ALPENA COMMUNITY COLLEGE

Audited Financial Statements
Years Ended June 30, 2018 and 2017

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 the business-type activities of Alpena Community College, Alpena, Michigan, (the "College") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Alpena Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Alpena Community College as of June 30, 2018 and 2017, and the results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 1 and 4, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year. Accordingly, beginning net position as of July 1, 2017 was restated. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules, and the schedules of pension and OPEB liabilities, 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 of 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 related 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 the auditing standards generally accepted in the United States of America. In our opinion, the other 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 11, 2018 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 11, 2018

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2018. 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 Statements No. 68 and No. 75 require that the College incorporate into its financial statements the net unfunded pension liability and other postemployment benefits (OPEB) for retirement funds managed by the State of Michigan. The reported unfunded Michigan Public Schools Employee Retirement System (MPSERS) pension liability for non-university employees is approximately \$25.91 billion and the reported unfunded OPEB liability is approximately \$8.86 billion. The College's allocated pension portion is \$21,890,919, or 0.08447444% of the total and the unfunded OPEB portion is \$7,520,290, or 0.08492253%. 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. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, requires the College to recognize its unfunded OPEB obligation. The State's retirement system provides the apportioned amount of the overall obligation to the College and we then report it. The GASB Statement No. 68 reporting requirement begins with the financial statements for the year ending June 30, 2015 and GASB Statement No. 75 for the year ending June 30, 2018. GASB Statements No. 68 and No.75 do 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 Statement No. 68 and GASB statement No. 75 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 MPSERS will be allocated a portion of the overall unfunded liability.
- This process deals with both the retirement component and the healthcare component of MPSERS.

What GASB Statement No. 68 and GASB Statement No. 75 means to the College are 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 and OPEB liability, deferred liability and the recording of expenses.
- Entries will be reviewed by the College's auditors, Straley Lamp & Kraenzlein, PC.
- A note to financial statements looks at all the implications of GASB Statement No. 68 and GASB Statement No. 75 as they relate 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 liabilities.
- No requirement for restating previous years of financials.
- Ten years of progress of pension funding and contributions will be included in the *Required Supplementary Information* starting with FY 2015 and FY 2018 for OPEB.
- The College cannot contribute directly to the State to reduce the liabilities.

- The liabilities of Alpena Community College exceeded its assets at June 30, 2018 by $7,548,916. The inclusion of the unfunded pension and OPEB liabilities created this deficit.

- Student credit hour enrollment for the year fell by 3.9% to 29,603.

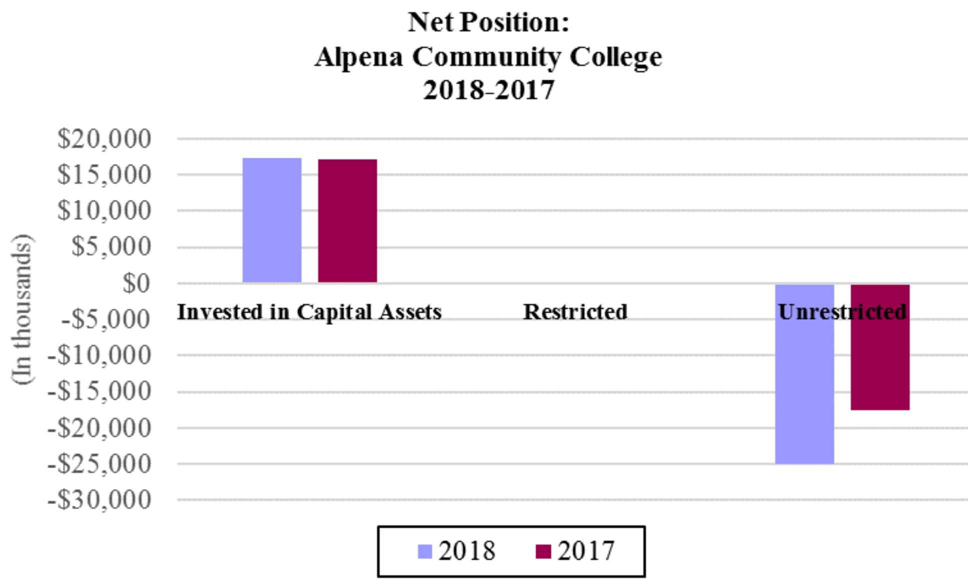
- Approximately 50.2% of credit hours are generated from in-district students.

- Changes in the unfunded pension and OPEB liabilities continue to be a challenge with additional expenses recorded of $780,532 and State UAAL pension appropriations allocated to Deferred Outflow of $868,920 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 $127,633 primarily due to 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, $578,009 was transferred to designated and property funds. In summary, the College's net position declined by $7,168,225.

- Operating revenues accounted for 51% of the total revenues of the College while non-operating revenues account for 49%.

- The College experienced an operating loss of $8,730,672 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. State appropriations of $5,813,726, local property tax of $2,587,075, and other non-operating revenues and expenses of $773,071, offsets all of the operating loss, leaving an increase of $443,200. The General Fund net position increased by $127,633 to $1,276,404.

- The College recorded $259,334 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 non-operating. Operating revenue is revenue brought in by a direct action of the College, such as tuition and fees and grants requiring specific outcomes. Non-operating revenue is revenue that comes to the College through legislation, millage, and funds not directly related to the operation of the College, such as investment income and gifts.

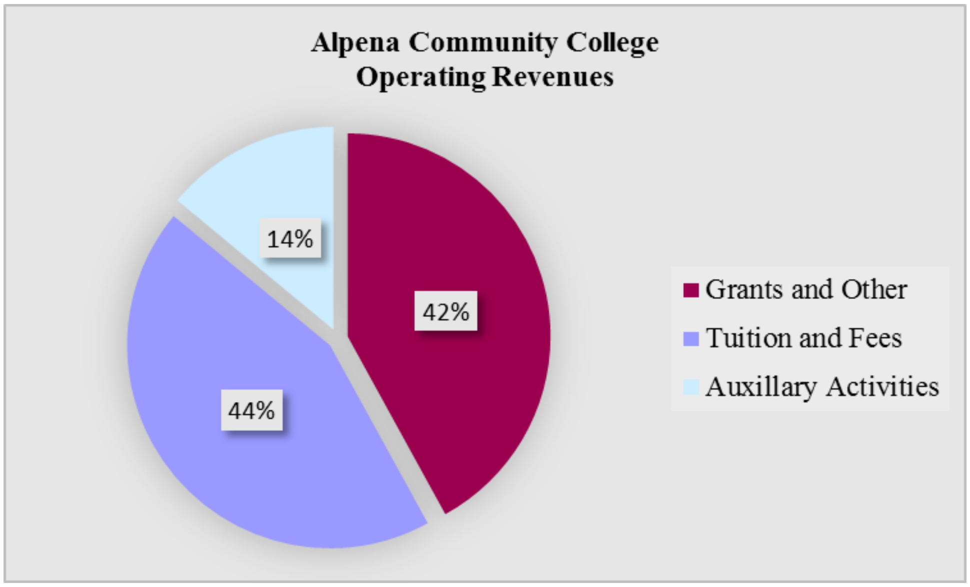
The College records all assets and liabilities on an accrual basis, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

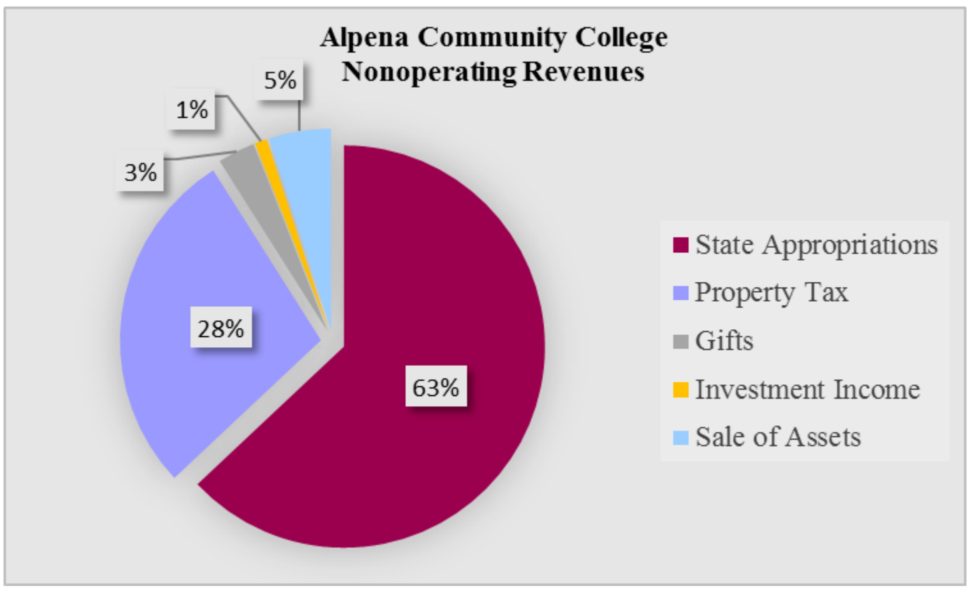
Net Position, End of Year
(in thousands)

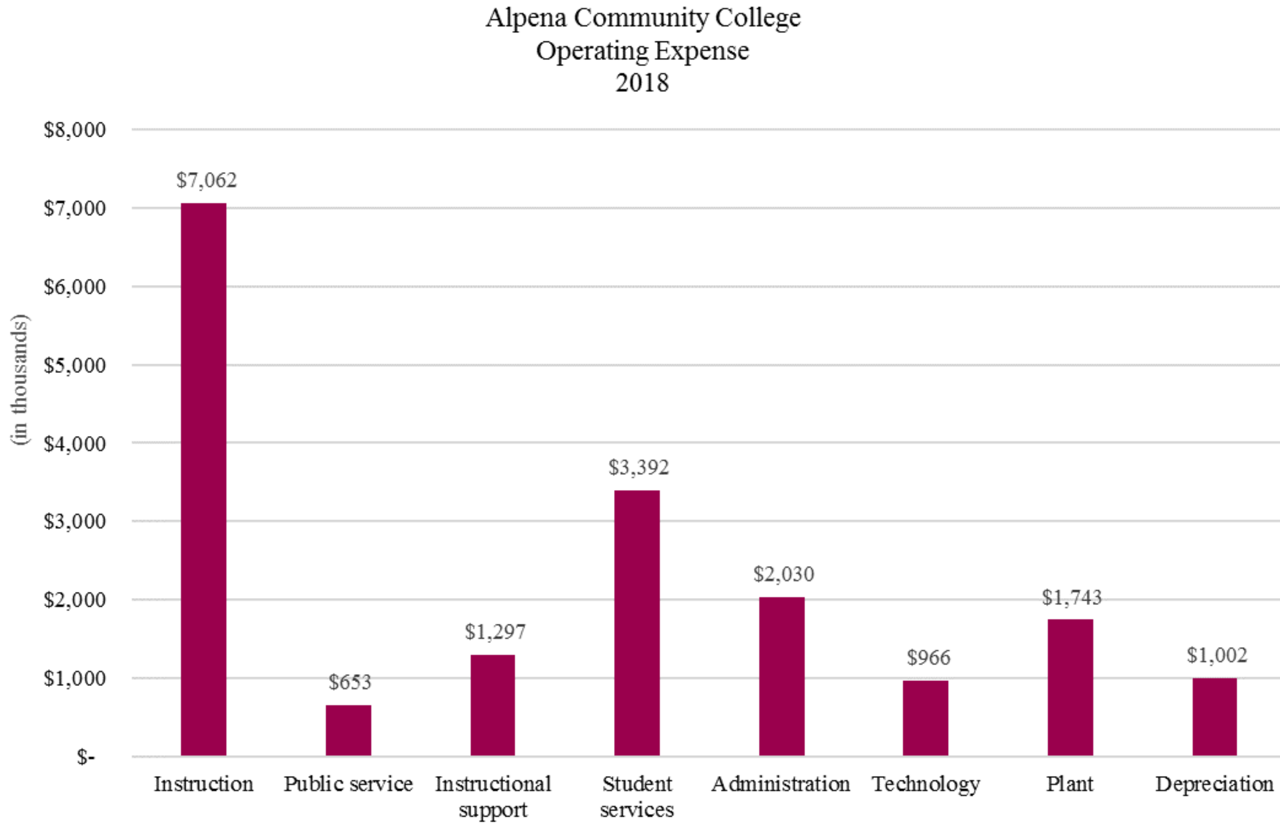
	Alpena Community College		A.C.C. Foundation	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Currents Assets	$ 8,355	$ 7,042	$ 1,608	$ 18
Noncurrent Assets	17,141	17,961	6,692	5,907
Total Assets	25,496	25,003	8,300	5,925
Deferred Outflows of Resources	5,096	3,178	-	-
Total Assets and Deferred Outflows	30,592	28,181	8,300	5,925
Current Liabilities	4,032	3,845	1	-
Unfunded Pension Liability	21,891	22,042	-	-
Unfunded OPEB Liability	7,520	-	-	-
Other Noncurrent Liabilities	1,666	1,891	-	-
Total Liabilities	35,109	27,778	1	-
Deferred Inflows of Resources	3,032	784	-	-
Net Position				
Invested in capital assets net net of related debts	17,357	17,152	-	-
Restricted	12	29	4,415	3,802
Unrestricted	(24,918)	(17,562)	3,884	2,123
Total Net Position	$ (7,549)	$ (381)	$ 8,299	$ 5,925

	Alpena Community College	A.C.C. Foundation
OPEB Reclassification	(7,611)	-
Increase (Decrease) Net Position	$ 443	$ 2,374

Operating and non-operating revenues and operating expenses for the fiscal year ended June 30, 2018:







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Operating Results for the Year
2018-2017
(in thousands)

	Alpena Community College		A.C.C. Foundation	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Operating Revenues				
Tuition and fees	$ 4,133	$ 4,079	$ -	$ -
Grants and contracts	3,938	4,256	-	-
Auxiliary activities	1,294	1,035	-	-
Other	49	34	21	22
Total Operating Revenues	9,414	9,404		
Operating Expenses	18,145	18,186	391	347
Net Operating Revenues (Expenses)	(8,731)	(8,782)	(370)	(325)
Non-operating Revenues				
State appropriations	5,814	5,999	-	-
Other non-operating revenues	3,360	2,790	2,743	1,043
Net Non-operating Revenues	9,174	8,789	2,743	1,043
Increase (Decrease) in Net Position	443	7	2,374	718
Net Position				
Net Position - beginning of year, as restated	(7,992)	(388)	5,925	5,207
Net Position - end of year	$ (7,549)	$ (381)	$ 8,299	$ 5,925

Operating Revenues

Operating revenue changes were the result of the following factors:

- Tuition and fees increased by $53,119, while Pell grant awards used for tuition and fees increased by $33,780, causing a net increase in operational tuition and fees of 1.3%.
- Federal grants and contracts decreased 3% due to a decline in TAACCCT grant funding.

Non-operating Revenues

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

- Overall State appropriations decreased by 3.1%. State appropriations for general funds and personal property tax appropriations increased about 1%, while the state's pension system allocations were moved to Deferred Inflows.
- Property tax revenue was higher by 1.6% than last year as taxable valuations increased.
- Investment income showed a slight increase due to market values over performing from last year with funds on deposit associated with the college's risk management association.
- Gift and endowments increased somewhat from last year with the increase of contributions from the ACC Foundation.

Operating Expenses

Operating expense changes were the result of the following factors:

- Adjustments in unfunded liability income and expenses and allocated technology influenced all areas of the College.
- The reclassification of general fund technology that had been allocated to other operating expense categories to its own individual expense category indicates a reduction in expenses for all other categories.
- With the above in mind, Instructional costs did decrease slightly by 0.15%.
- Public services decreased by 17% because of the winding down of the TAACCCT grant.
- Instructional support increased 11.2% primarily due to the addition of an institutional research position and scheduled payroll increases.
- Student services declined by 6.7% because of lower financial aid distributions.
- Institutional administration increased by 4.4% due to scheduled payroll increases and return to full time status of an administrator.
- Operation and maintenance of plant costs rose due to higher utility costs, higher snow plowing costs and increased use of temporary staff due to illness.

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
2018-2017
(in thousands)

	Alpena Community College		A.C.C. Foundation	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Cash provided (used) by:				
Operating activities	$ (8,566)	$ (8,222)	$ (534)	$ (622)
Non-Capital financing actvities	9,519	9,425	381	478
Capital and related financing activites	54	(617)	165	298
Investing actvities	53	51	56	(553)
Total Operating Revenues	1,060	637	68	(399)
Cash, beginning of the year	2,220	1,583	17	416
Cash, end of the year	$ 3,280	$ 2,220	$ 85	$ 17

The College's liquidity increased during the year by $1,059,739. The following information is provided to help the reader better understand the cash flows presented above.

Alpena Community College

Cash flow improved primarily through the solid operation of the College and the sale of College property for $500,000.

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 replacements or have major funding opportunities available, such as Perkins Grants and Technology Fund computer rotations.

Capital Assets, Net, at Year-End
2018-2017
(in thousands)

	Alpena Community		A.C.C. Foundation		Totals	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	$ 340	$ 340	$ -	$ -	$ 340	$ 340
Land improvements	1,156	1,156	-	-	1,156	1,156
Buildings	30,502	30,502	-	-	30,502	30,502
Construction in progress	66	-	-	-	66	-
Furniture, fixtures, and equipment	4,790	5,081	-	-	4,790	5,081
Vehicles	579	529	-	-	579	529
Books	1,515	1,509	-	-	1,515	1,509
Totals	38,948	39,117	-	-	38,948	39,117
Depreciation	21,821	21,173	-	-	21,821	21,173
Net	$ 17,127	$ 17,944	$ -	$ -	$ 17,127	$ 17,944

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 of only $1.721 million of long-term debt. While the College has a $7,548,916 deficit, due to the inclusion of $27,347,340 of net pension and OPEB liabilities included in the total net position (see page 3). $702,000 is set aside for the balance of the note acquired to cash flow the EPTC construction.

Economic Factors That Will Affect the Future

The economic condition of the College is tied closely to the State. After declining from 2000 until 2009, Michigan's economy has improved over the past several years, providing greater employment opportunities. For FY 2018 the State appropriated funds to replace the personal property tax eliminated from the tax rolls of $115,960. This amount cannot be estimated due the complexities of the State's calculation.

The College's State appropriation for FY 2019 increased by 1.4% or $80,100.

There is little growth anticipated over the next two years that would fuel significant additional increased local tax support. The College experienced an unexpected 6.5% decrease in Fall enrollment for FY 2019. The College has budgeted a 3% decline. However, the drop was mitigated by the elimination of tuition caps and a higher percentage of out-of-district students are enrolled at a higher tuition rate. Typically, when employment in the region and the state is rebounding (community college enrollments tend to decline as unemployment decreases), the population that supports the College's enrollment is aging, federal and state tuition assistance programs (i.e. No Worker Left Behind and CBJT grants) have dried up, and the feeder high school enrollments are down.

All three union bargaining contracts expired in 2018. Management worked with the unions to achieve new four-year agreements that should 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:

- Expanding niche programs, such as Nursing, Concrete Technology, Utility Technology, and Drone Technology.
- Building and recruiting for the College's Energy Technology bachelor's program.
- Keeping tuition at the College affordable without sacrificing a quality education by taking a very hard look at future tuition increases, so as not to price students out of the market.
- Through the College's Marketing Plan, looking 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.

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

Contacting Alpena Community College Management

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

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

FINANCIAL STATEMENTS

ALPENA COMMUNITY COLLEGE

Statement of Net Position

	Alpena Community College		A.C.C. Foundation	
	Years Ending June 30		Years Ending June 30	
	2018	2017	2018	2017
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,280,156	$ 2,220,417	$ 84,757	$ 16,809
State appropriations receivable	1,189,222	1,178,938	-	-
Accounts receivable	2,639,767	2,508,654	-	-
Prepaid expenses	15,637	14,714	-	
Contributions receivable	-	-	1,523,833	958
Federal and state grants receivable	22,340	29,451	-	-
Student loans receivable	-	136	-	-
Inventories	640,652	564,879	-	-
Insurance funds on deposit	567,422	524,760	-	-
Total Current Assets	8,355,196	7,041,949	1,608,590	17,767
Restricted investments	-	-	6,052,543	5,386,159
Split interest investments	-	-	639,168	521,625
Prepaid costs	13,949	16,938	-	-
Property and equipment	17,127,003	17,944,117	-	-
TOTAL ASSETS	25,496,148	25,003,004	8,300,301	5,925,551
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	4,711,145	3,177,853	-	-
Related to OPEB	385,125	-	-	-
Total Deferred Outflows of Resources	5,096,270	3,177,853	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 30,592,418	$ 28,180,857	$ 8,300,301	$ 5,925,551
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	$ 249,000	$ 244,000	$ -	$ -
Accounts payable	176,098	164,719	1,619	267
Accrued interest payable	9,387	10,582	-	-
Accrued payroll and related liabilities	933,058	944,809	-	-
Deposits	39,430	32,375	-	-
Unearned student tuition and fees	2,625,007	2,448,115	-	-
Total Current Liabilities	4,031,980	3,844,600	1,619	267
Long-term debt obligations	1,472,000	1,721,000	-	-
Net pension liability	21,890,919	22,041,884	-	-
Net OPEB liability	7,520,290	-	-	-
Accrued compensated balances	193,744	170,567	-	-
TOTAL LIABILITIES	35,108,933	27,778,051	1,619	267
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	1,909,240	98,822	-	-
State aid for pension	868,920	684,675	-	-
Related to OPEB	254,241	-	-	-
Total Deferred Inflows of Resources	3,032,401	783,497	-	-
NET POSITION				
Invested in capital assets, net of related debt	17,356,621	17,151,621	-	-
Restricted for:				
Expendable scholarships and grants	11,983	25,341	2,817,473	2,487,190
Permanently restricted	-	-	1,597,348	1,314,761
Student loans	-	4,244	-	-
Unrestricted				
Unallocated	(24,917,520)	(17,561,897)	3,883,861	2,123,333
Total Net Position	(7,548,916)	(380,691)	8,298,682	5,925,284
TOTAL LIABILITIES AND NET POSITION	$ 30,592,418	$ 28,180,857	$ 8,300,301	$ 5,925,551

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	
	2018	2017	2018	2017
REVENUE				
Operating Revenue				
Tuition and fees (net of scholarship allowance of $2,290,482 and $2,256,702)	$ 4,132,861	$ 4,079,742	$ -	$ -
Federal grants and contracts	3,710,918	3,825,816	-	-
State grants and contracts	197,653	401,017	-	-
Local grants and fees	29,000	29,000	-	-
Auxiliary activities	1,294,246	1,034,934	-	-
Indirect cost recovery	19,370	-	-	-
Miscellaneous	29,816	33,894	20,865	22,379
Total Operating Revenue	9,413,864	9,404,403	20,865	22,379
EXPENSES				
Operating Expenses				
Instruction	7,061,789	7,072,673	-	-
Technology	966,348	1,040,038	-	-
Public services	653,000	786,521	-	-
Instructional support	1,296,331	1,165,513	-	-
Student services	3,392,194	3,635,616	281,646	266,544
Institutional administration	2,029,528	1,944,559	109,218	80,585
Operation and maintenance of plant	1,743,287	1,642,182	-	-
Depreciation	1,002,059	899,740	-	-
Total Operating Expenses	18,144,536	18,186,842	390,864	347,129
Operating Income (Loss)	(8,730,672)	(8,782,439)	(369,999)	(324,750)
NONOPERATING REVENUE (EXPENSES)				
State appropriations	5,813,726	5,999,144	-	-
Property tax	2,587,075	2,546,312	-	-
Investment income	53,304	51,715	839,813	583,020
Interest on capital asset - related debt	(45,506)	(29,357)	-	-
Gifts and permanent endowments	259,334	220,291	1,903,584	459,771
Gain (loss) on sale of capital assets	505,939	1,434	-	-
Net Nonoperating Revenue (Expense)	9,173,872	8,789,539	2,743,397	1,042,791
Increase (Decrease) in Net Position	443,200	7,100	2,373,398	718,041
NET POSITION - beginning of year	(380,691)	(387,791)	5,925,284	5,207,243
Adjustment for Change in Accounting Principle (Note 12)	(7,611,425)	-	-	-
NET POSITION - beginning of year, as restated	(7,992,116)	(387,791)	5,925,284	5,207,243
NET POSITION - end of year	$(7,548,916)	$ (380,691)	$ 8,298,682	$ 5,925,284

The accompanying notes are an integral part of this statement.

Statement of Cash Flows

	Alpena Community College		A.C.C. Foundatiion	
	Years Ending June 30		Years Ending June 30	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 4,178,640	$ 4,183,675	$ -	$ -
Grants and contracts	3,964,052	4,385,023	-	-
Payments to suppliers	(4,110,502)	(4,160,897)	(304,847)	(293,066)
Payments to employees	(13,922,194)	(13,698,658)	(84,665)	(53,833)
Collection of loans from students	136	1	-	-
Auxiliary enterprise charges	1,294,246	1,034,934	-	-
Contributions restricted for long-term investments	-	-	(165,209)	(298,342)
Other	29,816	33,894	20,865	22,379
Net cash provided (used) for operating activities	(8,565,806)	(8,222,028)	(533,856)	(622,862)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	6,672,362	6,658,381	-	-
Property tax levy	2,587,075	2,546,312	-	-
Gifts	259,334	220,292	380,709	478,286
Net cash provided (used) by noncapital financing activities	9,518,771	9,424,985	380,709	478,286
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital acquisitions	(187,525)	(1,042,877)	-	-
Proceeds from sale of assets	508,518	1,434	-	-
Proceeds from issuance of capital debt	-	680,000	-	-
Principal paid on capital debt	(244,000)	(205,000)	-	-
Interest paid on capital debt	(46,701)	(28,048)	-	-
Contributions restricted for long-term investments	-	-	165,209	298,342
Prepaid closing costs	-	1	-	-
Change in compensated absences liability	23,177	(22,634)	-	-
Net cash provided (used) by capital and and related financing activities	53,469	(617,124)	165,209	298,342
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(9,342,321)	(7,597,364)
Proceeds from sales and maturities of investment	-	-	9,251,396	6,935,877
Investment income (loss)	53,305	51,715	146,811	108,124
Net cash provided (used) by investing activities	53,305	51,715	55,886	(553,363)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,059,739	637,548	67,948	(399,597)
CASH AND CASH EQUIVALENTS - beginning of the year	2,220,417	1,582,869	16,809	416,406
CASH AND CASH EQUIVALENTS - end of the year	$ 3,280,156	$ 2,220,417	$ 84,757	$ 16,809

	Alpena Community College		A.C.C. Foundatiion	
	Years Ending June 30		Years Ending June 30	
	2018	2017	2018	2017
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	$ 3,280,156	$ 2,220,417	$ 84,757	$ 16,809
RECONCILIATION OF NET OPERATING EXPENSES TO CASH USED FOR OPERATING ACTIVITIES:				
Operating Income (loss)	$(8,730,672)	$(8,782,439)	$ (369,999)	$ (324,750)
Adjustment to reconcile operating loss to net cash used for operating activities:				
Depreciation	1,002,059	899,740	-	-
Amortization	2,989	2,989	-	-
Contributions restricted for long-term investments	-	-	(165,209)	(298,342)
Unfunded pension liability expense	(780,533)	(380,538)	-	-
(Increase) decrease in net assets:				
Accounts receivable	(131,113)	26,084	-	-
Federal and state grants receivable	7,111	129,190	-	-
Student loans receivable	136	1	-	-
Inventories	(75,773)	(20,801)	-	-
Insurance funds on deposit	(42,662)	(61,897)	-	-
Prepaid expenses	(923)	23,446	-	-
Increase (decrease) in liabilities:				
Accounts payable	11,379	(149,381)	1,352	230
Accrued payroll and related liabilities	(11,751)	(2,211)	-	-
Deposits	7,055	15,939	-	-
Unearned student tuition and fees	176,892	77,850	-	-
	$(8,565,806)	$(8,222,028)	$ (533,856)	$ (622,862)

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 $457,915 and $491,763 as of June 30, 2018 and 2017, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience.

Student Loans Receivable. Student loans were liquidated as of June 2018. Student loans receivable are recorded net of allowance of uncollectible accounts of approximately $0 and $26,243 at June 30, 2018 and 2017, respectively.

Inventories. Inventories are stated at the lower of cost or net realizable value 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	40 years
Furniture, fixtures and equipment	3-7 years
Library materials	10 years
Vehicles	4 years

Deferred Outflows of Resources. In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The College's outflows of resources relates to the net pension and net OPEB liabilities. Additional disclosure is found in Note 4.

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.

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

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 $2,516,657 and $2,370,315 for future semesters existed at June 30, 2018 and 2017, respectively.

Housing Rents and Deposits. The College purchased the College Park Apartments in May 2017. Deferred income for housing rent was $108,350 and $77,800 while security deposits totaled $24,400 and $16,400 at June 30, 2018 and 2017, respectively.

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.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College's inflows of resources relates to certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plan's investment and the pension portion of section 147c state aid revenue received subsequent to the measurement date. More detailed information can be found in Note 4.

Other Postemployment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* This statement requires that the College recognize a net Other Postemployment Benefits (OPEB) liability in the statement of net position, equal to the College's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard.

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.

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

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,	
	2018	2017
Designated for unreported insurance claims	$ 567,422	$ 524,760
Designated for capital outlay	702,000	839,000
Unrestricted and unallocated	(26,186,942)	(18,925,657)
Total unrestricted net position	$ (24,917,520)	$ (17,561,897)

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

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

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

Reclassification. Certain items reported in the June 30, 2017, 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, 2018 and 2017. 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.

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, 2018:

	Alpena Community College	A.C.C. Foundation
Cash and cash equivalents	$ 3,280,156	$ 84,757
Restricted investments	-	6,052,543
Total deposits and investments	$ 3,280,156	$ 6,137,300

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories at June 30, 2018:

	Alpena Community College	A.C.C. Foundation
Bank deposits (checking accounts, savings accounts and certificates of deposit)	$ 3,276,356	$ 84,757
Investments in securities and similar vehicles	-	6,052,543
Petty cash and cash on hand	3,800	-
Total deposits and investments	$ 3,280,156	$ 6,137,300

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

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, 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

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.

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

The College's cash equivalents are classified as the following on June 30, 2018:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	$ -	$ 839,409	$ -	$ 839,409
	$ -	$ 839,409	$ -	$ 839,409

The College's cash equivalents 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

The Foundation's investments are classified as the following on June 30, 2018:

	Fair Value Measurements			
	Level			Total
	Level 1	Level 2	Level 3	
Lincoln Investment - other	$ 81	$ -	$ -	$ 81
Multi-Asset Equity funds	837,837	-	-	837,837
Fixed Income Bond funds	526,535	-	-	526,535
Small Cap funds	295,235	-	-	295,235
Mid Cap funds	1,090,552	-	-	1,090,552
Large Cap funds	2,306,720	-	-	2,306,720
International funds	995,583	-	-	995,583
	$ 6,052,543	$ -	$ -	$ 6,052,543

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

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

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

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

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

Concentration of credit risk. The College will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the College's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. The deposits were reflected in the accounts of banks at $3,355,240 at June 30, 2018, and $2,284,762 at June 30, 2017. Of the bank balance, $2,852,103 at June 30, 2018, and $1,781,625 at June 30, 2017, was uninsured and exposed to custodial credit risk because it was not covered by Federal Deposit Insurance Corporation (FDIC) insurance.

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

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, 2018 and 2017 are as follows:

Description	Market Value
Investments - June 30, 2018	$ 6,052,543
Investments - June 30, 2017	$ 5,386,159

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NOTE 3. PROPERTY AND EQUIPMENT.

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2018 as follows:

	Balances June 30, 2017	Additions	Retirements	Balances June 30, 2018	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	30,502,350	-	-	30,502,350	5-40
Construction in progress	-	66,160	-	66,160	5-40
Furniture, fixtures, equipment	5,080,415	45,857	(336,664)	4,789,608	3-7
Vehicles	529,078	70,000	(20,000)	579,078	4
Library materials	1,509,113	5,507	-	1,514,620	10
	38,777,360	187,524	(356,664)	38,608,220	
Less - accumulated depreciation:					
Land improvements	(1,155,981)	(423)	-	(1,156,404)	15
Buidlings and improvements	(14,283,148)	(677,424)	-	(14,960,572)	5-40
Furniture, fixtures, equipment	(3,947,630)	(247,646)	334,085	(3,861,191)	3-7
Vehicles	(329,797)	(57,908)	20,000	(367,705)	4
Library materials	(1,456,287)	(18,658)	-	(1,474,945)	10
	(21,172,843)	(1,002,059)	354,085	(21,820,817)	
Net Capital Assets	$17,944,117	$ (814,535)	$ (2,579)	$17,127,003	

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NOTE 3. PROPERTY AND EQUIPMENT. (continued)

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	

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS.

Industry Information and Significant Accounting Policies.

Adoption of New Standard. The GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits other than Pensions. Statement No. 75 requires governments providing OPEB to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported a Net OPEB Liability of $7,611,425 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2017.

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

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 non-exempt employees of the College and 68.5% of exempt employees. Exempt employees may choose an optional retirement plan managed by the Teachers Insurance Annuity Association (TIAA). 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 and OPEB 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 a number of 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:

	Pension	OPEB
July 1, 2013 – September 30, 2013	12.78% - 15.21%	8.18% - 9.11%
October 1, 2013 – September 30, 2014	15.44% - 18.34%	5.52% - 6.45%
October 1, 2014 – September 30, 2015	18.76% - 23.07%	2.71% - 2.20%
October 1, 2015 – September 30, 2016	14.56% - 18.95%	6.40% - 6.83%
October 1, 2016 – September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 – June 30, 2018	16.14% - 20.49%	4.82% - 5.07%

Depending on the plan selected, plan member contributions range from 0 percent up to 10.2 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 pension plan for the years ended June 30, 2018 and 2017 were $1,981,374 and $1,983,880, respectively. Contributions include $868,920 and $939,456 revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2018 and 2017. The College's required and actual contributions to OPEB for the years ended June 30, 2018 was $661,158.

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.

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

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, 2018, the College reported a liability of $21,890,919 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, 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, 2017, the College's proportion was 0.08447444%.

For the year ended June 30, 2018, the College recognized pension and OPEB expenses of $2,172,343. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 190,247	$ 107,414
Changes of assumptions	2,398,324	-
Net difference between projected and actual earnings on pension plan investments	-	1,046,530
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	352,638	755,296
Reporting Unit contributions subsequent to the measurement date	1,769,936	-
Total	$ 4,711,145	$ 1,909,240

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

Net OPEB Liability, Deferrals, and OPEB Expense. At June 30, 2018, the College reported a liability of $7,520,290 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the College's proportion was 0.08492253%.

For the year ended June 30, 2018, the College recognized OPEB expense of $503,108. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB Deferred Outflows of Resources	OPEB Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 80,069
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	174,172
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	419	-
Reporting Unit contributions subsequent to the measurement date	384,706	-
Total	$ 385,125	$ 254,241

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

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

Year Ending September 30	Pension Amount	OPEB Amount
2018	$302,116	$(61,344)
2019	674,057	(61,344)
2020	208,312	(61,344)
2021	(152,516)	(61,344)
2022	0	(8,446)

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

Actuarial Assumptions. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid)	7.5%
Pension Plus Plan (Hybrid)	7.0%
OPEB Plan (Retiree Healthcare Fund)	7.5%
Projected Salary Increases	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate	7.5% year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used)
Other OPEB Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female retirees are assumed to elect coverage for 1 or more dependents

The actuarial assumptions used for the June 30, 2018 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. A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the fiduciary net positions of both the pension and OPEB plans were projected to be available to make all projected future benefit payments of current plan members Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the College as of June 30, 2018 calculated using the discount rate of 7.50 percent (Non-Hybrid) and 7.00 percent (Hybrid), 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 or 1.00 percentage point higher than the current rate:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$28,516,586	$21,890,919	$16,312,529

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the College as of June 30, 2017 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

Sensitivity of the net OPEB liability to changes in the discount rate. As required by GASB Statement No. 75, the following table presents the College's net OPEB Liability, calculated using a discount rate of 7.50%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 6.5%	Current Single Discount Rate 7.5%	1% Increase 8.5%
$8,808,433	$7,520,290	$6,427,060

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate. The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a Healthcare Cost Trend rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 6.5%	Current Single Discount Rate 7.5%	1% Increase 8.5%
$6,368,675	$7,520,290	$8,827,869

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5186 for pension and 5.4744 for OPEB.

Recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report.

NOTE 4. PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS. (continued)

Payable to the Pension Plan. The College reported a payable of $157,984 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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. 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. 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, 2018, 2017, and 2016 were $384,706, $422,406, and $436,992, respectively.

Refund of 3% Healthcare Contributions. On December 20, 2017, regarding Case No. 145924, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the plaintiff's employment contracts by involuntarily reducing the plaintiff's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the plaintiff's in accordance with the Michigan Court of Claims judgement on the aforementioned court case. Effective September 30, 2017, the 3% contributions collected under Public Act 75, which amounted to approximately $554 million (including interest) were posted as a liability for the fiscal year, and all contributions have been returned to the employers who collected them as of January 2018. The College's portion of the distribution was $465,299. All received funds were distributed to the affected current and past employees by the end of March 2018.

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, 2018. 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.

NOTE 6. RISK MANAGEMENT. (continued)

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, 2018:

	Balances June 30, 2017	Additions	(Deductions)	Balances June 30, 2018	Due within one year
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest: 0.65% - 2.35%	$1,285,000	$ -	$(210,000)	$ 1,075,000	$ 215,000
Installment Loan Dated: 05-24-2017 Matures: 05-24-2037 Interest: 3.12%	680,000	-	(34,000)	646,000	34,000
Other long-term obligations Compensated absences	170,567	23,177	-	193,744	-
Total	$2,135,567	$ 23,177	$(244,000)	$ 1,914,744	$ 249,000

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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, 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

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2018 are as follows:

For the year ending June 30,	Principal	Interest	Annual Requirement
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	234,000	20,612	254,612
2024-2037	476,000	111,384	587,384
	$ 1,721,000	$ 271,094	$ 1,992,094

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 2017-2018 school year for Alpena Community College was established at $1,032,094,126 and $1,017,690,423 for the 2016-2017 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, 2018, 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 12. CHANGE IN ACCOUNTING PRINCIPLE.

The financial statements have been restated to incorporate the requirements of Governmental Accounting Standards Board (GASB) Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – as follows:

Beginning net position as previously reported at July 1, 2017	$	(380,691)
Change in accounting principle:		
Net OPEB liability (at measurement date of 10/01/16)		(7,932,240)
Deferred outflows between measurement date and reporting date of OPEB plan		320,815
Net change in accounting principle		(7,611,425)
Net position as restated July 1, 2017	$	(7,992,116)

NOTE 13. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 11, 2018, the date on which the financial statements were available to be issued.

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)

	2017	2016	2015	2014
A. Reporting unit's proportion of net pension liability (%)	0.08447%	0.08835%	0.08574%	0.08598%
B. Reporting unit's proportionate share of net pension liability	$ 21,890,919	$ 22,041,884	$ 20,940,911	$ 18,937,550
C. Reporting unit's covered-employee payroll	$ 7,306,623	$ 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 (%)	299.60%	310.36%	280.87%	244.39%
E. Plan fiduciary net position as a percentage of total pension liability	66.20%	63.27%	63.17%	66.20%

Changes in benefit terms: There were no changes of benefit term 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 siginificant 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 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)

	2018	2017	2016	2015
A. Statutorily required contributions	$ 1,981,374	$ 1,983,880	$ 1,653,949	$ 1,335,262
B. Contributions in relation to statutorily required contributions*	$ 1,981,374	$ 1,983,880	$ 1,653,949	$ 1,335,262
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -
D. Reporting unit's covered-employee payroll	$ 7,306,623	$ 7,101,927	$ 7,455,745	$ 7,748,819
E. Contributions as a percentage of covered-employee payroll	27.12%	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 2018.

Changes in benefit assumptions: There were no changes of assumptions in 2018.

Changes in size or composition of the covered population: There were not siginificant changes in size or composition of the covered population in 2018.

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.

ALPENA COMMUNITY COLLEGE

Required Supplemental Information
Schedule of Proportionate Share of the Net OPEB Liability

Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

		2017
A. Reporting unit's proportion of net OPEB liability (%)		0.08492%
B. Reporting unit's proportionate share of net OPEB liability	$	7,520,290
C. Reporting unit's covered-employee payroll	$	7,306,623
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)		102.92%
E. Plan fiduciary net position as a percentage of total OPEB liability		36.39%

Changes in benefit terms: There were no changes of benefit term 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 siginificant 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 September 30, 2017.

ALPENA COMMUNITY COLLEGE

Required Supplemental Information
Schedule of the OPEB Contributions

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

	2018
A. Statutorily required contributions	$ 661,158
B. Contributions in relation to statutorily required contributions*	$ 661,158
C. Contribution deficiency (excess)	$ -
D. Reporting unit's covered-employee payroll	$ 7,306,623
E. Contributions as a percentage of covered-employee payroll	9.05%

*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 2018.

Changes in benefit assumptions: There were no changes of assumptions in 2018.

Changes in size or composition of the covered population: There were not siginificant changes in size or composition of the covered population in 2018.

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, 2018.

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SUPPLEMENTAL INFORMATION

ALPENA COMMUNITY COLLEGE

Combining Statement of Net Position

For the Year Ended June 30, 2018

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,715,046	$ 100	$ 1,900	$ -
State appropriations receivable	1,189,222	-	-	-
Accounts receivable	2,619,188	60	19,021	-
Prepaid expense	4,870	-	-	-
Contributions receivable	-	-	-	-
Federal and state grants receivable	-	-	-	-
Inventories	3,164	-	637,488	-
Insurance funds on deposit	567,422	-	-	-
Due from (to) other funds	(1,235,985)	134,551	(394,280)	-
Total Current Assets	4,862,927	134,711	264,129	-
Restricted investments	-	-	-	-
Split interest investments	-	-	-	-
Prepaid costs	-	-	-	-
Property and equipment	-	-	-	-
TOTAL ASSETS	4,862,927	134,711	264,129	-
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	-	-	-	4,711,145
Related to OPEB	-	-	-	385,125
Total Deferred Outflows of Resources	-	-	-	5,096,270
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 4,862,927	$ 134,711	$ 264,129	$ 5,096,270
LIABILITIES AND NET POSITION				
Current Liabilities				
Current portion of debt obligations	$ -	$ -	$ -	$ -
Accounts payable	176,098	-	-	-
Accrued interest payable	-	-	-	-
Accrued payroll and related liabilities	738,402	3,605	5,325	-
Deposits	-	-	24,400	-
Unearned student tuition and fees	2,516,657	-	108,350	-
Total Current Liabilities	3,431,157	3,605	138,075	-
Long-term debt obligations	-	-	-	-
Net pension liability	-	-	-	21,890,919
Net OPEB liabilty	-	-	-	7,520,290
Accrued compensated balances	155,366	7,854	12,027	-
TOTAL LIABILITIES	3,586,523	11,459	150,102	29,411,209
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	-	-	-	1,909,240
State aid for pension	-	-	-	868,920
Related to OPEB	-	-	-	254,241
Total Deferred Inflows of Resources	-	-	-	3,032,401
NET POSITION				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for:				
Expendable scholarships and grants	-	-	-	-
Permanently restricted	-	-	-	-
Unrestricted				
Unallocated	1,276,404	123,252	114,027	(27,347,340)
Total Net Position	1,276,404	123,252	114,027	(27,347,340)
TOTAL LIABILITIES AND NET POSITION	$ 4,862,927	$ 134,711	$ 264,129	$ 5,096,270

Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ 581	$ -	$ -	$ 1,562,529	$ -	$ -	$ 3,280,156	$ 84,757
-	-	-	-	-	-	1,189,222	-
1,498	-	-	-	-	-	2,639,767	-
10,767	-	-	-	-	-	15,637	-
-	-	-	-	-	-	-	1,523,833
22,340	-	-	-	-	-	22,340	-
-	-	-	-	-	-	640,652	-
-	-	-	-	-	-	567,422	-
65,996	-	11,983	1,243,368	174,367	-	-	-
101,182	-	11,983	2,805,897	174,367	-	8,355,196	1,608,590
-	-	-	-	-	-	-	6,052,543
-	-	-	-	-	-	-	639,168
-	-	-	13,949	-	-	13,949	-
-	-	-	17,127,003	-	-	17,127,003	-
101,182	-	11,983	19,946,849	174,367	-	25,496,148	8,300,301
-	-	-	-	-	-	4,711,145	-
-	-	-	-	-	-	385,125	-
-	-	-	-	-	-	5,096,270	-
$ 101,182	$ -	$ 11,983	$ 19,946,849	$ 174,367	$ -	$ 30,592,418	$ 8,300,301
$ -	$ -	$ -	$ 249,000	$ -	$ -	$ 249,000	$ -
-	-	-	-	-	-	176,098	1,619
-	-	-	9,387	-	-	9,387	-
26,389	-	-	-	159,337	-	933,058	-
-	-	-	-	15,030	-	39,430	-
-	-	-	-	-	-	2,625,007	-
26,389	-	-	258,387	174,367	-	4,031,980	1,619
-	-	-	1,472,000	-	-	1,472,000	-
-	-	-	-	-	-	21,890,919	-
-	-	-	-	-	-	7,520,290	-
18,497	-	-	-	-	-	193,744	-
44,886	-	-	1,730,387	174,367	-	35,108,933	1,619
-	-	-	-	-	-	1,909,240	-
-	-	-	-	-	-	868,920	-
-	-	-	-	-	-	254,241	-
-	-	-	-	-	-	3,032,401	-
-	-	-	17,356,621	-	-	17,356,621	-
-	-	11,983	-	-	-	11,983	2,817,473
-	-	-	-	-	-	-	1,597,348
56,296	-	-	859,841	-	-	(24,917,520)	3,883,861
56,296	-	11,983	18,216,462	-	-	(7,548,916)	8,298,682
$ 101,182	$ -	$ 11,983	$ 19,946,849	$ 174,367	$ -	$ 30,592,418	$ 8,300,301

ALPENA COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension Liability Fund	Restricted Fund
REVENUE					
Operating Revenue					
Tuition/fees	$ 5,856,138	$ 370,703	$ -	$ -	$ -
Federal grants and contracts	10,279	-	-	-	3,700,639
State grants and contracts	-	-	-	-	162,557
Local grants and fees	-	-	-	-	29,000
Auxiliary activities	-	199,882	1,094,364	-	-
Indirect cost recovery	104,000	-	-	-	(84,630)
Current funds expenditures for equipment and capital improvements	-	-	-	-	-
Miscellaneous	29,245	516	-	-	-
Total Operating Revenue	5,999,662	571,101	1,094,364	-	3,807,566
EXPENSES					
Operating Expenses					
Instruction	7,432,398	27,264	161	(423,023)	24,989
Technology	899,301	120,489	80,296	(38,554)	-
Public services	-	59,857	19,954	-	573,189
Instructional support	1,297,781	9,691	-	(82,920)	77,286
Student services	1,354,132	280,713	891,481	(101,171)	3,145,969
Institutional administration	2,108,354	351	-	(79,177)	-
Operation and maintenance of plant	1,608,129	29,401	7,597	(55,688)	1,014
Depreciation	-	-	-	-	-
Total Operating Expenses	14,700,095	527,766	999,489	(780,533)	3,822,447
Operating Income (Loss)	(8,700,433)	43,335	94,875	780,533	(14,881)
NONOPERATING REVENUE (EXPENSES)					
State appropriations	6,682,646	-	-	(868,920)	-
Property tax	2,587,075	-	-	-	-
Investment income	51,689	-	-	-	-
Interest on capital asset - related debt	-	-	-	-	-
Gifts and permanent endowments	84,665	15,621	-	-	37,405
Gain (loss) on sale of capital assets	-	-	-	-	-
Net Nonoperating Revenue (Expense)	9,406,075	15,621	-	(868,920)	37,405
Increase (Decrease) in Net Position	705,642	58,956	94,875	(88,387)	22,524
Transfers In (Out)	(578,009)	(1,481)	(55,723)	-	9,488
Net Increase (Decrease) in Net Position	127,633	57,475	39,152	(88,387)	32,012
NET POSITION - beginning of year	1,148,771	65,777	74,875	(19,647,528)	24,284
Adjustment for Change in Accounting Principle (Note 12)	-	-	-	(7,611,425)	-
NET POSITION - beginning of year, as restated	1,148,771	65,777	74,875	(27,258,953)	24,284
NET POSITION - end of year	$ 1,276,404	$ 123,252	$ 114,027	$ (27,347,340)	$ 56,296

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
$ -	$ -	$ 196,502	$ -	$ (2,290,482)	$ 4,132,861	$ -
-	-	-	-	-	3,710,918	-
-	35,096	-	-	-	197,653	-
-	-	-	-	-	29,000	-
-	-	-	-	-	1,294,246	-
-	-	-	-	-	19,370	
-	-	187,525	-	(187,525)	-	-
-	-	55	-	-	29,816	20,865
-	35,096	384,082	-	(2,478,007)	9,413,864	20,865
-	-	-	-	-	7,061,789	-
-	-	-	-	(95,184)	966,348	-
-	-	-	-	-	653,000	-
-	-	-	-	(5,507)	1,296,331	-
7,652	103,900	-	-	(2,290,482)	3,392,194	281,646
-	-	-	-	-	2,029,528	109,218
-	-	239,668	-	(86,834)	1,743,287	-
-	-	1,002,059	-	-	1,002,059	-
7,652	103,900	1,241,727	-	(2,478,007)	18,144,536	390,864
(7,652)	(68,804)	(857,645)	-	-	(8,730,672)	(369,999)
-	-	-	-	-	5,813,726	-
-	-	-	-	-	2,587,075	-
-	-	1,615	-	-	53,304	839,813
-	-	(45,506)	-	-	(45,506)	-
-	79,730	41,913	-	-	259,334	1,903,584
-	-	505,939	-	-	505,939	
-	79,730	503,961	-	-	9,173,872	2,743,397
(7,652)	10,926	(353,684)	-	-	443,200	2,373,398
3,408	-	622,317	-	-	-	-
(4,244)	10,926	268,633	-	-	443,200	2,373,398
4,244	1,057	17,947,829	-	-	(380,691)	5,925,284
-	-	-	-	-	(7,611,425)	-
4,244	1,057	17,947,829	-	-	(7,992,116)	5,925,284
$ -	$ 11,983	$ 18,216,462	$ -	$ -	$ (7,548,916)	$ 8,298,682

The accompanying notes are an integral part of this statement.

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	7,217,950	40,591	87	(197,806)	11,851
Technology	897,401	201,481	82,657	(23,260)	-
Public services	-	83,099	32,806	-	670,616
Instructional support	1,308,899	6,888	-	(36,490)	78,107
Student services	1,352,857	275,242	769,327	(37,716)	3,425,622
Institutional administration	1,998,373	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	-	-	-	-
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
-	-	-	-	-	7,072,673	-
-	-	-	-	(118,241)	1,040,038	-
-	-	-	-	-	786,521	-
-	-	-	-	(191,891)	1,165,513	-
-	120,892	-	-	(2,270,608)	3,635,616	266,544
-	-	-	-	-	1,944,559	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