

Alpena Community College

Notes to Financial Statements

Note 3. Property and Equipment.

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2021 as follows:

	Balances July 1, 2020	Additions	Retirements	Balances June 30, 2021	Estimated Useful Life
Capital assets not being depreciated:					
Land	\$ 339,600	\$ -	\$ -	\$ 339,600	
Construction in progress	2,366,961	5,196,506	-	7,563,467	
	<u>2,706,561</u>	<u>5,196,506</u>	<u>-</u>	<u>7,903,067</u>	
Capital assets being depreciated:					
Land improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	30,654,660	-	-	30,654,660	5-40
Furniture, fixtures, equipment	4,965,300	307,596	-	5,272,896	3-7
Vehicles	640,917	-	(46,203)	594,714	4
Library materials	1,152,906	7,649	-	1,160,555	10
	<u>38,570,187</u>	<u>315,245</u>	<u>(46,203)</u>	<u>38,839,229</u>	
Less - accumulated depreciation:					
Land improvements	(1,156,404)	-	-	(1,156,404)	15
Buildings and improvements	(16,230,698)	(671,689)	-	(16,902,387)	5-40
Furniture, fixtures, equipment	(4,097,889)	(196,597)	-	(4,294,486)	3-7
Vehicles	(509,107)	(75,942)	46,203	(538,846)	4
Library materials	(1,098,550)	(21,651)	-	(1,120,201)	10
	<u>(23,092,648)</u>	<u>(965,879)</u>	<u>46,203</u>	<u>(24,012,324)</u>	
Net Capital Assets	<u>\$ 18,184,100</u>	<u>\$4,545,872</u>	<u>\$ -</u>	<u>\$ 22,729,972</u>	

Alpena Community College

Notes to Financial Statements

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, 2020 as follows:

	Balances July 1, 2019	Additions	Retirements	Balances June 30, 2020	Estimated Useful Life
Capital assets not being depreciated:					
Land	\$ 339,600	\$ -	\$ -	\$ 339,600	
Construction in progress	363,842	2,003,119	-	2,366,961	
	<u>703,442</u>	<u>2,003,119</u>	<u>-</u>	<u>2,706,561</u>	
Capital assets being depreciated:					
Land improvements	1,156,404	-	-	1,156,404	15
Buildings and improvements	30,502,350	245,859	(93,549)	30,654,660	5-40
Furniture, fixtures, equipment	4,693,853	286,658	(15,211)	4,965,300	3-7
Vehicles	611,127	29,790	-	640,917	4
Library materials	1,149,759	3,147	-	1,152,906	10
	<u>38,113,493</u>	<u>565,454</u>	<u>(108,760)</u>	<u>38,570,187</u>	
Less - accumulated depreciation:					
Land improvements	(1,156,404)	-	-	(1,156,404)	15
Buildings and improvements	(15,634,871)	(689,376)	93,549	(16,230,698)	5-40
Furniture, fixtures, equipment	(3,899,856)	(213,244)	15,211	(4,097,889)	3-7
Vehicles	(440,613)	(68,494)	-	(509,107)	4
Library materials	(1,072,915)	(25,635)	-	(1,098,550)	10
	<u>(22,204,659)</u>	<u>(996,749)</u>	<u>108,760</u>	<u>(23,092,648)</u>	
Net Capital Assets	<u>\$ 16,612,276</u>	<u>\$ 1,571,824</u>	<u>\$ -</u>	<u>\$ 18,184,100</u>	

As of June 30, 2021, the College has additional construction cost commitments of approximately \$1.4 million for the Van Lare Hall building renovation project.

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans.

Industry Information and Significant Accounting Policies.

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 62.7% 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 – September 30, 2018	16.14% - 20.49%	4.82% - 5.07%
October 1, 2018 – September 30, 2019	16.39% - 20.59%	7.57% - 7.93%
October 1, 2019 – September 30, 2020	16.39% - 20.59%	7.57% - 8.09%
October 1, 2020 – June 30, 2021	16.39% - 20.59%	7.57% - 8.43%

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

Depending on the plan selected, plan member contributions range from 0 percent up to 9 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, 2021 and 2020 were \$2,140,771 and \$2,103,241, respectively. Contributions include \$1,042,972 and \$874,450 in revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2021 and 2020. The College's required and actual contributions to OPEB for the years ended June 30, 2021 and June 30, 2020 were \$540,877 and \$521,944, respectively.

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

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

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

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

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

Net Pension Liability, Deferrals, and Pension Expense. At June 30, 2021 and 2020, the College reported a liability of \$26,759,219 and \$26,219,184, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020 and 2019, 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, 2020 and 2019, the College's proportion was 0.07789919% and 0.07917224%, respectively, which was a decrease of .00127305%.

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. (continued)

For the year ended June 30, 2021, the College recognized pension expense of \$3,408,108. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 408,859	\$ 57,114
Changes of assumptions	2,965,179	-
Net difference between projected and actual earnings on pension plan investments	112,430	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	-	1,018,443
Reporting Unit contributions subsequent to the measurement date	<u>2,042,518</u>	<u>-</u>
Total	<u>\$ 5,528,986</u>	<u>\$ 1,075,557</u>

For the year ended June 30, 2020, the College recognized pension expense of \$3,657,661. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 117,523	\$ 109,331
Changes of assumptions	5,133,735	-
Net difference between projected and actual earnings on pension plan investments	-	840,280
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	84,191	1,247,656
Reporting Unit contributions subsequent to the measurement date	<u>1,862,329</u>	<u>-</u>
Total	<u>\$ 7,197,778</u>	<u>\$ 2,197,267</u>

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

Net OPEB Liability, Deferrals, and OPEB Expense. At June 30, 2021 and 2020, the College reported a liability of \$4,101,234 and \$5,456,362, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and 2019, 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, 2020 and 2019, the College's proportion was 0.07655460% and 0.07601774%, respectively, which was an increase of .00053686%.

For the year ended June 30, 2021, the College recognized OPEB expense of \$(248,046). At June 30, 2021, 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	\$ -	\$ 3,055,803
Changes of assumptions	1,352,258	-
Net difference between projected and actual earnings on OPEB investments	34,229	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	44,736	448,243
Reporting Unit contributions subsequent to the measurement date	420,257	-
Total	\$ 1,851,480	\$ 3,504,046

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

For the year ended June 30, 2020, the College recognized OPEB expense of \$(4,125). At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 2,002,093
Changes of assumptions	1,182,283	-
Net difference between projected and actual earnings on OPEB investments	-	94,889
Changes in proportion and differences between Reporting Unit contributions and proportionate share contributions	231	592,027
Reporting Unit contributions subsequent to the measurement date	<u>409,668</u>	<u>-</u>
Total	<u>\$ 1,592,182</u>	<u>\$ 2,689,009</u>

For the year ended June 30, 2021, 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 for:

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
<u> </u>	<u> </u>	<u> </u>
2021	\$ 3,122,198	\$ (167,707)
2022	776,989	(540,284)
2023	412,583	(435,635)
2024	141,659	(303,429)
2025	-	(205,511)

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

For the year ended June 30, 2020, 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
2020	\$ 3,148,086	\$ 11,962
2021	948,660	(397,706)
2022	638,326	(350,361)
2023	265,439	(246,231)
2024	-	(114,491)

Actuarial Assumptions. The total pension liability in the September 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement (unless noted assumption was unchanged between valuation years):

Actuarial cost method	Entry age, normal	
Wage inflation rate	2.75%	
Investment Rate of Return:		
	<u>2019</u>	<u>2018</u>
MIP and Basic Plans (Non-Hybrid)	6.80%	6.80%
Pension Plus Plan (Hybrid)	6.80%	6.80%
Pension Plus 2 Plan	6.00%	6.00%
OPEB Plan (Retiree Healthcare Fund)	6.95%	6.95%
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%	
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members	
Healthcare Cost Trend Rate	2019: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 2018: 7.5% Year 1 graded to 3.5% Year 12	
Mortality	(Retirees): RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.	
	(Active): RP-2014 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.	

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity pools	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real Return / Opportunistic pools	12.5%	6.6%
Short term investment pools	2.0%	(0.1)%
TOTAL	100.0%	

*Long term rate of return are net of administration expenses 2.1% inflation for pension and OPEB.

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	28.0%	5.5%
Private equity pools	18.0%	8.6%
International equity pools	16.0%	7.3%
Fixed income pools	10.5%	1.2%
Real estate and infrastructure pools	10.0%	4.2%
Absolute return pools	15.5%	5.4%
Short term investment pools	2.0%	0.8%
TOTAL	100.0%	

**Long term rate of return are net of administration expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.37% and 5.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

For the fiscal year ended September 30, 2020 and 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.24% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate. For June 30, 2021, a discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%.

For June 30, 2020, a discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%.

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Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

The projection of cash flows used to determine these discount rates 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.

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, 2021, calculated using the discount rate of 6.80 percent (MIP Hybrid), 6.80 percent (Pension Plus), and 6.00 percent (Pension Plus 2) 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:

1% Decrease (MIP, Pension Plus, Pension Plus 2)	Current Single Discount Rate (MIP, Pension Plus, Pension Plus 2)	1% Increase (MIP, Pension Plus, Pension Plus 2)
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$34,635,270	\$26,759,219	\$20,231,729

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, 2020 calculated using the discount rate of 6.80 percent, (MIP Hybrid), 6.80 percent (Pension Plus), and 6.00 percent (Pension Plus 2) 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:

1% Decrease (MIP, Pension Plus, Pension Plus 2)	Current Single Discount Rate (MIP, Pension Plus, Pension Plus 2)	1% Increase (MIP, Pension Plus, Pension Plus 2)
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$34,086,617	\$26,219,184	\$19,696,811

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, as of June 30, 2021, calculated using a discount rate of 6.95%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher:

1% Decrease	Current Single Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$5,268,502	\$4,101,234	\$3,118,493

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, as of June 30, 2020, calculated using a discount rate of 6.95%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher:

1% Decrease	Current Single Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$6,693,048	\$5,456,362	\$4,417,889

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

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, as of June 30, 2021, 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 1.00 percentage point lower or 1.00 percentage point higher:

1% Trend Decrease	Current Healthcare Trend Rate	1% Trend Increase
\$3,080,866	\$4,101,234	\$5,261,778

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, as of June 30, 2020, 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 1.00 percentage point lower or 1.00 percentage point higher:

1% Trend Decrease	Current Healthcare Trend Rate	1% Trend Increase
\$4,373,862	\$5,456,362	\$6,692,901

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

For the June 30, 2021 report, recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892 for pension and 5.9870 for OPEB.

For the June 30, 2020 report, recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977 for pension and 5.7101 for OPEB.

For the June 30, 2021 and 2020 report, recognition period for assets is 5.0000.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/orsschools.

Payable to the Pension Plan. The College reported a payable of \$189,632 and \$158,990 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021 and 2020, respectively.

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% of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3% 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% employee contribution into their 457 account as of their transition date and create a 2% employer match into the employee’s 403B account.

Alpena Community College

Notes to Financial Statements

Note 4. Pension and Other Postemployment Benefit (OPEB) Plans. *(continued)*

The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2021, 2020 and 2019 were \$560,039, \$547,264, and \$391,993, respectively.

Note 5. Compensated Absences and Other Employee Payments.

Employee benefits that will be paid at a future date but attributable to services already rendered are recorded as of June 30, 2021. These compensated absences include vacation leave and longevity. In addition, any salary-related payments (such as Social Security) associated with the payment of compensated absences are also recorded.

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

Note 6. Risk Management.

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

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

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Notes to Financial Statements

Note 7. Long-Term Debt Obligation.

Long-term Debt obligations of the college consist of the following as of June 30, 2021:

	<u>Balances</u>			<u>Balances</u>	<u>Due within</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>June 30, 2021</u>	<u>one year</u>
Other Debt:					
2013 College Facility					
And Refunding Bonds					
Dated: 01-28-2013					
Matures: 03-01-2023					
Interest 0.65% - 2.35%					
	\$ 645,000	\$ -	\$(220,000)	\$ 425,000	\$ 225,000
Total other debt	645,000	-	(220,000)	425,000	225,000
Direct borrowings and Direct Placements:					
Installment Loan					
Dated: 05-24-2017					
Matures: 05-24-2037					
Interest: 3.12%					
	578,000	-	(34,000)	544,000	34,000
Total direct borrowings and direct placements	578,000	-	(34,000)	544,000	34,000
Other long-term obligations					
Compensated absences					
	225,905	11,731	-	237,636	-
Total	<u>\$ 1,448,905</u>	<u>\$ 11,731</u>	<u>\$(254,000)</u>	<u>\$ 1,206,636</u>	<u>\$ 259,000</u>

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2021 are as follows:

For the year ending June 30,	Direct borrowings and direct placements		Other debt		Annual Requirement
	Principal	Interest	Principal	Interest	
2022	\$ 34,000	\$ 16,973	\$ 225,000	\$ 9,762	\$ 285,735
2023	34,000	15,912	200,000	4,700	254,612
2024	34,000	14,851	-	-	48,851
2025	34,000	13,790	-	-	47,790
2026	34,000	12,730	-	-	46,730
2027-2032	374,000	70,013	-	-	444,013
	<u>\$ 544,000</u>	<u>\$ 144,269</u>	<u>\$ 425,000</u>	<u>\$ 14,462</u>	<u>\$ 1,127,731</u>

Alpena Community College

Notes to Financial Statements

Note 7. Long-Term Debt Obligation. *(continued)*

Long-term Debt obligations of the college consist of the following as of June 30, 2020:

	Balances July 1, 2019	Additions	(Deductions)	Balances June 30, 2020	Due within one year
Other Debt:					
2013 College Facility And Refunding Bonds Dated: 01-28-2013 Matures: 03-01-2023 Interest: 0.65% - 2.35%	\$ 860,000	\$ -	\$(215,000)	\$ 645,000	\$ 220,000
Total other debt	860,000	-	(215,000)	645,000	220,000
Direct borrowings and Direct Placements:					
Installment Loan Dated: 05-24-2017 Matures: 05-24-2037 Interest: 3.12%	612,000	-	(34,000)	578,000	34,000
Total direct borrowings and direct placements	612,000	-	(34,000)	578,000	34,000
Other long-term obligations					
Compensated absences	223,616	2,289	-	225,905	-
Total	\$ 1,695,616	\$ 2,289	\$(249,000)	\$ 1,448,905	\$ 254,000

Installment Loan. Under the terms of the installment purchase agreement, the College has pledged to use monies from the General Fund and all other resources available for the payment of the principal and interest on the installment loan. In the event of unavailability or insufficiency of General Fund monies for any reason, the obligation under the College is obligated to utilize taxes levied within the College's constitutional and statutory limitation or from unencumbered funds. The College may prepay this debt or pay in full prior to maturity. If prepayment is made prior to May 24, 2028, the redemption price will be 101% of the then remaining outstanding principal installments redeemed, plus accrued interest, if any through that date. If prepayment is made on or after May 24, 2028, the redemption price shall be the then remaining outstanding principal installments, plus accrued interest, if any.

Alpena Community College

Notes to Financial Statements

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 2020-2021 school year for Alpena Community College was established at \$1,107,701,278 and \$1,079,984,959 for the 2019-2020 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 1974) 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, 2021, the College's tax revenues were reduced under these programs and amounted to approximately \$11,742. 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.

Alpena Community College

Notes to Financial Statements

Note 12. Short-Term Debt Obligation.

In May 2020, the College received loan proceeds in the amount of \$2,435,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 8-24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The College utilized the proceeds for purposes consistent with the PPP. Alpena Community College received notification for forgiveness from the Small Business Administration dated May 13, 2021 for the full loan proceeds of \$2,435,600 and was recorded as nonoperating income within the current year.

Note 13. Other Funds.

The Community Foundation for Northeast Michigan (“Community Foundation”) carries certain funds which are for the benefit of the College. These funds are not included in the College’s financial statements. Upon a successful grant application, the spendable portion of the fund represents the limited amount the College could request from the Community Foundation for program services and/or scholarships for students. As of June 30, 2021 and 2020 there was \$17,123 and \$11,471, respectively, of spendable funds and a total within the fund of \$113,831 and \$121,549, respectively. Grants approved by the Community Foundation for the College were \$0 and \$0 for the years ended June 30, 2021 and 2020, respectively.

Note 14. Subsequent Events.

Management has evaluated subsequent events through October 14, 2021, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the College’s operational and financial performance will depend on various developments, including the duration of the spread of the outbreak and its impact on students, employees, taxpayers, and vendors, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the College to implement additional safety measures for providing of services to students.

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 determined as of 9/30 of each year)

	2020	2019	2018
A. Reporting unit's proportion of net pension liability (%)	0.07790%	0.07917%	0.08224%
B. Reporting unit's proportionate share of net pension liability	\$ 26,759,219	\$ 26,219,184	\$ 24,722,675
C. Reporting unit's covered-employee payroll	\$ 6,781,504	\$ 6,640,739	\$ 6,911,427
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	394.59%	394.82%	357.71%
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%

Changes in benefit terms: There were no changes of benefit term in 2020.

Changes in benefit assumptions: There were no changes of benefit assumptions in 2020.

Changes in size or composition of the covered population: There were no significant changes in size or composition of the covered population in 2020.

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.



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.08447%	0.08835%	0.08574%	0.08598%
\$ 21,890,919	\$ 22,041,884	\$ 20,940,911	\$ 18,937,550
\$ 6,915,242	\$ 7,372,372	\$ 7,455,745	\$ 7,748,819
316.56%	298.98%	280.87%	244.39%
66.20%	63.27%	63.17%	66.20%

Alpena Community College

Required Supplemental Information
Schedule of the Pension Contributions

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
A. Statutorily required contributions	\$ 2,140,771	\$ 2,103,241	\$ 2,239,399
B. Contributions in relation to statutorily required contributions*	<u>\$ 2,140,771</u>	<u>\$ 2,103,241</u>	<u>\$ 2,239,399</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. Reporting unit's covered-employee payroll	\$ 6,877,472	\$ 6,768,592	\$ 6,732,893
E. Contributions as a percentage of covered-employee payroll	31.13%	31.07%	33.26%

*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 2021.

Changes in benefit assumptions: There were no changes of assumptions in 2021.

Changes in size or composition of the covered population: There were no significant changes in size or composition of the covered population in 2021.

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.



<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,981,374	\$ 1,983,880	\$ 1,653,949	\$ 1,335,262
<u>\$ 1,981,374</u>	<u>\$ 1,983,880</u>	<u>\$ 1,653,949</u>	<u>\$ 1,335,262</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 6,882,867	\$ 6,956,035	\$ 7,455,745	\$ 7,748,819
28.79%	28.52%	22.18%	17.23%

Alpena Community College

Required Supplemental Information
Schedule of the 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)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Reporting unit's proportion of net OPEB liability (%)	0.07655%	0.07602%	0.08024%	0.08492%
B. Reporting unit's proportionate share of net OPEB liability	\$ 4,101,234	\$ 5,456,362	\$ 6,378,315	\$ 7,520,290
C. Reporting unit's covered-employee payroll	\$ 6,781,504	\$ 6,640,739	\$ 6,911,427	\$ 6,915,242
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	60.48%	82.16%	92.29%	108.75%
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%

Changes in benefit terms: There were no changes in benefit terms in 2020.

Changes in benefit assumptions: There were no changes in benefit assumptions in 2020, other than the healthcare cost trend rate changed as follows:

2018: 7.5% Year 1 graded to 3.5% Year 12

2019: 7.0% Year 1 graded to 3.5% Year 15, 3.0% Year 120

Changes in size or composition of the covered population: There were no significant changes in size or composition of the covered population in 2019.

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.

Alpena Community College

Required Supplemental Information
Schedule of OPEB Contributions

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

	2021	2020	2019	2018
A. Statutorily required contributions	\$ 540,877	\$ 521,944	\$ 520,841	\$ 661,158
B. Contributions in relation to statutorily required contributions*	\$ 540,877	\$ 521,944	520,841	661,158
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
D. Reporting unit's covered-employee payroll	\$6,877,472	\$6,768,592	\$6,732,893	\$6,882,867
E. Contributions as a percentage of covered-employee payroll	7.86%	7.71%	7.74%	9.61%

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

Changes in benefit terms: There were no changes in benefit terms in 2020.

Changes in benefit assumptions: There were no changes in benefit assumptions in 2020, reported plan years ended September 30, other than the healthcare cost trend rate changed as follows:

2018: 7.5% Year 1 graded to 3.5% Year 12

2019: 7.0% Year 1 graded to 3.5% Year 15, 3.0% Year 120

Changes in size or composition of the covered population: There were no significant changes in size or composition of the covered population in 2021.

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.

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Supplemental Information

Alpena Community College

Combining Statement of Net Position

June 30, 2021

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension and OPEB Liability Fund	Restricted Fund
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,764,594	\$ 100	\$ 1,800	\$ -	\$ 590
State appropriations receivable	1,266,958	-	-	-	-
Accounts receivable	2,584,131	7,615	37,608	-	53,038
Prepaid expense	5,106	-	-	-	167
Contributions receivable	-	-	-	-	-
Federal and state grants receivable	-	-	-	-	573,588
Inventories	5,599	-	414,855	-	-
Insurance funds on deposit	809,340	-	-	-	-
Due from (to) other funds	(821,347)	249,819	78,778	-	(240,959)
Total Current Assets	6,614,381	257,534	533,041	-	386,424
Restricted investments	-	-	-	-	-
Other investments	-	-	-	-	-
Capital assets, net	-	-	-	-	-
Total Assets	6,614,381	257,534	533,041	-	386,424
Deferred Outflows of Resources					
Related to pensions	-	-	-	5,528,986	-
Related to OPEB	-	-	-	1,851,480	-
Total Deferred Outflows of Resources	-	-	-	7,380,466	-
Total Assets and Deferred Outflows of Resources					
	\$ 6,614,381	\$ 257,534	\$ 533,041	\$ 7,380,466	\$ 386,424
Liabilities and Net Position					
Current Liabilities					
Current portion of debt obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,023,834	-	-	-	1,787
PPP loan payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Accrued payroll and related liabilities	846,749	11,858	9,048	-	33,632
Deposits	-	-	37,900	-	-
Unearned student tuition and fees	2,543,812	-	153,591	-	-
Unearned revenue - special events	-	-	-	-	-
Total Current Liabilities	4,414,395	11,858	200,539	-	35,419
Long-term debt obligations	-	-	-	-	-
Net pension liability	-	-	-	26,759,219	-
Net OPEB liability	-	-	-	4,101,234	-
Accrued compensated balances	195,733	18,954	14,630	-	8,319
Total Liabilities	4,610,128	30,812	215,169	30,860,453	43,738
Deferred Inflows of Resources					
Related to pensions	-	-	-	1,075,557	-
State aid for pension	-	-	-	1,042,972	-
Related to OPEB	-	-	-	3,504,046	-
Total Deferred Inflows of Resources	-	-	-	5,622,575	-
Net Position					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Expendable scholarships and grants	-	-	-	-	-
Unrestricted					
Unallocated	2,004,253	226,722	317,872	(29,102,562)	342,686
Total Net Position	2,004,253	226,722	317,872	(29,102,562)	342,686
Total Liabilities, Deferred Inflows of Resources, and Net Position					
	\$ 6,614,381	\$ 257,534	\$ 533,041	\$ 7,380,466	\$ 386,424

The accompanying notes are an integral part of this statement.

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 281,461	\$ -	\$ -	\$ 3,048,545	\$ 180,347
-	-	1,380,859	-	-	2,647,817	-
-	-	21,379	-	-	2,703,771	-
-	-	-	-	-	5,273	-
-	-	-	-	-	-	167,783
-	-	-	-	-	573,588	-
-	-	-	-	-	420,454	-
-	-	-	-	-	809,340	-
-	765	532,374	200,570	-	-	-
-	765	2,216,073	200,570	-	10,208,788	348,130
-	-	-	-	-	-	9,503,694
-	-	4,982	-	-	4,982	-
-	-	22,729,972	-	-	22,729,972	-
-	765	24,951,027	200,570	-	32,943,742	9,851,824
-	-	-	-	-	5,528,986	-
-	-	-	-	-	1,851,480	-
-	-	-	-	-	7,380,466	-
\$ -	\$ 765	\$ 24,951,027	\$ 200,570	\$ -	\$ 40,324,208	\$ 9,851,824
\$ -	\$ -	\$ 259,000	\$ -	\$ -	\$ 259,000	\$ -
-	-	-	-	-	1,025,621	1,377
-	-	-	-	-	-	-
-	-	4,944	-	-	4,944	-
-	-	-	190,876	-	1,092,163	-
-	-	-	-	-	37,900	-
-	-	-	-	-	2,697,403	-
-	-	-	-	-	-	8,575
-	-	263,944	190,876	-	5,117,031	9,952
-	-	710,000	-	-	710,000	-
-	-	-	-	-	26,759,219	-
-	-	-	-	-	4,101,234	-
-	-	-	-	-	237,636	-
-	-	973,944	190,876	-	36,925,120	9,952
-	-	-	-	-	1,075,557	-
-	-	-	-	-	1,042,972	-
-	-	-	-	-	3,504,046	-
-	-	-	-	-	5,622,575	-
-	-	21,760,972	-	-	21,760,972	-
-	765	-	-	-	765	7,135,478
-	-	2,216,111	9,694	-	(23,985,224)	2,706,394
-	765	23,977,083	9,694	-	(2,223,487)	9,841,872
\$ -	\$ 765	\$ 24,951,027	\$ 200,570	\$ -	\$ 40,324,208	\$ 9,851,824

Alpena Community College

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2021

	General Fund	Designated Fund	Auxiliary Activities Fund	Unfunded Pension and OPEB Liability Fund	Restricted Fund
Revenue					
Operating Revenue					
Tuition and fees	\$ 5,965,030	\$ 373,921	\$ -	\$ -	\$ -
Federal grants and contracts	9,718	-	-	-	3,001,122
State grants and contracts	-	6,967	-	-	184,403
Local grants and fees	-	-	-	-	7,250
Auxiliary activities	-	112,411	922,459	-	-
Indirect cost recovery	44,955	-	-	-	(44,955)
Current funds expenditures for equipment and capital improvements	-	-	-	-	-
Miscellaneous	98,475	180	-	-	-
Total Operating Revenue	<u>6,118,178</u>	<u>493,479</u>	<u>922,459</u>	<u>-</u>	<u>3,147,820</u>
Expenses					
Operating Expenses					
Instruction	7,782,763	4,601	-	(312,399)	5,341
Technology	1,039,866	41,730	43,191	(34,002)	-
Public services	-	182,151	82,538	(5,445)	1,975,063
Instructional support	1,561,728	5,345	-	(68,257)	40,528
Student services	1,380,951	315,027	1,042,522	(73,810)	2,437,797
Institutional administration	2,070,342	-	-	(52,811)	-
Operation and maintenance of plant	1,626,178	16,027	3,414	(39,998)	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>15,461,828</u>	<u>564,881</u>	<u>1,171,665</u>	<u>(586,722)</u>	<u>4,458,729</u>
Operating Income (Loss)	<u>(9,343,650)</u>	<u>(71,402)</u>	<u>(249,206)</u>	<u>586,722</u>	<u>(1,310,909)</u>
Nonoperating Revenue (Expenses)					
State appropriations	7,155,151	-	-	(1,042,972)	-
Paycheck Protection Program Loan Forgiveness	2,435,600	-	-	-	-
Federal CARES Act Provisions	317,694	89,702	42,943	-	1,610,302
Property tax	2,757,927	-	-	-	-
Investment income	196,998	-	-	-	-
Interest on capital asset - related debt	-	-	-	-	-
Gifts and permanent endowments	6,456	3,581	-	-	2,807
Gain (loss) on sale of capital assets	-	-	-	-	-
Net Nonoperating Revenue (Expense)	<u>12,869,826</u>	<u>93,283</u>	<u>42,943</u>	<u>(1,042,972)</u>	<u>1,613,109</u>
Increase (Decrease) in Net Position	3,526,176	21,881	(206,263)	(456,250)	302,200
Transfers In (Out)	<u>(3,021,644)</u>	<u>108,002</u>	<u>340,539</u>	<u>-</u>	<u>21,183</u>
Net Increase (Decrease) in Net Position	504,532	129,883	134,276	(456,250)	323,383
Net Position - beginning of year	<u>1,499,721</u>	<u>96,839</u>	<u>183,596</u>	<u>(28,646,312)</u>	<u>19,303</u>
Net Position - end of year	<u>\$ 2,004,253</u>	<u>\$ 226,722</u>	<u>\$ 317,872</u>	<u>\$ (29,102,562)</u>	<u>\$ 342,686</u>

The accompanying notes are an integral part of this statement.

Student Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Combined Primary Government Unit	A.C.C. Foundation Component Unit
\$ -	\$ -	\$ 176,186	\$ 2,100	\$ (1,527,859)	\$ 4,989,378	\$ -
-	-	-	-	-	3,010,840	-
-	24,468	-	-	-	215,838	-
-	-	-	-	-	7,250	-
-	-	-	-	-	1,034,870	-
-	-	-	-	-	-	-
-	-	5,505,296	-	(5,505,296)	-	-
-	-	-	19,534	-	118,189	29,340
-	24,468	5,681,482	21,634	(7,033,155)	9,376,365	29,340
-	-	-	3,794	-	7,484,100	-
-	-	-	-	-	1,090,785	-
-	-	-	-	(707,736)	1,526,571	-
-	-	-	-	(26,693)	1,512,651	-
-	183,916	-	23,669	(1,527,859)	3,782,213	1,798,481
-	-	-	2,501	-	2,020,032	101,271
-	-	5,586,049	-	(5,235,365)	1,956,305	-
-	-	965,879	-	-	965,879	-
-	183,916	6,551,928	29,964	(7,497,653)	20,338,536	1,899,752
-	(159,448)	(870,446)	(8,330)	464,498	(10,962,171)	(1,870,412)
-	-	1,380,859	-	-	7,493,038	-
-	-	-	-	-	2,435,600	-
-	-	14,159	-	(464,498)	1,610,302	-
-	-	-	-	-	2,757,927	-
-	-	243	-	-	197,241	2,264,143
-	-	(30,777)	-	-	(30,777)	-
-	146,864	1,502,050	2,752	-	1,664,510	707,984
-	-	2,729	-	-	2,729	-
-	146,864	2,869,263	2,752	(464,498)	16,130,570	2,972,127
-	(12,584)	1,998,817	(5,578)	-	5,168,399	1,101,715
-	-	2,551,920	-	-	-	-
-	(12,584)	4,550,737	(5,578)	-	5,168,399	1,101,715
-	13,349	19,426,346	15,272	-	(7,391,886)	8,740,157
\$ -	\$ 765	\$ 23,977,083	\$ 9,694	\$ -	\$ (2,223,487)	\$ 9,841,872

Communication with Those Charged with Governance

To the Board of Trustees
Alpena Community College
Alpena, Michigan

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Alpena Community College for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters dated August 11, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Alpena Community College are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Alpena Community College changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2021. Accordingly, the cumulative effect of the accounting change as of July 1, 2019 in the statement of net position and statement of revenues, expenses and changes in net position. We noted no transactions entered into by Alpena Community College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Alpena Community College's financial statements were:

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

D. GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – This statement addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset (such as infrastructure or other capital asset) for a period of time in exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Educational Service District is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2022, (the Alpena Community College’s June 30, 2023 fiscal year).

E. GASB Statement No. 96, Subscription-Based Information Technology Arrangements – This statement expands on the new guidance for leases (GASB Statement No. 87) and applies it to subscription-based information technology arrangements (“SBITAs”). Governments that have agreements that meet the definition of a SBITA will report a right-to-use subscription asset, with a corresponding subscription liability and be required to disclose additional information. The Educational Service District is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2022, (the Alpena Community College’s June 30, 2023 fiscal year).

F. GASB Statement No. 97, Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans – This statement amends GASB Statements No. 14 and No. 84, and is a supersession of GASB Statement No. 32. The new statement amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units and how to account for Section 457 deferred compensation plans. The Educational Service District is currently evaluating the impact this standard will have on the financial statements when adopted.

The requirements of this statement are effective for reporting periods beginning after June 15, 2021, (the Alpena Community College’s June 30, 2022 fiscal year).

Restriction on Use

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

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

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

Very truly yours,

Straley Lamp & Kraenzlein P.C.

October 14, 2021