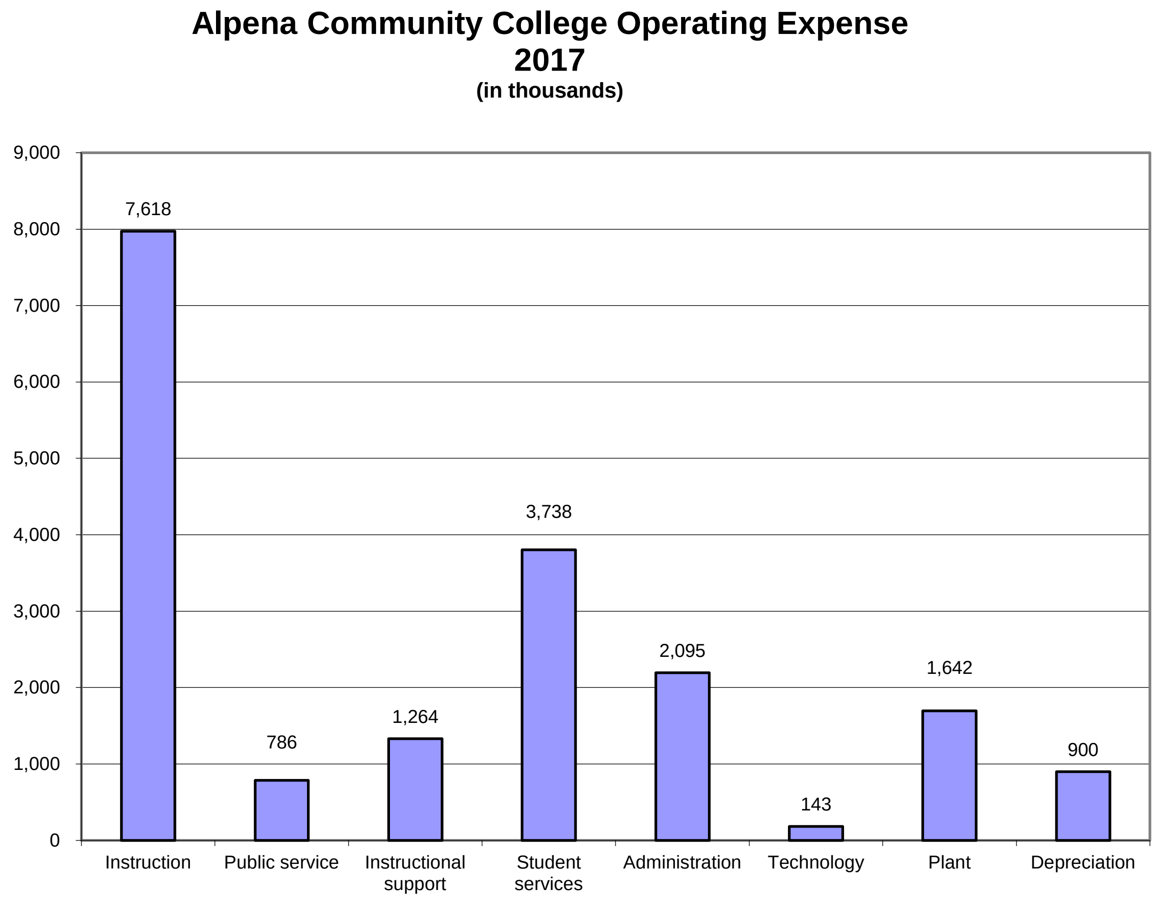
Operating and nonoperating revenues and operating expenses for the fiscal year ended June 30, 2017:

Alpena Community College
Operating Revenues



Alpena Community College
Nonoperating Revenues





Operating Results for the Year
2017-2016
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Operating Revenues				
Tuition and fees	$ 4,079	$ 3,675	$ -	$ -
Grants and contracts	4,256	4,826	-	-
Auxiliary activities	1,035	1,196	-	-
Other	34	10	22	19
	9,404	9,707	22	19
Operating Expenses	18,186	19,236	347	361
Net operating revenues (expenses)	(8,782)	(9,529)	(325)	(342)

	Alpena Community College		Alpena Community College Foundation	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Nonoperating Revenues				
State appropriations	5,999	6,852	-	-
Other nonoperating revenue	2,790	2,896	1,043	238
	8,789	9,748	1,043	238
Income before other revenues, expenses, gains and losses	7	219	718	(104)
Net Position				
Net position-beginning of year	(388)	(607)	5,207	5,311
Net position-end of year	$ (381)	$ (388)	$ 5,925	$ 5,207

Operating Revenues

Operating revenue changes were the result of the following factors:

- Tuition and fees increased by $404,370, while Pell grant awards used for tuition and fees decreased by $92,070, causing a net increase in operational tuition and fees of 11%.
- Federal grants and contracts decreased 13.6% due to a decline in TAACCCT grant funding, termination of the Student Support Services TRIO grant program, and the lower volume of Pell Grant awards.

Nonoperating Revenues

Nonoperating changes were the result of the following factors:

- Overall State appropriations were decreased by 12.4%. State appropriations for general funds and personal property tax appropriations increased about 3%, while the state's pension system allocations which were moved to deferred inflows increased and capital appropriations ceased with the final capital contribution to the EPTC building project in fiscal year 2016.
- Property tax revenue was slightly lower than last year as personal property tax has been eliminated from taxable valuations.
- Investment income showed a significant increase due to market increases with funds on deposit associated with the college's risk management association.
- Gift and endowment receded somewhat from last year with the conclusion of the EPTC building project.

Operating Expenses

Operating expense changes were the result of the following factors:

- Adjustments in unfunded liability income, expenses and allocated technology influenced all areas of the College.
- Instructional costs decreased 7.9% due to moving tutoring to instructional support, turnover and changes in employee health plan sections.
- Public services decreased by 11% because of the completion of a Student Support Services TRIO grant.
- Instructional support increased 4.7% primarily due to moving tutoring to instructional support, redistribution of labor costs, and library media costs.
- Student services increased 2.2% because of overall cost increases.

- Institutional administration decreased by 10.8% due to redistribution of labor costs and temporary workload reduction of an administrator.
- Operation and maintenance of plant cost decreased slightly due to the unfunded liability adjustment.

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
2017-2016
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Cash provided (used) by:				
Operating activities	$ (8,222)	$ (8,449)	$ (622)	$ (649)
Non-capital financing activities	9,425	9,245	478	493
Capital and related financing activities	(617)	(473)	298	336
Investing activities	51	(2)	(553)	224
Net increase (decrease) in cash	637	321	(399)	404
Cash, beginning of the year	1,583	1,262	416	12
Cash, end of the year	$ 2,220	$ 1,583	$ 17	$ 416

The College's liquidity increased during the year by $637,548. The following information is provided to help the reader better understand the cash flows presented above.

Alpena Community College

Cash flow improved through better enrollment revenue, reduced operational costs, purchase of student housing funded by long-term debt, and an increase in state appropriations.

Alpena Community College Foundation

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

Capital Assets and Debt Administration

Capital Assets

In all 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 statewide and future appropriation levels in question, the College has turned to purchasing only the capital assets that are immediately needed for replacement or have major funding opportunities available, such as Perkins Grants and Technology Fund computer rotations.

Capital Assets, Net at Year-End
2017-2016
(in thousands)

	College		Foundation		Totals	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Land	$ 340	$ 340	$ -	$ -	$ 340	$ 340
Land improvements	1,156	1,156	-	-	1,156	1,156
Buildings	30,502	29,806	-	-	30,502	29,806
Furniture, fixtures and equipment	5,081	4,931	-	-	5,081	4,931
Vehicles	529	382	-	-	529	382
Library materials	1,509	1,508	-	-	1,509	1,508
Totals	39,117	38,123	-	-	39,117	38,123
Depreciation	21,173	20,322	-	-	21,173	20,322
Net	$ 17,944	$ 17,801	$ -	$ -	$ 17,944	$ 17,801

Debt

In May 2017, the College purchased The College Park Apartments buildings that are located on the campus, but were previously owned and operated by a third party. The purchase price was $680,000. A 20-year installment purchase agreement generated the funds to acquire the property. Payments toward the note will come from rent proceeds. Even with the purchase, at year-end, the College still maintains a low debt profile. While the College has a $380,691 deficit, due to the inclusion of $22,041,884 of net pension liability included in the total net position (see page 3), there is only $1.965 million of long-term debt. The College has designated $839,000 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 no capital outlay funding for fiscal year 2017, a reduction of $477,113. State appropriation for the MPSERS unfunded actuarial accrued liability increased by $59,622. The state appropriated funds to replace the personal property tax eliminated from the tax rolls of $159,320 and an operational increase of $82,004 accounted for most of the change.

The College's state appropriations for fiscal year 2018 increased by 2.5%.

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 fiscal year 2017.

The College is budgeting a 3% decline in fiscal year 2018. 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 program (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 will expire in 2018. Management will work with the unions to achieve new agreements that will help in managing the shrinking enrollments.

State mandated healthcare premium caps help to keep cost at a manageable level.

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 Energy Technology bachelor's program.
- 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.
- Repurposing and renovating Van Lare Hall seeking to expand the College's nursing program, a focus of our campus master plan.
- Dual enrollment and early college programs that continue to increase as agreements with secondary education expand.
- Closely look at the College's financial reserves and determine how best to manage them.

Alpena Community College 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	
	2017	2016	2017	2016
ASSETS				
Current Assets				
Cash and cash equivalents	$ 2,220,417	$ 1,582,869	$ 16,809	$ 416,406
State appropriations receivable	1,178,938	1,153,499	-	-
Accounts receivable	2,508,654	2,534,738	-	-
Prepaid expenses	14,714	38,160	-	
Contributions receivable	-	-	958	19,473
Federal and state grants receivable	29,451	158,641	-	-
Student loans receivable	136	137	-	-
Inventories	564,879	544,078	-	-
Insurance funds on deposit	524,760	462,863	-	-
Total Current Assets	7,041,949	6,474,985	17,767	435,879
Restricted investments	-	-	5,386,159	4,279,101
Split interest investments	-	-	521,625	492,300
Other investments	16,938	19,928	-	-
Property and equipment	17,944,117	17,800,980	-	-
Total Assets	25,003,004	24,295,893	5,925,551	5,207,280
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	3,177,853	1,712,187	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 28,180,857	$ 26,008,080	$ 5,925,551	$ 5,207,280
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	$ 244,000	$ 205,000	$ -	$ -
Accounts payable	164,719	314,099	267	37
Accrued interest payable	10,582	9,273	-	-
Accrued payroll and related liabilities	944,809	947,019	-	-
Deposits	32,375	16,436	-	-
Unearned student tuition and fees	2,448,115	2,370,266	-	-
Total Current Liabilities	3,844,600	3,862,093	267	37
Long-term debt obligations	1,721,000	1,285,000	-	-
Net pension liability	22,041,884	20,940,911	-	-
Accrued compensated absences	170,567	193,201	-	-
Total Liabilities	27,778,051	26,281,205	267	37
DEFERRED INFLOWS OF RESOURCES				
Related to pension	98,822	114,666	-	-
State aid for pension	684,675	-	-	-
Total Deferred Inflows of Resources	783,497	114,666	-	-
NET POSITION				
Invested in capital assets, net of related debt	17,151,621	17,488,619	-	-
Restricted for:				
Expendable scholarships and grants	25,341	51,385	2,487,190	2,308,856
Permanently restricted	-	-	1,314,761	929,681
Student loans	4,244	4,244	-	-
Unrestricted				
Unallocated	(17,561,897)	(17,932,039)	2,123,333	1,968,706
Total Net Position	(380,691)	(387,791)	5,925,284	5,207,243
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 28,180,857	$ 26,008,080	$ 5,925,551	$ 5,207,280

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	
	2017	2016	2017	2016
REVENUE				
Operating Revenue				
Tuition and fees (net of scholarship allowance of $2,256,702 and $2,348,772)	$ 4,079,742	$ 3,675,372	$ -	$ -
Federal grants and contracts	3,825,816	4,429,737	-	-
State grants and contracts	401,017	367,143	-	-
Local grants and fees	29,000	29,000	-	-
Auxiliary activities	1,034,934	1,196,074	-	-
Miscellaneous	33,894	10,353	22,379	19,088
Total Operating Revenue	9,404,403	9,707,679	22,379	19,088
EXPENSES				
Operating Expenses				
Instruction	7,617,857	8,271,891	-	-
Technology	142,637	367,652	-	-
Public services	786,521	883,579	-	-
Instructional support	1,264,458	1,207,604	-	-
Student services	3,737,884	3,658,329	266,544	256,545
Institutional administration	2,095,563	2,348,140	80,585	104,194
Operation and maintenance of plant	1,642,182	1,667,622	-	-
Depreciation	899,740	831,481	-	-
Total Operating Expenses	18,186,842	19,236,298	347,129	360,739
Operating Income (Loss)	(8,782,439)	(9,528,619)	(324,750)	(341,651)
NONOPERATING REVENUE (EXPENSES)				
State appropriations	5,999,144	6,852,059	-	-
Property tax	2,546,312	2,577,183	-	-
Investment income	51,715	(2,337)	583,020	(221,499)
Student loan interest	-	1	-	-
Interest on capital asset - related debt	(29,357)	(29,453)	-	-
Gifts and permanent endowments	220,291	350,152	459,771	459,423
Gain (loss) on sale of capital assets	1,434	228	-	-
Net Nonoperating Revenue (Expense)	8,789,539	9,747,833	1,042,791	237,924
Increase (Decrease) in Net Position	7,100	219,214	718,041	(103,727)
NET POSITION - beginning of year	(387,791)	(607,005)	5,207,243	5,310,970
NET POSITION - end of year	$ (380,691)	$ (387,791)	$ 5,925,284	$ 5,207,243

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	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 4,183,675	$ 3,705,274	$ -	$ -
Grants and contracts	4,385,023	4,739,976	-	-
Payments to suppliers	(4,160,897)	(4,263,681)	(293,066)	(283,461)
Payments to employees	(13,698,658)	(13,837,560)	(53,833)	(78,326)
Collection of loans from students	1	-	-	-
Auxiliary enterprise charges	1,034,934	1,196,074	-	-
Contributions restricted for long-term investments	-	-	(298,342)	(306,436)
Other	33,894	10,353	22,379	19,088
Net cash provided (used) for operating activities	(8,222,028)	(8,449,564)	(622,862)	(649,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	6,658,381	6,318,077	-	-
Property tax levy	2,546,312	2,577,183	-	-
Gifts	220,292	350,152	478,286	493,255
Net cash provided (used) by noncapital financing activities	9,424,985	9,245,412	478,286	493,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State appropriations	-	477,113	-	-
Capital acquisitions	(1,042,877)	(753,166)	-	-
Proceeds from sale of assets	1,434	228	-	29,317
Proceeds from issuance of capital debt	680,000	-	-	-
Principal paid on capital debt	(205,000)	(200,000)	-	-
Interest paid on capital debt	(28,048)	(30,147)	-	-
Contributions restricted for long-term investments	-	-	298,342	306,436
Prepaid closing costs	1	(1)	-	-
Change in compensated absences liability	(22,634)	32,990	-	-
Net cash provided (used) by capital and and related financing activities	(617,124)	(472,983)	298,342	335,753
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(7,597,364)	(9,953,270)
Proceeds from sales and maturities of investment	-	-	6,935,877	9,824,945
Investment income (loss)	51,715	(2,337)	108,124	352,872
Student loan interest	-	1	-	-
Net cash provided (used) by investing activities	51,715	(2,336)	(553,363)	224,547
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	637,548	320,529	(399,597)	404,420
CASH AND CASH EQUIVALENTS - beginning of the ye	1,582,869	1,262,340	416,406	11,986
CASH AND CASH EQUIVALENTS - end of the year	$ 2,220,417	$ 1,582,869	$ 16,809	$ 416,406

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	
	2017	2016	2017	2016
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	$ 2,220,417	$ 1,582,869	$ 16,809	$ 416,406
RECONCILIATION OF NET OPERATING EXPENSES TO CASH USED FOR OPERATING ACTIVITIES:				
Operating Income (loss)	$ (8,782,439)	$ (9,528,619)	$ (324,750)	$ (341,651)
Adjustment to reconcile operating loss to net cash used for operating activities:				
Depreciation	899,740	831,481	-	-
Amortization	2,989	2,989	-	-
Contributions restricted for long-term investments	-	-	(298,342)	(306,436)
Unfunded pension liability expense	(380,538)	380,483	-	-
(Increase) decrease in net assets:				
Accounts receivable	26,084	(230,280)	-	-
Federal and state grants receivable	129,190	(85,904)	-	-
Student loans receivable	1	-	-	-
Inventories	(20,801)	82,454	-	-
Insurance funds on deposit	(61,897)	(8,528)	-	-
Prepaid expenses	23,446	95,415	-	-
Increase (decrease) in liabilities:				
Accounts payable	(149,381)	(234,168)	230	(1,048)
Accrued payrolls and related liabilities	(2,211)	(20,792)	-	-
Deposits	15,939	5,724	-	-
Unearned student tuition and fees	77,850	260,181	-	-
	$ (8,222,028)	$ (8,449,564)	$ (622,862)	$ (649,135)

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 $491,763 and $574,190 as of June 30, 2017 and 2016, 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, 2017 and 2016.

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

Property and Equipment. Using a $5,000 capitalization threshold, 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	5-40 years
Furniture, fixtures and equipment	3-7 years
Library materials	10 years
Vehicles	4 years

Operating and Nonoperating 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 nonoperating 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 $2,370,315 and $2,370,266 for future semesters existed at June 30, 2017 and 2016, respectively.

Housing Rents and Deposits. The College purchased the College Park Apartments in May 2017. Deferred income for housing rent at June 30, 2017 was $77,800 while security deposits totaled $16,400.

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, 2017	June 30, 2016
Designated for unreported insurance claims	$ 524,760	$ 462,863
Designated for capital outlay	839,000	-
Unrestricted and unallocated	(18,925,656)	(18,394,902)
Total unrestricted net position	$ (17,561,896)	$ (17,932,039)

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.

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

Reclassification. Certain items reported in the June 30, 2016, 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, 2017 and 2016. 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, 2017:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	$ 2,220,417	$ 16,809
Restricted investments	-	5,386,159
Total deposits and investments	$ 2,220,417	$ 5,402,968

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2017:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	$ 2,216,617	$ 16,809
Investments in securities and similar vehicles	-	5,386,159
Petty cash and cash on hand	3,800	-
Total deposits and investments	$ 2,220,417	$ 5,402,968

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

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

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

Fair Value Measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which required an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The College's investments are classified as the following on June 30, 2017:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	$ -	$ 340,300	$ -	$ 340,300
	$ -	$ 340,300	$ -	$ 340,300

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

The College's investments are classified as the following on June 30, 2016:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	$ -	$ 339,451	$ -	$ 339,451
	$ -	$ 339,451	$ -	$ 339,451

The Foundation's investments are classified as the following on June 30, 2017:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Multi-Asset Bond funds	$ 340,404	$ -	$ -	$ 340,404
Multi-Asset Equity funds	444,391	-	-	444,391
Fixed Income Bond funds	716,185	-	-	716,185
Small Cap funds	260,205	-	-	260,205
Mid Cap funds	889,738	-	-	889,738
Large Cap funds	2,169,708	-	-	2,169,708
International funds	565,528	-	-	565,528
	$ 5,386,159	$ -	$ -	$ 5,386,159

The Foundation's investments are classified as the following on June 30, 2016:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Multi-Asset Bond funds	$ 324,075	$ -	$ -	$ 324,075
Multi-Asset Equity funds	285,941	-	-	285,941
Fixed Income Bond funds	1,137,955	-	-	1,137,955
Mid Cap funds	628,554	-	-	628,554
Large Cap funds	1,902,576	-	-	1,902,576
	$ 4,279,101	$ -	$ -	$ 4,279,101

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 issued by and certificates of deposit of 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 $2,284,762 at June 30, 2017, and $1,667,279 at June 30, 2016. Of the bank balance, $1,781,625 at June 30, 2017, and $1,164,142 at June 30, 2016, 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, 2017 and 2016 are as follows:

Description	Market Value
Investments - June 30, 2017	$ 5,386,159
Investments - June 30, 2016	$ 4,279,101

NOTE 3. PROPERTY AND EQUIPMENT.

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2017 as follows:

	Balances June 30, 2016	Additions	Retirements	Balances June 30, 2017	Estimated Useful Life
Capital assets not being depreciated:					
Land	$ 339,600	$ -	$ -	$ 339,600	
	339,600	-	-	339,600	
Capital assets being depreciated:					
Land improvements	1,156,404	-	-	1,156,404	15
Buidlings and improvements	29,805,810	696,540	-	30,502,350	5-40
Furniture, fixtures, equipment	4,931,132	173,529	(24,246)	5,080,415	3-7
Vehicles	381,403	171,929	(24,254)	529,078	4
Library materials	1,508,234	879	-	1,509,113	10
	37,782,983	1,042,877	(48,500)	38,777,360	
Less - accumulated depreciation:					
Land improvements	(1,154,314)	(1,667)	-	(1,155,981)	15
Buidlings and improvements	(13,637,135)	(646,013)	-	(14,283,148)	5-40
Furniture, fixtures, equipment	(3,760,659)	(211,217)	24,246	(3,947,630)	3-7
Vehicles	(337,000)	(17,051)	24,254	(329,797)	4
Library materials	(1,432,495)	(23,792)	-	(1,456,287)	10
	(20,321,603)	(899,740)	48,500	(21,172,843)	
Net Capital Assets	$17,800,980	$ 143,137	$ -	$17,944,117	

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

	Balances June 30, 2015	Additions	Retirements	Balances June 30, 2016	Estimated Useful Life
Capital assets not being depreciated:					
Land	$ 339,600	$ -	$ -	$ 339,600	
	339,600	-	-	339,600	
Capital assets being depreciated:					
Land improvements	1,156,404	-	-	1,156,404	15
Buidlings and improvements	29,650,543	155,267	-	29,805,810	5-40
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
	37,058,455	753,166	(28,638)	37,782,983	
Less - accumulated depreciation:					
Land improvements	(1,152,647)	(1,667)	-	(1,154,314)	15
Buidlings and improvements	(12,997,740)	(639,395)	-	(13,637,135)	5-40
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)	
Net Capital Assets	$17,879,295	$ (78,315)	$ -	$17,800,980	

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 530 West Allegan Street, P.O. Box 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 – September 30, 2016	14.56% - 18.95%
October 1, 2016 – June 30, 2017	16.14% - 20.49%

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, 2017 and 2016 were $1,983,880 and $2,310,890, respectively. Contributions include $939,456 and $879,734 revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2017 and 2016.

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, 2017, the College reported a liability of $22,041,884 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, 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, 2016, the College's proportion was 0.08834712%.

For the year ended June 30, 2017, the College recognized pension expense of $2,219,223 (Table 2 Column P). At June 30, 2017, 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	$ 274,700	$ 52,240
Changes of assumptions	344,608	-
Net difference between projected and actual earnings on pension plan investments	366,336	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	486,876	46,582
Reporting Unit contributions subsequent to the measurement date	1,705,333	-
Total	**$ 3,177,853**	**$ 98,822**

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

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future Pension Expenses)

Year Ending September 30	Amount
2017	$ 291,935
2018	263,121
2019	651,955
2020	166,687

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

NOTE 4. PENSION PLAN. (continued)

The actuarial assumptions used for the June 30, 2017 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.

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:

Asset Class	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%	

**Long term rate of return does not include 2.1% inflation.*

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% Decrease 7.0%	Current Single Discount Rate Assumption 8.0%	1% Increase 9.0%
$ 28,384,398	$ 22,041,884	$ 16,694,534

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

NOTE 4. PENSION PLAN. (continued)

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: 4.6273.

Recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Payable to the Pension Plan. The College reported a payable of $170,810 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 6.40 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through September 30, 2016, and from 5.69 percent to 5.91 percent of covered payroll for the period October 1, 2016 through June 30, 2017, 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, 2017, 2016, and 2015 were $422,406, $436,992, and $202,172, 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, 2017. 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, 2017:

	Balances June 30, 2016	Additions	(Deductions)	Balances June 30, 2017	Due within one year
2013 College Facility					
And Refunding Bonds					
Dated: 01-28-2013					
Matures: 03-01-2023					
Interest: 0.65% - 2.35%	$ 1,490,000	$ -	$ (205,000)	$ 1,285,000	$ 210,000
Installment Loan					
Dated: 05-24-2017					
Matures: 05-24-2037					
Interest: 3.12%	-	680,000	-	680,000	34,000
Other long-term obligations					
Compensated absences	193,201	-	(22,634)	170,567	-
Total	$ 1,683,201	$ 680,000	$ (227,634)	$ 2,135,567	$ 244,000

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NOTE 7. LONG-TERM DEBT OBLIGATION. (continued)

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	Due within one year
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	$ 32,990	$(200,000)	$1,683,201	$ 205,000

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2017 are as follows:

For the year ending June 30,	Principal	Interest	Annual Requirement
2018	$ 244,000	$ 46,701	$ 290,701
2019	249,000	42,385	291,385
2020	249,000	37,562	286,562
2021	254,000	32,416	286,416
2022	259,000	26,735	285,735
2023-2037	710,000	131,996	841,996
Grand Total	$ 1,965,000	$ 317,795	$ 2,282,795

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 22.1% 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 2016-2017 school year for Alpena Community College was established at $1,017,690,243 and $1,037,415,736 for the 2015-2016 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. TAX ABATEMENTS.

The College may receive reduced tax revenues as a result of Industrial Facilities Tax exemptions (PA 198 of 14974) or Brownfield Redevelopment Agreements granted by cities within the boundaries of the College. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. Accordingly, such agreements meet the criteria of “tax abatements” under GASB Statement No. 77.

For the fiscal year ended June 30, 2017, the College’s tax revenues were reduced by approximately $5,300 under these programs. The College is not reimbursed for lost revenue caused by tax abatements. There were no abatements made by the College.

NOTE 10. 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 11. 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.

NOTE 11. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 4, 2017, 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 Proportionate Share of the Net Pension Liability

Michigan Public School Employees Retirement Plan

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

	2016	2015	2014
A. Reporting unit's proportion of net pension liability (%)	0.08835%	0.08574%	0.08598%
B. Reporting unit's proportionate share of net pension liability	$ 22,041,884	$ 20,940,911	$ 18,937,550
C. Reporting unit's covered-employee payroll	$ 7,101,927	$ 7,455,745	$ 7,748,819
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	310.36%	280.87%	244.39%
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

Changes in benefit terms: There were no changes of benefit terms in 2016.

Changes in benefit assumptions: There were no changes of benefit assumptions in 2016.

Changes in size or composition of the covered population: There were not significant changes in size or composition of the covered population in 2016.

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 the Pension Contributions

Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	2017	2016	2015
A. Statutorily required contributions	$ 1,983,880	$ 1,653,949	$ 1,335,262
B. Contributions in relation to statutorily required contributions*	$ 1,983,880	$ 1,653,949	$ 1,335,262
C. Contribution deficiency (excess)	$ -	$ -	$ -
D. Reporting unit's covered-employee payroll	$ 7,101,927	$ 7,455,745	$ 7,748,819
E. Contributions as a percentage of covered-employee payroll	27.93%	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.

Changes in benefit terms: There were no changes of benefit terms in 2017.

Changes in benefit assumptions: There were no changes of benefit assumptions in 2017.

Changes in size or composition of the covered population: There were not significant changes in size or composition of the covered population in 2017.

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 June 30, 2015.

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SUPPLEMENTAL INFORMATION

ALPENA COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2017

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,034,237	$ 100	$ 1,900	$ -	$ 581
State appropriations receivable	1,178,938	-	-	-	-
Accounts receivable	2,460,842	60	47,752	-	-
Prepaid expenses	6,547	-	-	-	8,167
Contributions receivable	-	-	-	-	-
Federal and state grants receivable	-	-	-	-	29,451
Student loans receivable	-	-	-	-	-
Inventories	2,559	-	562,320	-	-
Insurance funds on deposit	524,760	-	-	-	-
Due from (to) other funds	(670,377)	77,052	(427,983)	-	46,785
Total Current Assets	4,537,506	77,212	183,989	-	84,984
Restricted investments	-	-	-	-	-
Split interest investments	-	-	-	-	-
Other investments	-	-	-	-	-
Property and equipment	-	-	-	-	-
Total Assets	4,537,506	77,212	183,989	-	84,984
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	-	-	-	3,177,853	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,537,506	$ 77,212	$ 183,989	$ 3,177,853	$ 84,984
LIABILITIES AND NET POSITION					
Current Liabilities					
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -
Accounts payable	163,897	-	-	-	822
Accrued interest payable	-	-	-	-	-
Accrued payroll and related liabilities	719,137	3,714	4,712	-	42,620
Deposits	-	-	16,400	-	-
Unearned student tuition and fees	2,370,315	-	77,800	-	-
Total Current Liabilities	3,253,349	3,714	98,912	-	43,442
Long-term debt obligations	-	-	-	-	-
Net pension liability	-	-	-	22,041,884	-
Accrued compensated absences	135,386	7,721	10,202	-	17,258
Total Liabilities	3,388,735	11,435	109,114	22,041,884	60,700
DEFERRED INFLOWS OF RESOURCES					
Related to pension	-	-	-	783,497	-
Net Position					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Expendable scholarships and grants	-	-	-	-	24,284
Permanently restricted	-	-	-	-	-
Student loans	-	-	-	-	-
Unrestricted					
Unallocated	1,148,771	65,777	74,875	(19,647,528)	-
Total Net Position	1,148,771	65,777	74,875	(19,647,528)	24,284
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 4,537,506	$ 77,212	$ 183,989	$ 3,177,853	$ 84,984

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ 4,108	$ -	$ 1,179,491	$ -	$ -	$ 2,220,417	$ 16,809
-	-	-	-	-	1,178,938	-
-	-	-	-	-	2,508,654	-
-	-	-	-	-	14,714	-
-	-	-	-	-	-	958
-	-	-	-	-	29,451	-
136	-	-	-	-	136	-
-	-	-	-	-	564,879	-
-	-	-	-	-	524,760	-
-	1,057	782,865	190,601	-	-	-
4,244	1,057	1,962,356	190,601	-	7,041,949	17,767
-	-	-	-	-	-	5,386,159
-	-	-	-	-	-	521,625
-	-	16,938	-	-	16,938	-
-	-	17,944,117	-	-	17,944,117	-
4,244	1,057	19,923,411	190,601	-	25,003,004	5,925,551
-	-	-	-	-	3,177,853	-
$ 4,244	$ 1,057	$ 19,923,411	$ 190,601	$ -	$ 28,180,857	$ 5,925,551
$ -	$ -	$ 244,000	$ -	$ -	$ 244,000	$ -
-	-	-	-	-	164,719	267
-	-	10,582	-	-	10,582	-
-	-	-	174,626	-	944,809	-
-	-	-	15,975	-	32,375	-
-	-	-	-	-	2,448,115	-
-	-	254,582	190,601	-	3,844,600	267
-	-	1,721,000	-	-	1,721,000	-
-	-	-	-	-	22,041,884	-
-	-	-	-	-	170,567	-
-	-	1,975,582	190,601	-	27,778,051	267
-	-	-	-	-	783,497	-
-	-	17,151,621	-	-	17,151,621	-
-	1,057	-	-	-	25,341	2,487,190
-	-	-	-	-	-	1,314,761
4,244	-	-	-	-	4,244	-
-	-	796,208	-	-	(17,561,897)	2,123,333
4,244	1,057	17,947,829	-	-	(380,691)	5,925,284
$ 4,244	$ 1,057	$ 19,923,411	$ 190,601	$ -	$ 28,180,857	$ 5,925,551

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2017

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
REVENUE					
Operating Revenue					
Tuition and fees	$ 5,750,924	$ 381,944	$ -	$ -	$ -
Federal grants and contracts	10,420	-	-	-	3,815,396
State grants and contracts	-	-	-	-	378,331
Local grants and fees	-	-	-	-	29,000
Auxiliary activities	-	138,891	896,043	-	-
Indirect cost recovery	104,416	-	-	-	(104,416)
Current funds expenditures for equipment and capital improvements	-	-	-	-	-
Miscellaneous	32,793	1,101	-	-	-
Total Operating Revenue	5,898,553	521,936	896,043	-	4,118,311
EXPENSES					
Operating Expenses					
Instruction	7,763,134	40,591	87	(197,806)	11,851
Technology	-	201,481	82,657	(23,260)	-
Public services	-	83,099	32,806	-	670,616
Instructional support	1,407,844	6,888	-	(36,490)	78,107
Student services	1,455,125	275,242	769,327	(37,716)	3,425,622
Institutional administration	2,149,377	1,875	-	(55,689)	-
Operation and maintenance of plant	1,548,316	863	19,697	(29,577)	-
Depreciation	-	-	-	-	-
Total Operating Expenses	14,323,796	610,039	904,574	(380,538)	4,186,196
Operating Income (Loss)	(8,425,243)	(88,103)	(8,531)	380,538	(67,885)
NONOPERATING REVENUE (EXPENSES)					
State appropriations	6,683,820	-	-	(684,676)	-
Property tax	2,546,312	-	-	-	-
Investment income	50,582	-	-	-	-
Student loan interest	-	-	-	-	-
Interest on capital asset - related debt	-	-	-	-	-
Gifts and permanent endowments	53,833	9,254	-	-	39,341
Gain (loss) on sale of capital assets	-	-	-	-	-
Net Nonoperating Revenue (Expense)	9,334,547	9,254	-	(684,676)	39,341
Increase (Decrease) in Net Position	909,304	(78,849)	(8,531)	(304,138)	(28,544)
Transfers In (Out)	(670,197)	144,196	9,828	-	16,173
Net Increase (Decrease) in Net Position	239,107	65,347	1,297	(304,138)	(12,371)
NET POSITION - beginning of year	909,664	430	73,578	(19,343,390)	36,655
NET POSITION - end of year	$ 1,148,771	$ 65,777	$ 74,875	$ (19,647,528)	$ 24,284

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ -	$ -	$ 203,576	$ -	$ (2,256,702)	$ 4,079,742	$ -
-	-	-	-	-	3,825,816	-
-	22,686	-	-	-	401,017	-
-	-	-	-	-	29,000	-
-	-	-	-	-	1,034,934	-
-	-	-	-	-	-	-
-	-	362,742	-	(362,742)	-	-
-	-	-	-	-	33,894	22,379
-	22,686	566,318	-	(2,619,444)	9,404,403	22,379
-	-	-	-	-	7,617,857	-
-	-	-	-	(118,241)	142,637	-
-	-	-	-	-	786,521	-
-	-	-	-	(191,891)	1,264,458	-
-	120,892	-	-	(2,270,608)	3,737,884	266,544
-	-	-	-	-	2,095,563	80,585
-	-	141,587	-	(38,704)	1,642,182	-
-	-	899,740	-	-	899,740	-
-	120,892	1,041,327	-	(2,619,444)	18,186,842	347,129
-	(98,206)	(475,009)	-	-	(8,782,439)	(324,750)
-	-	-	-	-	5,999,144	-
-	-	-	-	-	2,546,312	-
-	-	1,133	-	-	51,715	583,020
-	-	-	-	-	-	-
-	-	(29,357)	-	-	(29,357)	-
-	84,533	33,330	-	-	220,291	459,771
-	-	1,434	-	-	1,434	-
-	84,533	6,540	-	-	8,789,539	1,042,791
-	(13,673)	(468,469)	-	-	7,100	718,041
-	-	500,000	-	-	-	-
-	(13,673)	31,531	-	-	7,100	718,041
4,244	14,730	17,916,298	-	-	(387,791)	5,207,243
$ 4,244	$ 1,057	$ 17,947,829	$ -	$ -	$ (380,691)	$ 5,925,284

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 expenses	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	-	-	-	-	-
Other investments	-	-	-	-	-
Property and equipment	-	-	-	-	-
Total Assets	4,475,906	19,647	86,425	-	98,449
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	-	-	-	1,712,187	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,475,906	$ 19,647	$ 86,425	$ 1,712,187	$ 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 absences	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					
Related to pension	-	-	-	114,666	-
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, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 4,475,906	$ 19,647	$ 86,425	$ 1,712,187	$ 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
-	-	-	-	-	1,712,187	-
$ 4,244	$ 14,730	$ 19,415,571	$ 180,921	$ -	$ 26,008,080	$ 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
-	-	-	-	-	114,666	-
-	-	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	$ -	$ 26,008,080	$ 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 and 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

Straley Lamp & Kraenzlein P.C.
Certified Public Accountants

Philip T. Straley, CPA/PFS
Bernard R. Lamp, CPA
James E. Kraenzlein, CPA/ABV/CFF
Gary C. VanMassenhove, CPA
Mark L. Sandula, CPA
Jeffrey A. Taphouse, CPA
John D. Faulman, CPA
Andrew R. Lamp, CPA
Donald C. Levren

Gordon A. Nethercut, CPA-Retired

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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 the Alpena Community College for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance,

As stated in our engagement letter dated July 10, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Alpena Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Alpena Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Alpena Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Alpena Community College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it will not provide a legal determination on the Alpena Community College's' compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

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Significant Audit Findings

*Qualitative Aspects of Accounting Practic*es

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alpena Community College are described in Note 1 to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Alpena Community College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement 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. The most sensitive estimates affecting the Alpena Community College financial statements were:

> Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole;
>
> Management's estimate of its pension liability which is based upon actuarial valuations which considers such assumptions as the long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments.

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. No adjustments were made to the financial statements, or passed but not made, during the audit process.

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 4, 2017.

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.

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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.

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 will have an impact on the way the Alpena Community College maintains its financial records:

Recently Adopted GASB Statements:

A. GASB Statement No. 77 – Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current year revenues were sufficient to pay for current year services (known as inter period equity), (2) whether a government complied with finance related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Upcoming GASB Statements that will impact the College:

B. GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). 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 the College's financial statements. This Statement is effective for fiscal years beginning after June 15, 20017 (the College June 30, 2018 fiscal year).

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C. **GASB Statement No. 83 – Certain Asset Retirement Obligations.** This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of their useful lives. This statement does not apply to landfill closure or post-closure costs.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred.

This Statement is effective for reporting periods after June 15, 2018, (the College June 30, 2019 fiscal year).

D. **GASB Statement No. 84 – Fiduciary Activities.** This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, (the College June 30, 2020 fiscal year).

E. **GASB Statement No. 86 – Certain Debt Extinguishment Issues.** Statement No. 7, *Advance Refunding's Resulting in Defeasance of Debt,* requires that debt be considered defeased in substance (removed from the balance sheet but not cancelled) when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. This new Statement establishes essentially the same requirements for when a government placed cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, (the College June 30, 2018 fiscal year). Earlier application is encouraged.

Restriction on Use

This report is intended solely for the information and use of the Alpena Community College 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 the Alpena Community College for their assistance during the audit.

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We commend the College for its excellent recordkeeping system and appreciate the opportunity to serve the 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 4, 2017

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