

ALPENA COMMUNITY COLLEGE

Audited Financial Statements and
Other Supplementary Financial Information

Years Ended June 30, 2014 and 2013

STRALEY LAMP & KRAENZLEIN P.C.

ALPENA COMMUNITY COLLEGE

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Straley Lamp & Kraenzlein P.C.



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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 June 30, 2014 and 2013 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. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Alpena Community College, 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. The discretely presented component unit was not audited under *Government Auditing Standards*.

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

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

Opinion

In our opinion, the basic 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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on pages 3-10, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2014 on our consideration of Alpena Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Straley Lamp & Kraenzlein P.C.

October 10, 2014

ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2014. This discussion, the financial statements and related footnotes have been prepared by and are the responsibility of management at Alpena Community College, (the "College").

Using This Annual Report

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

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

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

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

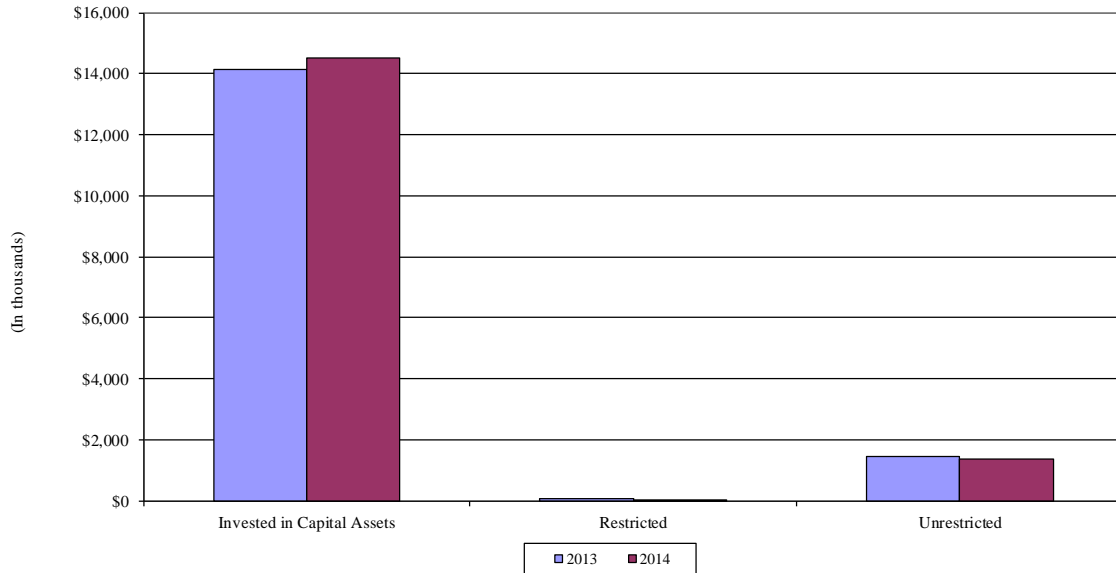
Financial Highlights

- Student credit hour enrollment for the year fell by 12% to 34,643.
- Approximately 53% of tuition revenue is generated from in-district students.
- The assets of Alpena Community College exceeded its liabilities at June 30, 2014, by \$15,910,329.
- The College's net position increased by \$209,110, or 1.3%, due to an increase of capital construction over depreciation expense.
- Operating revenues accounted for only 56% of the total revenues of the College while non-operating revenues account for 44%.
- The College experienced an operating loss of \$8,318,162 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. All of the operating loss was offset by State appropriations of \$5,635,889, local property tax of \$2,550,812, and other non-operating revenues of \$340,571, leaving an increase of \$209,110.
- The College recorded \$317,412 in gifts and endowments this year, primarily from donations toward the new Electrical Power Technology Center (EPTC) project.

ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

Net Position: Alpena Community College 2013-2014



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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer the question “Is the College as a whole better off or worse off as a result of the year’s activities?” When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as operating results.

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

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

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

ALPENA COMMUNITY COLLEGE

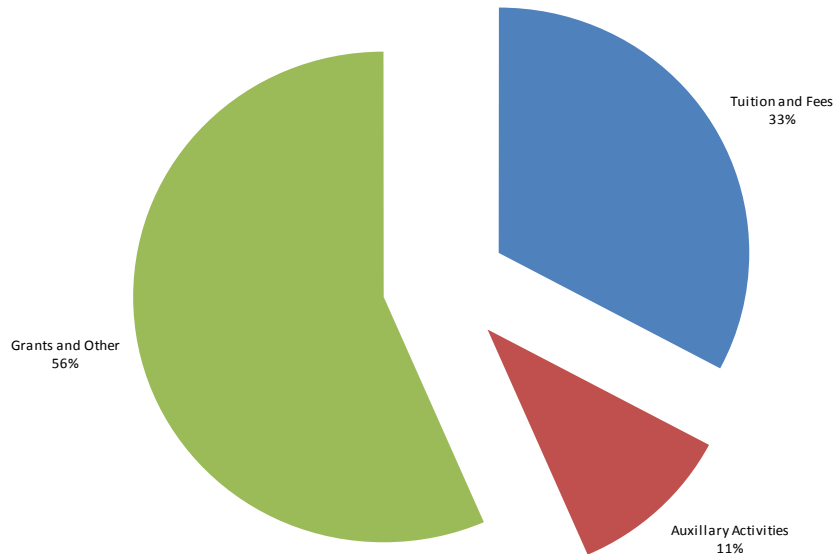
Management Discussion and Analysis

Net Position, End of Year
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/14	6/30/13	6/30/14	6/30/13
Current Assets	\$ 6,165	\$ 6,505	\$ 1,469	\$ 1,213
Noncurrent Assets	15,335	14,830	5,299	4,514
Total Assets	21,500	21,335	6,768	5,727
Current Liabilities	3,740	3,585	5	5
Noncurrent Liabilities	1,850	2,049	0	0
Total Liabilities	5,590	5,634	5	5
Net Position				
Invested in capital assets net of related debts	14,517	14,143	0	0
Restricted	30	80	4,359	3,824
Unrestricted	1,363	1,478	2,404	1,898
Total Net Position	\$ 15,910	\$ 15,701	\$ 6,763	\$ 5,722
Increase (Decrease) Net Position		\$ 209		\$ 1,041

Operating and non-operating revenues and operating expenses for the fiscal year ended June 30, 2014:

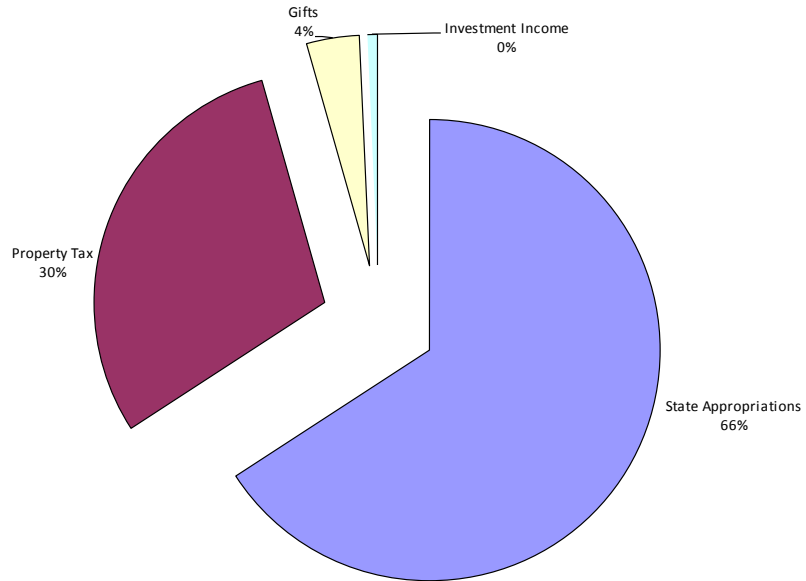
Alpena Community College Operating Revenues



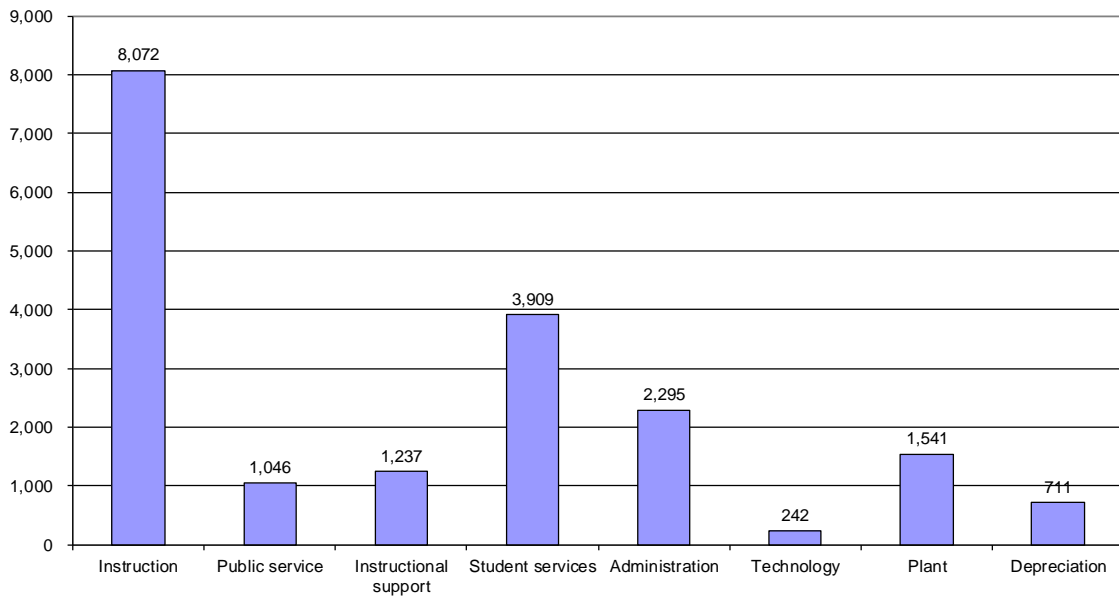
ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

Alpena Community College Non Operating Revenues



Alpena Community College Operating Expense 2014 (in thousands)



ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

**Operating Results for the Year
2013-2014**
(in thousands)

	Alpena Community College		Alpena Community College Foundation	
	6/30/14	6/30/13	6/30/14	6/30/13
Operating Revenues				
Tuition and fees	\$ 3,519	\$ 3,612	\$ 0	\$ 0
Grants and contracts	6,055	6,207	0	0
Auxiliary Activities	1,147	1,311	0	0
Other	14	17	19	23
Total Operating Revenues	10,735	11,147	19	23
Operating Expenses	19,053	19,335	361	299
Net Operating Revenues(Expenses)	(8,318)	(8,188)	(342)	(276)
Non-operating Revenues				
State appropriations	5,636	5,310	0	0
Other non-operating revenues	2,891	2,850	1,383	993
Net Non-operating Revenues	8,527	8,160	1,383	993
Increase (decrease) in Net Position	209	(28)	1,041	717
Net Position - beginning of year	15,701	15,729	5,722	5,005
Net Position - end of year	\$ 15,910	\$ 15,701	\$ 6,763	\$ 5,722

Operating Revenues

Operating revenue changes were the result of the following factors:

- Tuition and fees decreased by \$341,516, while Pell grant awards used for tuition and fees decreased by \$434,258, causing a net decrease in operational tuition and fees of 2.6%.
- Federal grants and contracts decreased 4.8% due the decline in Pell Grant awards.

Non-operating Revenues

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

- State appropriations were increased by 6.1%, 4.7% was due to a contribution to the State retirement system.
- Property tax revenue fell by 1.3% due primarily to a drop in property valuation.

Operating Expenses

Operating expense changes were the result of the following factors:

- Instructional costs declined 0.2% due to position eliminations, lower supply usage and fewer sections offered while full-time instructional wages and fringe benefits increased.
- Public services decreased by 6.3% because of lower expenditures in the DOL grant.
- Instructional support increased 2.6% primarily due to the addition of a nursing director position.
- Student services decreased by 7.8% from the decreased usage of Pell Grants and winding down of the Kellogg Grant.
- Institutional administration increased by 4.1% primarily from increased bad debt and insurance costs.
- Operation and maintenance of plant cost were down slightly in spite of an increase of 11.1% in utilities due to the unusually cold winter.

ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

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
2013-2014**
(in thousands)

	College		Foundation	
	6/30/14	6/30/13	6/30/14	6/30/13
Cash provided (used) by:				
Operating activities	\$ (7,221)	\$ (7,391)	\$ (342)	\$ (273)
Non-capital financing activities	8,564	7,987	530	343
Capital and related financing activities	(1,544)	707	0	(40)
Investing activities	60	47	48	(59)
Net increase (decrease) in cash	(141)	1,350	236	(29)
Cash, beginning of the year	1,759	409	1,113	1,142
Cash, end of the year	\$ 1,618	\$ 1,759	\$ 1,349	\$ 1,113

The College's liquidity cash position decreased during the year by \$141,808. The following information is provided to help the reader better understand the cash flows presented above.

Alpena Community College

State appropriations increased, gifts to the EPTC were up, payments to suppliers decreased while payments to employees increased. Capital asset purchases more than offset the increases primarily due to construction costs for the EPTC.

Alpena Community College Foundation

The Foundation's liquidity improved slightly from a higher collection of donations and lower long-term investments.

Capital Assets and Debt Administration

Capital Assets

The College was awarded a 50% match for the construction of the EPTC. The ACC Foundation fund raising, a sizable gift a number of years ago and other fund raising activities is allowing the College to move forward in constructing the EPTC. In other capital expenditures, the College has kept a close eye on the economic conditions of the state and nation. With the continued economic downturn and future appropriation levels in question, the College has turned to purchasing only the capital assets that are immediately needed for replacements or have major funding opportunities available, such as Perkins Grants and Technology Fund computer rotations.

ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

Capital Assets, Net, at Year-End

2013-2014
(in thousands)

	College		Foundation		Totals	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	\$ 340	\$ 340	\$ 40	\$ 40	\$ 380	\$ 380
Land improvements	1,156	1,156	0	0	1,156	1,156
Buildings	25,856	25,838	0	0	25,856	25,838
Construction in progress	785	0	0	0	785	0
Furniture, fixtures and equipment	4,391	3,999	0	0	4,391	3,999
Vehicles	332	354			332	354
Books	1,500	1,489	0	0	1,500	1,489
Totals	34,360	33,176	40	40	34,400	33,216
Depreciation	19,051	18,372	0	0	19,051	18,372
Net	\$ 15,309	\$ 14,804	\$ 40	\$ 40	\$ 15,349	\$ 14,844

Debt

At year-end, the College maintains a low debt profile. While the College has \$15.9 million in total net position (see page 3), there is only \$1.89 million of long-term debt. \$.87 million is set aside 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 modestly over the past five years. The College's state appropriations were up 6.1% for FY 2014 over FY 2013. This included a 4.7% increase for the State retirement system. Whether that funding will continue cannot be absolutely assured. The College's state appropriation for FY 2015 increased by 2.9%. There is little growth anticipated over the next two years that would fuel additional increased local tax support and some reductions due to the slow housing market. The College experienced a 6.5% decline in Fall enrollment in FY 2015 because employment in the region and the state is rebounding (community college enrollments tend to decline as unemployment decreases), the population that supports the College's enrollment is aging, federal and state tuition assistance programs (i.e. No Worker Left Behind and CBJT grants) have dried up, and the feeder high school enrollments are down. All three union bargaining contracts expired in 2014 with agreements that will help in managing the shrinking enrollments. State mandated healthcare premium caps began with the new contracts. Significant savings are budgeted. The College is looking at several areas including:

- Expand niche programs, such as Nursing, Concrete Technology, Utility Technology, and Marine Technology.
- Offering severance to faculty to right size the full-time faculty number.

ALPENA COMMUNITY COLLEGE

Management Discussion and Analysis

- 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 by encouraging expansion in our niche programs and improving partnerships with businesses, area high schools and communities.
- Closely look at the College's financial reserves and determine how best to manage them.

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

Future GASB Pronouncements Requirements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June of 2012, requires ACC to recognize its unfunded pension benefit obligation. It is unknown at this time the full effect on ACC's financial report, but it will be significant. The State's retirement system will provide the apportioned amount of the overall obligation to the College and we will then report it. The reporting requirement will begin with the financial statements for the year ending June 30, 2015.

Contacting Alpena Community College Management

This financial report is designed to provide the 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 this 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	
	June 30		June 30	
	2014	2013	2014	2013
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,617,976	\$ 1,759,784	\$ 1,349,070	\$ 1,113,212
State appropriations receivable	1,016,374	1,076,133	-	-
Accounts receivable	2,300,878	2,432,260	-	-
Contributions receivable	-	-	119,870	99,301
Federal and state grants receivable	7,644	142,183	-	-
Student loans receivable	137	137	-	-
Inventories	778,236	681,925	-	-
Insurance funds on deposit	443,682	412,449	-	-
Total Current Assets	<u>6,164,927</u>	<u>6,504,871</u>	<u>1,468,940</u>	<u>1,212,513</u>
Restricted investments	-	-	4,578,871	3,866,031
Split interest investments	-	-	680,154	608,619
Other investments	25,906	26,006	-	-
Property and equipment	<u>15,309,496</u>	<u>14,804,306</u>	<u>40,000</u>	<u>40,000</u>
TOTAL ASSETS	<u>\$ 21,500,329</u>	<u>\$ 21,335,183</u>	<u>\$ 6,767,965</u>	<u>\$ 5,727,163</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	\$ 195,000	\$ 285,000	\$ -	\$ -
Accounts payable	506,304	320,328	5,046	5,059
Accrued interest payable	10,515	13,549	-	-
Accrued payroll and related liabilities	915,569	763,753	-	-
Deposits	7,736	11,896	-	-
Unearned student tuition and fees	2,104,645	2,190,098	-	-
Total Current Liabilities	<u>3,739,769</u>	<u>3,584,624</u>	<u>5,046</u>	<u>5,059</u>
Long-term debt obligations	1,690,000	1,885,000	-	-
Accrued compensated balances	160,231	164,340	-	-
Total Liabilities	<u>5,590,000</u>	<u>5,633,964</u>	<u>5,046</u>	<u>5,059</u>
Net Position				
Invested in capital assets, net of related debt	14,517,135	14,143,540	-	-
Restricted for:				
Expendable scholarships and grants	25,340	71,970	3,773,876	3,413,390
Permanently restricted	-	-	585,396	410,391
Student loans	4,242	4,240	-	-
Debt Service	-	3,686	-	-
Unrestricted				
Unallocated	1,363,612	1,477,783	2,403,647	1,898,323
Total Net Position	<u>15,910,329</u>	<u>15,701,219</u>	<u>6,762,919</u>	<u>5,722,104</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 21,500,329</u>	<u>\$ 21,335,183</u>	<u>\$ 6,767,965</u>	<u>\$ 5,727,163</u>

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Statement of Revenue, Expenses and Changes in Net Position

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2014	2013	2014	2013
REVENUE				
Operating Revenue				
Tuition and fees (net of scholarship allowance of \$3,142,474 and \$3,576,732)	\$ 3,519,322	\$ 3,612,064	\$ -	\$ -
Federal grants and contracts	5,692,448	5,978,096	-	-
State grants and contracts	292,809	187,410	-	-
Local grants and fees	69,665	41,502	-	-
Auxiliary activities	1,146,874	1,310,635	-	-
Miscellaneous	14,177	16,899	18,871	23,200
Total Operating revenue	10,735,295	11,146,606	18,871	23,200
EXPENSES				
Operating expenses				
Instruction	8,071,723	8,088,900	-	-
Technology	242,437	121,625	-	-
Public services	1,045,786	1,116,624	-	-
Instructional support	1,237,448	1,206,001	-	-
Student services	3,909,382	4,239,007	234,814	188,097
Institutional administration	2,294,490	2,204,931	125,914	111,687
Operation and maintenance of plant	1,541,235	1,644,351	-	-
Depreciation	710,956	713,285	-	-
Total operating expenses	19,053,457	19,334,724	360,728	299,784
Operating income (loss)	(8,318,162)	(8,188,118)	(341,857)	(276,584)
NONOPERATING REVENUE (EXPENSES)				
State appropriations	5,635,889	5,310,853	-	-
Property tax	2,550,812	2,584,078	-	-
Investment income	59,705	47,286	832,066	569,399
Student loan interest	2	1	-	-
Interest on capital asset - related debt	(36,824)	(45,804)	-	-
Gifts and permanent endowments	317,412	261,949	550,606	424,027
Gain (loss) on sale of capital assets	276	2,249	-	-
Net Nonoperating Revenue (Expense)	8,527,272	8,160,612	1,382,672	993,426
Increase (Decrease) in Net Position	209,110	(27,506)	1,040,815	716,842
NET POSITION - beginning of year	15,701,219	15,728,725	5,722,104	5,005,262
NET POSITION - end of year	<u>\$ 15,910,329</u>	<u>\$ 15,701,219</u>	<u>\$ 6,762,919</u>	<u>\$ 5,722,104</u>

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Statement of Cash Flows

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 3,565,113	\$ 3,703,153	\$ -	\$ -
Grants and contracts	6,189,461	6,101,600	-	-
Payments to suppliers	(4,298,826)	(4,919,426)	(290,197)	(225,102)
Payments to employees	(13,837,586)	(13,604,035)	(70,544)	(71,038)
Collection of loans from students	137	-	-	-
Auxiliary enterprise charges	1,146,873	1,310,635	-	-
Other	14,177	16,898	18,871	23,200
Net cash provided (used) for operating activities	<u>(7,220,651)</u>	<u>(7,391,175)</u>	<u>(341,870)</u>	<u>(272,940)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	5,695,649	5,140,957	-	-
Property tax levy	2,550,812	2,584,078	-	-
Gifts	317,412	261,949	530,037	342,778
Permanent endowments	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>8,563,873</u>	<u>7,986,984</u>	<u>530,037</u>	<u>342,778</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Non-cash contributions	(1,216,146)	(316,690)	-	(40,000)
Proceeds from sale of assets	276	2,249	-	-
Proceeds from issuance of debt	-	2,075,000	-	-
Principal paid on capital debt	(285,000)	(985,000)	-	-
Interest paid on capital debt	(39,858)	(46,362)	-	-
Prepaid closing costs	100	(26,006)	-	-
Change in compensated absences liability	(4,109)	4,192	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,544,737)</u>	<u>707,383</u>	<u>-</u>	<u>(40,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(4,219,565)	(4,645,482)
Proceeds from sales and maturities of investment	-	-	4,146,184	4,490,205
Investment income (loss)	59,705	47,286	121,072	96,174
Student loan interest	2	1	-	-
Net cash provided (used) by investing activities	<u>59,707</u>	<u>47,287</u>	<u>47,691</u>	<u>(59,103)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(141,808)</u>	<u>1,350,479</u>	<u>235,858</u>	<u>(29,265)</u>
CASH AND CASH EQUIVALENTS - beginning of the year	<u>1,759,784</u>	<u>409,305</u>	<u>1,113,212</u>	<u>1,142,477</u>
CASH AND CASH EQUIVALENTS - end of the year	<u>\$ 1,617,976</u>	<u>\$ 1,759,784</u>	<u>\$ 1,349,070</u>	<u>\$ 1,113,212</u>

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

	Alpena Community College		A.C.C. Foundation	
	Year Ended June 30		Year Ended June 30	
	2014	2013	2014	2013
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	<u>\$ 1,617,976</u>	<u>\$ 1,759,784</u>	<u>\$ 1,349,070</u>	<u>\$ 1,113,212</u>
RECONCILIATION OF NET OPERATING EXPENSES TO CASH USED FOR OPERATING ACTIVITIES:				
Operating Income (loss)	\$ (8,318,162)	\$ (8,188,118)	\$ (341,857)	\$ (276,584)
Adjustment to reconcile operating loss to net cash used for operating activities:				
Depreciation	710,956	713,285	-	-
(Increase) decrease in net assets:				
Accounts receivable	131,245	162,349	-	-
Federal and state grants receivable	134,539	(105,407)	-	-
Student loans receivable	137	-	-	-
Inventories	(96,311)	25,190	-	-
Insurance funds on deposit	(31,233)	(41,664)	-	-
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	185,976	(109,638)	(13)	3,546
Accrued payrolls and related liabilities	151,816	220,779	-	-
Deposits	(4,160)	3,310	-	-
Unearned student tuition and fees	(85,454)	(71,261)	-	-
	<u>\$ (7,220,651)</u>	<u>\$ (7,391,175)</u>	<u>\$ (341,870)</u>	<u>\$ (273,038)</u>

The accompanying notes are an integral part of this statement.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES.

Reporting Entity. Alpena Community College (the "College") is a Michigan community college whose financial statements have been prepared in conformity with accounting principles general 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 the 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 Colleges 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.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

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 \$465,202 and \$354,738 as of June 30, 2014 and 2013, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience.

Student Loans Receivable. Student loans receivables are recorded net of allowance of uncollectible accounts of approximately \$26,243 at June 30, 2014 and 2013.

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

Property and Equipment. Property and equipment are recorded at cost, or, if acquired by gift, at the fair market value as of the date of acquisition. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. No depreciation is recorded on land. Expenditures for major renewals and betterment that extend the useful lives of the assets are capitalized.

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

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

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

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

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

Unearned Student Tuition and Fees. Student tuition and fees are recorded as a receivable at registration. Revenues received prior to year end that relate to future fiscal periods are recorded as unearned student tuition and fees. Unearned student tuition and fees of \$2,104,645 and \$2,190,098 for future semesters existed at June 30, 2014 and 2013, respectively.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

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 represents 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,	
	2014	2013
Designated for unreported insurance claims	\$ 443,682	\$ 412,449
Unrestricted and unallocated	919,930	1,065,334
	<u>\$ 1,363,612</u>	<u>\$ 1,477,783</u>
Total unrestricted net position	<u>\$ 1,363,612</u>	<u>\$ 1,477,783</u>

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.

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

Reclassification. Certain items reported in the June 30, 2013, 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, 2014 and 2013. 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.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

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

The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2014:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	\$ 1,617,976	\$ 1,349,070
Restricted investments	<u>-</u>	<u>4,578,871</u>
Total deposits and investments	<u>\$ 1,617,976</u>	<u>\$ 5,927,941</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2014:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 1,613,776	\$ 1,349,070
Investments in securities and similar vehicles	-	4,578,871
Petty cash and cash on hand	<u>4,200</u>	<u>-</u>
Total deposits and investments	<u>\$ 1,617,976</u>	<u>\$ 5,927,941</u>

The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2013:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	\$ 1,759,784	\$ 1,113,782
Restricted investments	<u>-</u>	<u>3,866,031</u>
Total deposits and investments	<u>\$ 1,759,784</u>	<u>\$ 4,979,243</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2013:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 1,756,184	\$ 1,113,212
Investments in securities and similar vehicles	-	3,866,031
Petty cash and cash on hand	<u>3,600</u>	<u>-</u>
Total deposits and investments	<u>\$ 1,759,784</u>	<u>\$ 4,979,243</u>

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

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 \$1,664,832 at June 30, 2014, and \$2,018,757 at June 30, 2013. Of the bank balance, \$714,381 at June 30, 2014, and \$1,183,762 at June 30, 2013, 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, 2014 and 2013 are as follows:

<u>Description</u>	<u>Market Value</u>
Investments – June 30, 2014	\$4,578,871
Investments – June 30, 2013	\$3,866,031

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 3. PROPERTY AND EQUIPMENT.

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2014 as follows:

	Balances June 30, 2013	Additions	Retirements	Balances June 30, 2014	Estimated Useful Life
Capital Assets					
Land	\$ 339,600	\$ -	\$ -	\$ 339,600	
Land Improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	25,837,519	18,850	-	25,856,369	40
Construction in progress	-	785,324	-	785,324	40
Furniture, fixtures, equipment	3,999,430	390,909	-	4,390,339	3-7
Vehicles	353,899	10,000	32,200	331,699	4
Books	1,489,112	11,063	-	1,500,175	10
	<u>33,175,964</u>	<u>1,216,146</u>	<u>32,200</u>	<u>34,359,910</u>	
Less accumulated depreciation					
Land Improvements	\$ 1,145,234	\$ 5,746	\$ -	\$ 1,150,980	15
Buildings and improvements	11,900,244	551,457	-	12,451,701	40
Furniture, fixtures, equipment	3,678,649	94,057	-	3,772,706	3-7
Vehicles	328,470	11,551	32,200	307,821	4
Books	1,319,061	48,145	-	1,367,206	10
	<u>18,371,658</u>	<u>710,956</u>	<u>32,200</u>	<u>19,050,414</u>	
	<u>\$14,804,306</u>	<u>\$ 505,190</u>	<u>\$ -</u>	<u>\$15,309,496</u>	

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2013 as follows:

	Balances June 30, 2012	Additions	Retirements	Balances June 30, 2013	Estimated Useful Life
Capital Assets					
Land	\$ 339,600	\$ -	\$ -	\$ 339,600	
Land Improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	25,629,461	208,058	-	25,837,519	40
Furniture, fixtures, equipment	3,964,220	96,401	61,191	3,999,430	3-7
Vehicles	345,399	8,500	-	353,899	4
Books	1,485,381	3,731	-	1,489,112	10
	<u>32,920,465</u>	<u>316,690</u>	<u>61,191</u>	<u>35,175,964</u>	
Less accumulated depreciation					
Land Improvements	\$ 1,135,507	\$ 9,727	\$ -	\$ 1,145,234	15
Buildings and improvements	11,368,712	531,532	-	11,900,244	40
Furniture, fixtures, equipment	3,633,054	106,786	61,191	3,678,649	3-7
Vehicles	311,002	17,468	-	328,470	4
Books	1,271,289	47,772	-	1,319,061	10
	<u>17,719,564</u>	<u>713,285</u>	<u>61,191</u>	<u>18,371,658</u>	
	<u>\$15,200,901</u>	<u>\$(396,595)</u>	<u>\$ -</u>	<u>\$14,804,306</u>	

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 4. PENSION PLAN.

Plan Description and Funding Policy.

Defined Benefit Plan. The College participates in the Michigan Public School Employees' Retirement System ("MPSERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Michigan, Department of Management & Budget and Office of Retirement Services ("ORS"). MPSERS provides retirement, disability, death and post-employment health benefits to plan members and beneficiaries. Benefits are safeguarded by Article IX, Section 24 of the Michigan Constitution. Public Act 300 of 1980, as amended, assigns authority to establish and amend benefit provision to the State Legislature. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517) 322-5103 or on the State of Michigan's website at www.Michigan.gov.

Member contribution rates vary based on date of hire and certain voluntary elections. Member investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3.0% of the first \$5,000; 3.6% of \$5,001 through 15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 reenrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50% by the employer, up to a maximum of 1.0%. Basic 4% and MIP 7% members contribute 4% and 7% of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under MIP plan in which the employee initially enrolled.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2014 as a percentage of payroll ranged from 20.96% to 26.96%. For the year ended June 30, 2013 the rates as a percentage of payroll ranged from 20.96% to 25.39%.

Hybrid Plan – Defined Contribution Plan. Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For services performed after this date, the converted plan member received 4% employer contributions to a personal 401 (k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50% at 2 years of service, 75% at 3 years of service and 100% at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above. The College's contributions to MPSERS under all plans for the years ended June 30, 2014, 2013 and 2012 were \$2,193,531, \$2,015,904, and \$1,822,147, respectively.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 4. PENSION PLAN. (continued)

Other Postemployment Benefits. Retirees enrolled in MPSERS before September 4, 2012 have the option in participating in the Premium Subsidy plan, a defined benefit postemployment health plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The College's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

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, 2014. 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.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 7. LONG-TERM DEBT OBLIGATION.

Long-term Debt obligations of the College consist of the following as of June 30, 2014:

	Balances June 30, 2013	Additions	(Deductions)	Balances June 30, 2014	Current Maturities
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest 0.65% - 2.35%	\$ 2,075,000	\$ -	\$ (190,000)	\$ 1,885,000	\$ 195,000
Installment Loan Dated: 12-01-2004 Matures: 05-01-2014 Interest 2.5% - 4.0%	95,000	-	(95,000)	-	-
Other long-term obligations Compensated absences	164,340	-	(4,109)	160,231	-
Total	\$ 2,334,340	\$ -	\$ (289,109)	\$ 2,045,231	\$ 195,000

Long-term Debt obligations of the College consist of the following as of June 30, 2013:

	Balances June 30, 2012	Additions	(Deductions)	Balances June 30, 2013	Current Maturities
2002 College Facility And Refunding Bonds Dated: 09-01-2002 Matures: 03-01-2022 Interest 2.7% - 4.75%	\$ 895,000	\$ -	\$ (895,000)	\$ -	\$ -
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest 0.65% - 2.35%	-	2,075,000	-	2,075,000	190,000
Installment Loan Dated: 12-01-2004 Matures: 05-01-2014 Interest 2.5% - 4.0%	185,000	-	(90,000)	95,000	95,000
Other long-term obligations Compensated absences	160,148	4,192	-	164,340	-
Total	\$ 1,240,148	\$ 2,079,192	\$ (985,000)	\$ 2,334,340	\$ 285,000

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

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

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2014 are as follows:

<u>For the year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2015	\$ 195,000	\$ 31,805	\$ 226,805
2016	200,000	30,148	230,148
2017	205,000	28,047	233,047
2018	210,000	25,485	235,485
2019	215,000	22,230	237,230
2020-2023	<u>860,000</u>	<u>47,313</u>	<u>907,313</u>
	<u>\$1,885,000</u>	<u>\$ 185,028</u>	<u>\$ 2,070,028</u>

NOTE 8. PROPERTY TAXES.

The assessed values of real and personal property situated in the College District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50 percent of current market value. The property tax is levied on July 1 and becomes delinquent after July 31 for City of Alpena residents (representing approximately 23.1% 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 2013-2014 school years in Alpena Community College was established at \$1,018,657,941 and \$1,026,508,265 for the 2012-2013 school year. The College's total tax rate was established at 2.500 mills (1.4615 charter mills and 1.0385 additional mills voted for general operations).

NOTE 9. CLAIMS AND CONTINGENCIES.

In the ordinary course of business the College is exposed to various claims and legal actions, which may be partially or fully covered by insurance. In the opinion of the College's management, the ultimate loss, if any, resulting from any claims and legal actions will not be material to the financial position of the College. The College participates in a number of federal 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.

ALPENA COMMUNITY COLLEGE

Notes to Financial Statements

NOTE 10. RELATED PARTY TRANSACTIONS.

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

NOTE 11. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 3, 2014, the date on which the financial statements were available to be issued.

NOTE 12. UPCOMING PRONOUNCEMENTS.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governmental units providing defined benefit pensions, such as College's participation in MPSERS plan, 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 statements when adopted. Under GASB No. 68, the College's pension liability will be computed on a different basis than the current actuarial accrued liability, and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

SUPPLEMENTAL INFORMATION

ALPENA COMMUNITY COLLEGE
Combining Statement of Net Position

June 30, 2014

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 143,478	\$ -	\$ 1,900	\$ 579
State appropriations receivable	1,016,374	-	-	-
Accounts receivable	2,223,575	15	17,045	-
Contributions receivable	-	-	-	-
Federal and state grants receivable	-	-	-	7,644
Student loans receivable	-	-	-	-
Inventories	2,039	-	776,197	-
Insurance funds on deposit	443,682	-	-	-
Due from (to) other funds	688,599	19,633	(676,449)	82,723
Total Current Assets	<u>4,517,747</u>	<u>19,648</u>	<u>118,693</u>	<u>90,946</u>
Restricted investments	-	-	-	-
Split interest investments	-	-	-	-
Prepaid costs	-	-	-	-
Property and equipment	-	-	-	-
TOTAL ASSETS	<u>\$ 4,517,747</u>	<u>\$ 19,648</u>	<u>\$ 118,693</u>	<u>\$ 90,946</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -
Accounts payable	506,304	-	-	-
Accrued interest payable	-	-	-	-
Accrued payroll and related liabilities	675,462	8,137	6,001	47,732
Deposits	-	-	-	-
Unearned student tuition and fees	2,104,262	-	-	-
Total Current Liabilities	<u>3,286,028</u>	<u>8,137</u>	<u>6,001</u>	<u>47,732</u>
Long-term debt obligations	-	-	-	-
Accrued compensated balances	121,348	11,071	6,000	21,812
Total Liabilities	<u>3,407,376</u>	<u>19,208</u>	<u>12,001</u>	<u>69,544</u>
Net Position				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for:				
Expendable scholarships and grants	-	-	-	21,402
Permanently restricted	-	-	-	-
Student loans	-	-	-	-
Unrestricted				
Unallocated	1,110,371	440	106,692	-
Total Net Position	<u>1,110,371</u>	<u>440</u>	<u>106,692</u>	<u>21,402</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,517,747</u>	<u>\$ 19,648</u>	<u>\$ 118,693</u>	<u>\$ 90,946</u>

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Fund	A.C.C. Foundation Fund
\$ 4,105	\$ -	\$ 1,467,914	\$ -	\$ -	\$ 1,617,976	\$ 1,349,070
-	-	-	-	-	1,016,374	-
60,243	-	-	-	-	2,300,878	-
-	-	-	-	-	-	119,870
-	-	-	-	-	7,644	-
137	-	-	-	-	137	-
-	-	-	-	-	778,236	-
-	-	-	-	-	443,682	-
(59,860)	3,938	(244,557)	185,973	-	-	-
<u>4,625</u>	<u>3,938</u>	<u>1,223,357</u>	<u>185,973</u>	-	<u>6,164,927</u>	<u>1,468,940</u>
-	-	-	-	-	-	4,578,871
-	-	-	-	-	-	680,154
-	-	25,906	-	-	25,906	-
-	-	<u>15,309,496</u>	-	-	<u>15,309,496</u>	<u>40,000</u>
<u>\$ 4,625</u>	<u>\$ 3,938</u>	<u>\$ 16,558,759</u>	<u>\$ 185,973</u>	<u>\$ -</u>	<u>\$ 21,500,329</u>	<u>\$ 6,767,965</u>
\$ -	\$ -	\$ 195,000	\$ -	\$ -	\$ 195,000	\$ -
-	-	-	-	-	506,304	5,046
-	-	10,515	-	-	10,515	-
-	-	-	178,237	-	915,569	-
-	-	-	7,736	-	7,736	-
383	-	-	-	-	2,104,645	-
<u>383</u>	-	<u>205,515</u>	<u>185,973</u>	-	<u>3,739,769</u>	<u>5,046</u>
-	-	1,690,000	-	-	1,690,000	-
-	-	-	-	-	160,231	-
<u>383</u>	-	<u>1,895,515</u>	<u>185,973</u>	-	<u>5,590,000</u>	<u>5,046</u>
-	-	14,517,135	-	-	14,517,135	-
-	3,938	-	-	-	25,340	3,773,876
-	-	-	-	-	-	585,396
4,242	-	-	-	-	4,242	-
-	-	146,109	-	-	1,363,612	2,403,647
<u>4,242</u>	<u>3,938</u>	<u>14,663,244</u>	-	-	<u>15,910,329</u>	<u>6,762,919</u>
<u>\$ 4,625</u>	<u>\$ 3,938</u>	<u>\$ 16,558,759</u>	<u>\$ 185,973</u>	<u>\$ -</u>	<u>\$ 21,500,329</u>	<u>\$ 6,767,965</u>

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenditures and Changes in Net Position

For the Year Ended June 30, 2014

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
REVENUE				
Operating Revenue				
Tuition/Fees	\$ 5,964,901	\$ 456,559	\$ -	\$ -
Federal grants and contracts	13,579	-	-	5,678,869
State grants and contracts	-	-	-	201,728
Local grants and fees	-	-	-	69,665
Auxiliary activities	-	60,340	1,086,534	-
Indirect cost recovery	151,778	-	-	(151,778)
Current funds expenditures for equipment and capital improvements	-	-	-	-
Miscellaneous	12,760	1,417	-	-
Total Operating revenue	<u>6,143,018</u>	<u>518,316</u>	<u>1,086,534</u>	<u>5,798,484</u>
EXPENSES				
Operating Expenses				
Instruction	8,020,474	51,159	90	-
Technology	-	209,357	33,080	-
Public services	-	70,081	69,244	1,180,300
Instructional support	1,160,000	34,209	-	43,239
Student services	1,109,251	285,970	896,986	4,611,032
Institutional administration	2,281,739	12,751	-	-
Operation and maintenance of plant	1,688,214	7,069	12,024	-
Depreciation	-	-	-	-
Total Operating expenses	<u>14,259,678</u>	<u>670,596</u>	<u>1,011,424</u>	<u>5,834,571</u>
Operating income (loss)	<u>(8,116,660)</u>	<u>(152,280)</u>	<u>75,110</u>	<u>(36,087)</u>
NONOPERATING REVENUE (EXPENSES)				
State appropriations	5,635,889	-	-	-
Property tax	2,550,812	-	-	-
Investment income	57,727	-	-	-
Student loan interest	-	-	-	-
Interest on capital asset - related debt	-	-	-	-
Gifts and permanent endowments	71,544	10,134	-	20,429
Gain (loss) on sale of capital assets	-	-	-	-
Net Nonoperating revenue (expense)	<u>8,315,972</u>	<u>10,134</u>	<u>-</u>	<u>20,429</u>
Increase (Decrease) in Net Position	199,312	(142,146)	75,110	(15,658)
Transfers In (Out)	(194,242)	128,790	(53,999)	(164)
Net Increase (Decrease) in Net Position	5,070	(13,356)	21,111	(15,822)
NET POSITION - beginning of year	<u>1,105,301</u>	<u>13,796</u>	<u>85,581</u>	<u>37,224</u>
NET POSITION - end of year	<u>\$ 1,110,371</u>	<u>\$ 440</u>	<u>\$ 106,692</u>	<u>\$ 21,402</u>

Student Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 240,336	\$ -	\$ (3,142,474)	\$ 3,519,322	\$ -
-	-	-	-	-	5,692,448	-
-	91,081	-	-	-	292,809	-
-	-	-	-	-	69,665	-
-	-	-	-	-	1,146,874	-
-	-	-	-	-	-	-
-	-	1,216,146	-	(1,216,146)	-	-
-	-	-	-	-	14,177	18,871
-	91,081	1,456,482	-	(4,358,620)	10,735,295	18,871
-	-	-	-	-	8,071,723	-
-	-	-	-	-	242,437	-
-	-	-	-	(273,839)	1,045,786	-
-	-	-	-	-	1,237,448	-
-	148,617	-	-	(3,142,474)	3,909,382	234,814
-	-	-	-	-	2,294,490	125,914
-	-	776,235	-	(942,307)	1,541,235	-
-	-	710,956	-	-	710,956	-
-	148,617	1,487,191	-	(4,358,620)	19,053,457	360,728
-	(57,536)	(30,709)	-	-	(8,318,162)	(341,857)
-	-	-	-	-	5,635,889	-
-	-	-	-	-	2,550,812	-
-	-	1,978	-	-	59,705	832,066
2	-	-	-	-	2	-
-	-	(36,824)	-	-	(36,824)	-
-	-	215,305	-	-	317,412	550,606
-	-	276	-	-	276	-
2	-	180,735	-	-	8,527,272	1,382,672
2	(57,536)	150,026	-	-	209,110	1,040,815
-	26,728	92,887	-	-	-	-
2	(30,808)	242,913	-	-	209,110	1,040,815
4,240	34,746	14,420,331	-	-	15,701,219	5,722,104
\$ 4,242	\$ 3,938	\$ 14,663,244	\$ -	\$ -	\$ 15,910,329	\$ 6,762,919

ALPENA COMMUNITY COLLEGE
Combining Statement of Net Position

June 30, 2013

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 57,259	\$ -	\$ 1,400	\$ 578
State appropriations receivable	1,076,133	-	-	-
Accounts receivable	2,365,200	-	47,557	-
Contributions receivable	-	-	-	-
Federal and state grants receivable	-	-	-	142,183
Student loans receivable	-	-	-	-
Inventories	-	-	681,925	-
Insurance funds on deposit	412,449	-	-	-
Due from (to) other funds	475,591	33,155	(635,286)	(27,402)
Total Current Assets	<u>4,386,632</u>	<u>33,155</u>	<u>95,596</u>	<u>115,359</u>
Restricted investments	-	-	-	-
Split interest investments	-	-	-	-
Prepaid costs	-	-	-	-
Property and equipment	-	-	-	-
TOTAL ASSETS	<u><u>\$ 4,386,632</u></u>	<u><u>\$ 33,155</u></u>	<u><u>\$ 95,596</u></u>	<u><u>\$ 115,359</u></u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -
Accounts payable	315,197	-	-	5,131
Accrued interest payable	-	-	-	-
Accrued payroll and related liabilities	650,739	7,590	5,503	50,242
Deposits	-	-	-	-
Unearned student tuition and fees	2,190,098	-	-	-
Total Current Liabilities	<u>3,156,034</u>	<u>7,590</u>	<u>5,503</u>	<u>55,373</u>
Long-term debt obligations	-	-	-	-
Accrued compensated balances	125,297	11,769	4,512	22,762
Total Liabilities	<u>3,281,331</u>	<u>19,359</u>	<u>10,015</u>	<u>78,135</u>
Net Position				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for:				
Expendable scholarships and grants	-	-	-	37,224
Permanently restricted	-	-	-	-
Student loans	-	-	-	-
Debt Service	-	-	-	-
Unrestricted				
Unallocated	1,105,301	13,796	85,581	-
Total Net Position	<u>1,105,301</u>	<u>13,796</u>	<u>85,581</u>	<u>37,224</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,386,632</u></u>	<u><u>\$ 33,155</u></u>	<u><u>\$ 95,596</u></u>	<u><u>\$ 115,359</u></u>

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ 4,103	\$ -	\$ 1,696,444	\$ -	\$ -	\$ 1,759,784	\$ 1,113,212
-	-	-	-	-	1,076,133	-
19,503	-	-	-	-	2,432,260	-
-	-	-	-	-	-	99,301
-	-	-	-	-	142,183	-
137	-	-	-	-	137	-
-	-	-	-	-	681,925	-
-	-	-	-	-	412,449	-
(19,503)	34,746	77,124	61,575	-	-	-
4,240	34,746	1,773,568	61,575	-	6,504,871	1,212,513
-	-	-	-	-	-	3,866,031
-	-	-	-	-	-	608,619
-	-	26,006	-	-	26,006	-
-	-	14,804,306	-	-	14,804,306	40,000
<u>\$ 4,240</u>	<u>\$ 34,746</u>	<u>\$ 16,603,880</u>	<u>\$ 61,575</u>	<u>\$ -</u>	<u>\$ 21,335,183</u>	<u>\$ 5,727,163</u>
\$ -	\$ -	\$ 285,000	\$ -	\$ -	\$ 285,000	\$ -
-	-	-	-	-	320,328	5,059
-	-	13,549	-	-	13,549	-
-	-	-	49,679	-	763,753	-
-	-	-	11,896	-	11,896	-
-	-	-	-	-	2,190,098	-
-	-	298,549	61,575	-	3,584,624	5,059
-	-	1,885,000	-	-	1,885,000	-
-	-	-	-	-	164,340	-
-	-	2,183,549	61,575	-	5,633,964	5,059
-	-	14,143,540	-	-	14,143,540	-
-	34,746	-	-	-	71,970	3,413,390
-	-	-	-	-	-	410,391
4,240	-	-	-	-	4,240	-
-	-	3,686	-	-	3,686	-
-	-	273,105	-	-	1,477,783	1,898,323
4,240	34,746	14,420,331	-	-	15,701,219	5,722,104
<u>\$ 4,240</u>	<u>\$ 34,746</u>	<u>\$ 16,603,880</u>	<u>\$ 61,575</u>	<u>\$ -</u>	<u>\$ 21,335,183</u>	<u>\$ 5,727,163</u>

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenditures and Changes in Net Position

For the Year Ended June 30, 2013

	General Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund
REVENUE				
Operating Revenue				
Tuition/Fees	\$ 6,362,918	\$ 551,074	\$ -	\$ -
Federal grants and contracts	14,766	-	-	5,963,330
State grants and contracts	-	-	1,500	161,063
Local grants and fees	-	-	-	41,502
Auxiliary activities	-	75,284	1,235,351	-
Indirect cost recovery	99,347	-	-	(99,347)
Current funds expenditures for equipment and capital improvements	-	-	-	-
Miscellaneous	14,870	2,029	-	-
Total Operating revenue	<u>6,491,901</u>	<u>628,387</u>	<u>1,236,851</u>	<u>6,066,548</u>
EXPENSES				
Operating Expenses				
Instruction	8,007,689	81,138	73	-
Technology	-	90,470	31,155	-
Public services	-	49,594	90,823	976,207
Instructional support	1,102,202	46,367	-	57,432
Student services	1,073,686	308,419	1,000,636	5,291,864
Institutional administration	2,187,788	17,143	-	-
Operation and maintenance of plant	1,601,802	4,039	22,280	-
Depreciation	-	-	-	-
Total Operating expenses	<u>13,973,167</u>	<u>597,170</u>	<u>1,144,967</u>	<u>6,325,503</u>
Operating income (loss)	<u>(7,481,266)</u>	<u>31,217</u>	<u>91,884</u>	<u>(258,955)</u>
NONOPERATING REVENUE (EXPENSES)				
State appropriations	5,310,853	-	-	-
Property tax	2,584,078	-	-	-
Investment income	45,630	-	-	-
Student loan interest	-	-	-	-
Interest on capital asset - related debt	-	-	-	-
Gifts and permanent endowments	71,038	6,411	4,545	29,395
Gain (loss) on sale of capital asset	-	-	-	-
Net Nonoperation revenue (expense)	<u>8,011,599</u>	<u>6,411</u>	<u>4,545</u>	<u>29,395</u>
Increase (Decrease) in Net Position	530,333	37,628	96,429	(229,560)
Transfers In (Out)	(427,851)	(30,150)	(88,361)	(2,951)
Change in net position	102,482	7,478	8,068	(232,511)
NET POSITION - beginning of year	1,002,819	6,318	77,513	269,735
NET POSITION - end of year	\$ 1,105,301	\$ 13,796	\$ 85,581	\$ 37,224

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 274,804	\$ -	\$ (3,576,732)	\$ 3,612,064	\$ -
-	-	-	-	-	5,978,096	-
-	24,847	-	-	-	187,410	-
-	-	-	-	-	41,502	-
-	-	-	-	-	1,310,635	-
-	-	-	-	-	-	-
-	-	316,690	-	(316,690)	-	-
-	-	-	-	-	16,899	23,200
-	24,847	591,494	-	(3,893,422)	11,146,606	23,200
-	-	-	-	-	8,088,900	-
-	-	-	-	-	121,625	-
-	-	-	-	-	1,116,624	-
-	-	-	-	-	1,206,001	-
5	140,451	-	678	(3,576,732)	4,239,007	188,097
-	-	-	-	-	2,204,931	111,687
-	-	332,920	-	(316,690)	1,644,351	-
-	-	713,285	-	-	713,285	-
5	140,451	1,046,205	678	(3,893,422)	19,334,724	299,784
(5)	(115,604)	(454,711)	(678)	-	(8,188,118)	(276,584)
-	-	-	-	-	5,310,853	-
-	-	-	-	-	2,584,078	-
-	-	1,656	-	-	47,286	569,399
1	-	-	-	-	1	-
-	-	(45,804)	-	-	(45,804)	-
-	78,867	71,693	-	-	261,949	424,027
-	-	2,249	-	-	2,249	-
1	78,867	29,794	-	-	8,160,612	993,426
(4)	(36,737)	(424,917)	(678)	-	(27,506)	716,842
-	26,502	522,133	678	-	-	-
(4)	(10,235)	97,216	-	-	(27,506)	716,842
4,244	44,981	14,323,115	-	-	15,728,725	5,005,262
\$ 4,240	\$ 34,746	\$ 14,420,331	\$ -	\$ -	\$ 15,701,219	\$ 5,722,104