



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended
June 30, 2018

CITY OF ALPENA, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2018

City Council

Matt Waligora, Mayor

Cindy Johnson, Mayor Pro-Tem

Susan Nielsen, Council Member

Mike Nowak, Council Member

Amber Hess, Council Member

City Manager

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Financial Officer

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Prepared by:

City Clerk/Treasurer/Finance Director's Office

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For the Fiscal Year Ended June 30, 2018

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I. INTRODUCTORY SECTION

The Introductory Section Contains:

- A. Letter of Transmittal**
- B. Government Finance Officers Association
Certificate of Achievement for Excellence
in Financial Reporting**
- C. Organizational Chart**
- D. Administrative Staff**





City Hall
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Alpena, Michigan 49707
www.alpena.mi.us

Clerk/Treasurer

December 27, 2018

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Alpena, Michigan:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Alpena, Michigan for the fiscal year ended June 30, 2018. This report was prepared in conformance with regulations and standards set forth by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA).

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Alpena, Michigan for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Straley Lamp & Kraenzlein P.C., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Alpena, Michigan's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF ALPENA

The City of Alpena is the county seat of Alpena County. Alpena is located on the west shore of Lake Huron and is one of the oldest chartered communities in the Lower Peninsula. Alpena is a community highly dependent on its industrial base, as it has been since it was laid out in 1840. In the early historical days, Alpena was a thriving lumbering/logging community, reaching a peak population of 15,600 in 1897.

By the end of the 1880s, Alpena was nearing the end of its lumbering heyday. By the early part of the twentieth century cement manufacturing had eclipsed lumbering as the City's chief industry. The cement industry continues to remain an integral, valuable, and important part of the City. Government agencies such as the City and County seats; organizations such as the hospital, museum, high school and community college; and businesses such as Lafarge Midwest, Inc., Besser Company and Decorative Panels International all make the City of Alpena their headquarters.

For 2010, the U.S. Census Bureau reports a population of 10,483 for the City of Alpena. That is 821 people less than the 2000 census. The City is the largest political entity within the County and comprised over one-third of the total County population. The City is completely surrounded by Alpena Township which comprises another one-third of the County population.

The median age is 42.1 years old and the average income per capita is \$21,510. The average income per capita remained steady until 2011 when it decreased drastically almost \$10,700 to \$18,617. It increased slightly each year for four years, but then declined slightly in 2016 to \$19,434. Over the past two years, it has increased slightly each year.

The unemployment level decreased from 5.6% in 2017 to 4.1% in 2018.

School enrollment has been fairly steady until 2011 when it increased to 1,627 but then dropped to 1,232 in 2013. It steadily increased or remained steady through 2017 to 1,474. In 2018, enrollment decreased to 1,406.

There are 2,989 workers employed by the principal employers in the City with the largest percentage employed by MidMichigan Medical Center, followed by Northeast Michigan Community Mental Health, Alpena Public Schools, and Alpena Community College.

The taxable value of real property in the City for 2018 was \$209,249,826 and personal property was \$28,542,800 for a total taxable value of \$237,792,626. The real property values slightly increased from the 2017 value of \$205,853,419, and the personal property decreased from the taxable value of \$30,081,000 in 2017. The total taxable value for 2017 was \$235,934,419, which results in a difference of \$1,858,207 more in 2018.

Municipal services provided to its taxpayers include: legislative, executive, elections, assessing, finance, public safety, law enforcement, fire protection, ambulance, building inspection, parks and recreation, an electrical division, cemetery, cultural, conservation of natural resources, planning, engineering, and other functions. In addition, the City maintains two enterprise funds, which provide water and sewer. Other funds include an equipment fund for transportation rental services, and a stores fund. The City also established a marina fund, a tree/park improvement fund, and a building authority fund.

The City of Alpena operates under the council-manager form of government. The City's charter was adopted September 1, 1915, and then revised March 13, 1944. The Council consists of five members, including the Mayor, who are elected by the residents of the City qualified to vote under the Constitution and Laws of the State of Michigan. The members of the Council serve for a term of four years. The Mayor of the City is elected at large by the voters of the City and also serves a four-year term.

The City Charter provides for a chief administrative office headed by a City Manager. The City Council appoints the City Manager based on his/her education, work experience, training, and ability without regard to political preference. The Manager serves at the pleasure of the City Council. The Manager appoints the City Planning and Development Director, City Engineer, Police Chief, Fire Chief, and others as may be determined by the City Council, all subject to confirmation by the Council. The offices of City Clerk/Treasurer/Finance Director, City Attorney, and City Assessor are appointed directly by the City Council.

ECONOMIC CONDITIONS AND OUTLOOK

Economic conditions in the City of Alpena are slowly improving, but challenges still exist. Revenue sharing from the State has increased since the cuts following the 2008 downturn, however, is still well below previous levels. City staffing remains lower than historic (pre-2008) levels. The local real estate market has shown small incremental gains in the last three years, which is expected to continue into 2019.

Infrastructure improvements have made a significant difference in the aesthetic appearance of the City's residential areas, business community, and utility operations. Residential improvements continue to progress as the community image improves. Tourism is recognized as an increasingly significant contributor to the economic health of the area. These visitors enhance the vitality of the business community throughout the region.

Alpena is actively preparing to accommodate a large and growing elderly population. The area's natural resources, friendly small town atmosphere, cultural and continuing education opportunities, and quality medical care facilities all provide an exceptional quality of life. Several facilities geared toward senior housing have been completed in the last several years and prospects for further such development are promising. Besser Senior Living Center began construction in 2018, and will include 48 assisted living units. This facility will be located at 325 Johnson Street next to the Besser Museum. This project is a \$7 million investment and will create 20 jobs.

The City has been an active participant in attempts to redevelop the former Fletcher Paper Mill site. The former mill office building was rehabbed, and additional parking was added for new offices for Community Mental Health in 2012. The NOAA Maritime Heritage Center completed a major expansion project in 2013. A portion of the mill has been utilized as an office for US Fish and Wildlife since 2012.

All the lots have been sold in the City's North Industrial Park. To provide additional sites for light industrial growth, the City, in conjunction and partnership with Target Alpena, developed a new business enterprise park for light manufacturing and commercial ventures. This new park, named the "Commerce Industrial Park", has 6 lots available for development. Currently, 8 lots have been sold.

The City continues in its effort to sell and develop the 100-acre US 23 North property across from North Industrial Park. To date none of the land has been purchased. The City instituted a price reduction plan whereby a purchaser could significantly reduce the acquisition cost for a parcel based on capital investment and job creation. The City obtained an MDEQ permit this year and has begun construction of an access road from US 23 North across wetlands located on the front of the property to the dry developable land in the rear. The access is expected to be completed in early 2019.

The City has utilized MSHDA's Neighborhood Rental Rehabilitation and Downtown Rental Development Programs in the past. The Downtown Rental Development program has resulted in the construction of thirty-one (31) new residential rental units, primarily in underutilized second floors of downtown commercial buildings. This program was reinitiated in 2018 by the MEDC after several years of transition between MSHDA to the MEDC. Several property owners are looking at the possibility of adding additional downtown units above commercial uses.

As additional support to the economic revitalization of the City's downtown, the City of Alpena previously received CDBG funding from the MEDC to assist with the restoration of buildings located at 101 N. Second and the Center Building at 121 N. Second Avenue. In 2018, the City closed a façade grant with Alpena Furniture (325 N. Second Avenue), and the former Owl Restaurant (121 W. Chisholm). This single grant represented nearly \$1.4 million in façade and interior improvements for these buildings. These grants allowed the building owners to restore the facades of these buildings by leveraging other work and job creation. The completed projects have transformed both of the building's physical appearance and the level of activity in and around them.

The City has also continued to market the vacant downtown development site at 310 N. Second Avenue. The City was able to utilize a grant from the Michigan Land Bank to remove a blighted vacant building on the site in 2015 and now the City is working with the MEDC's Redevelopment Ready Communities program to proactively market the site.

Additional façade work has occurred on a smaller scale with the DDA issuing 4 façade grants annually; which provide a \$5,000 grant with \$5,000 of match required for work done on facades of various buildings across town within the DDA district. Two different buildings (107 N. Second & 121 N Second) were able to utilize this grant during 2018 and make significant façade improvements.

The City was certified as a Redevelopment Ready Community in 2018 through the MEDC. The certification shows the City of Alpena meets all the best practices as set by the State in their redevelopment efforts. The City of Alpena was the 23rd community in the state to receive this certification.

Target Alpena Development Corporation, the local economic development organization, continues to implement its short term and long-term strategic economic development plan for Alpena County, including the City of Alpena. These efforts have been strengthened by its merger with the Alpena Area Chamber of Commerce. This brings to the table the resources and unique capabilities of each organization thereby significantly increasing the economic development potential of the combined entities. An eleventh Service Agreement between the City and Target Alpena has been executed and went into effect July 1, 2018. This Agreement, which provides Target Alpena with \$40,000 in funding from the City of Alpena, includes a scope of services to be performed by Target Alpena, reporting requirements for the organization, and an outline of the rights and responsibilities of both parties. Under the leadership of the Chamber and Target Alpena's Executive Director and Executive Committee, great strides have been made in revitalizing and refocusing the area's economic development efforts. Target Alpena has been especially active in working with the DDA to implement some of the economic development strategies resulting from the branding initiative in 2012.

In addition to just working within the City limits, Target Alpena has actively worked in recruiting larger commercial stores, which may be too large for locations within the City. In 2015, a Meijer store located on M-32, opened which provided 280 new jobs to the area. These new jobs serve to support population growth with many of the perspective employees living within the City of Alpena and utilizing the downtown for entertainment purposes. The new Meijer store has spurred additional investment in the region including that by existing businesses. A number of chain style businesses have taken notice of Alpena and the M-32 corridor in particular.

In 2014, the City was able to utilize a brownfield redevelopment plan to assist in the development of the vacant riverfront property at Third Avenue and River Street (225 River Street) in downtown. A four story, ninety room Holiday Inn Express hotel, was completed in 2017 at a cost of \$8.25 million. The 15-year Brownfield Tax Increment Financing (TIF) Plan approved by the City Council, the City's Brownfield Redevelopment Authority (BRA), and the Michigan Economic Growth Authority (MEGA) Board. The MEGA will reimburse the developers for the cost of special pier foundations required for the site, as well as street improvements necessary to convert Third Avenue to a two-way street between Chisholm Street and River Street. The City approved a 10-year Commercial Rehabilitation Exemption Certificate that provides a 100% abatement of all local property taxes on the improvements constructed on the property.

In 2015, the City was able to utilize funding from the brownfield remediation fund to conduct environmental testing for a vacant industrial building at 821 W. Miller Street to allow for the development of a new brewery, called the Austin Brothers Beer Company. The City is also in the process of utilizing the remediation fund for two smaller sites, recently including 120 Washington Ave and 1222 Ford Ave, to allow those sites to be sold for future development.

Placemaking, or creating public areas that attract visitors is another goal. To that end, individual and corporate volunteers from the area have partnered to upgrade park infrastructure by replacing the deteriorating bridge that connected Duck Park to Island Park to a new covered style bridge. The bridge reflects the dedication of Alpena area residents. Other improvements have been made such as the addition of landscaped wildflower gardens and fishing areas. The Wildlife Sanctuary Board is also hoping to expand educational opportunities at the site and recently finished a feasibility study and building design for a interpretive center proposed to be constructed at Duck Park.

Additional placemaking projects include the large public mural in the DDA pocket park downtown and a dog park that was constructed in North Riverfront Park. Both of these projects received financial support from a combination of crowd funding and MEDC grants. The Thunder Bay Arts Council also utilized the crowd funding program with an MEDC match to fund a pair of sculptures located at ACC and the Duck Park and are continuing their sculpture development program.

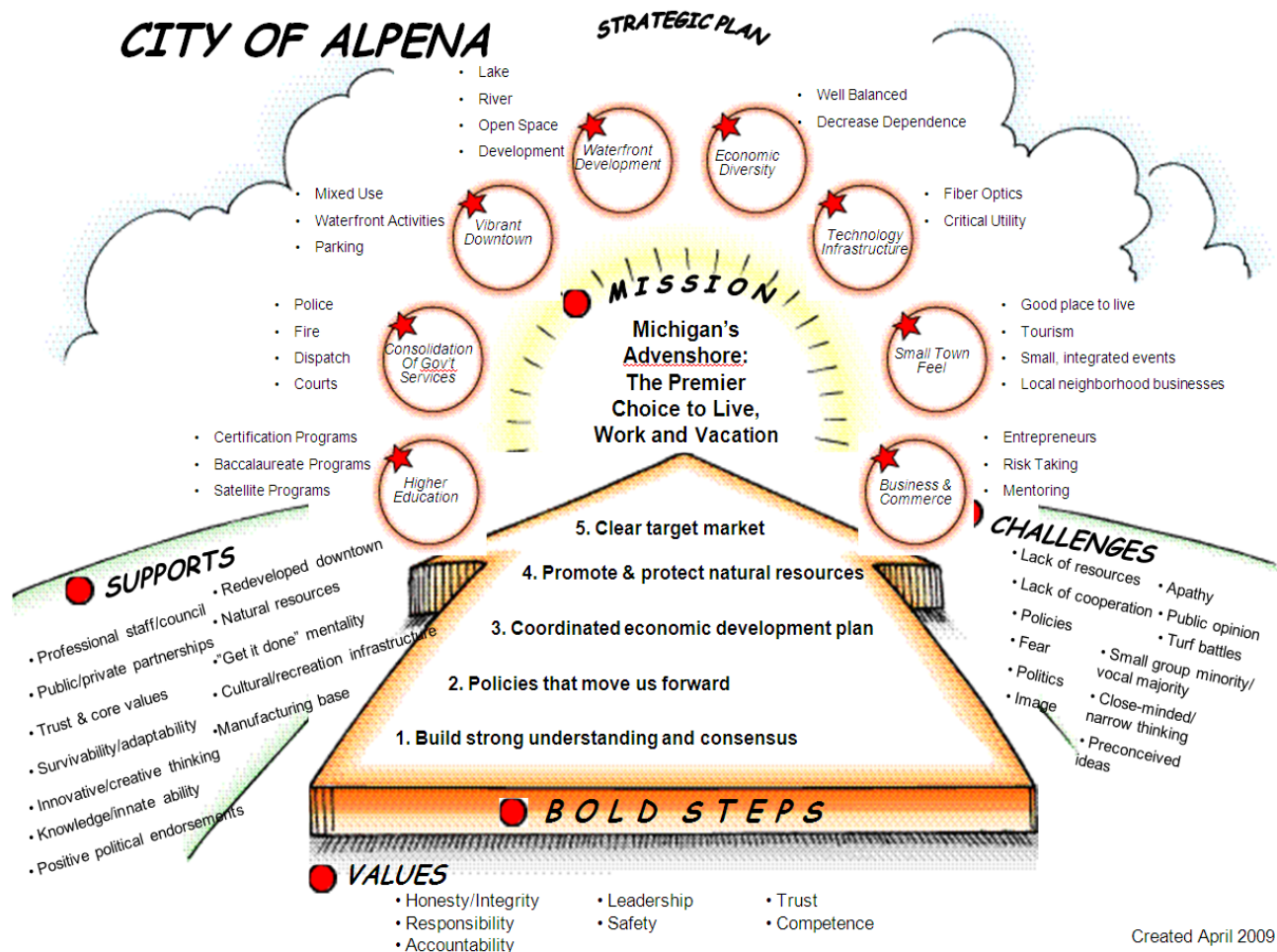
The City also received a \$10,000 grant from NEMCOG through the State Regional Prosperity Initiative. The grant was utilized to install over 20 wayfinding signs in various parts of the City's 19-mile Bi-Path, which direct people utilizing the trails to various business corridors and attractions.

Northland Credit Unions new corporate headquarters began construction in 2018 in the City of Alpena. The building will be a four (4) story, 58,000 square foot structure, located at 1161 N. Bagley Street. Construction should be complete in late 2019.

VISION STATEMENT AND GOALS

The City of Alpena conducted an in-depth visioning session that involved extensive input from citizens and the city staff in 2009. The Alpena City Council used that information as well as insights from analyzing current and future trends, assumptions, opportunities, and potential threats that would influence the vitality of the community to envision a collective desired future. With examination of all the data, the Council established long-term directions and short-term goals in major impact areas.

Committed to continuous improvement, the Alpena City Council and City staff conducted a planning session in April 2009 to revisit the vision and review the status of the goals to purposefully revise and update them (reviewed annually since 1988, biannually since 1998 until 2004. The last planning session was held in 2009). Specific intent was focused on the major impact areas, which reflect key aspects of the community's daily life. Each impact area is cooperatively maintained or enhanced to achieve the quality of life desired for citizens, their children, grandchildren, and great-grandchildren.



City of Alpena

CREATING THE FUTURE

EXECUTIVE SUMMARY

The City Council of Alpena met on April 18 and 25, 2009 to develop a vision for the City, identify the values that are important guiding principles for the City, and to develop a strategic plan identifying key priorities for the City for the next three to five years. Several community members also participated in the April 18 meeting.

The group identified 21 key strategies for achieving the vision. After a rigorous prioritization process, five strategies were selected as critical areas for focus in the next three to five years.

- Build strong understanding of and consensus for what is happening in Alpena
- Ensure that policies support the vision and move Alpena forward (ordinances, charter, etc.)
- Establish a coordinated economic development plan and strategy
- Promote and protect natural resources
- Identify a clear target market (who we are – tourism, manufacturing, seniors, other)

Participants also identified six strategies that are important to continue to perform well. As foundational strategies, these are critical to maintain.

- Strong essential services
- Strong infrastructure
- Adequate resources
- Identify all possible areas of funding
- Public and private partnerships
- Educated staff, board and council

VALUES

Understanding an organization's values is important – because these represent the “non-negotiable” behaviors that will govern its activities and employees. Council members, staff, and community members identified seven important values for the City, defining them as shown below.

Honesty and Integrity

We are transparent—always.

As Individuals

- We say what we mean and do what we say.
- We avoid hidden or personal agendas.
- We act in a selfless manner.

As a City

- We encourage openness, through meetings, communication channels and discussions.
- We share the information we can, and trust others when they cannot share information.
- We say what we mean and do what we say.

Accountability

We accept responsibility for our actions.

As individuals ...

- We provide explanations, not excuses.
- We know who to direct others to.
- We are available and respectful of others.

As a City ...

- We are open and transparent.
- We have clearly defined responsibilities for council and staff.
- We have a comprehensive plan and we live by our plan.

Responsibility

We do the right things, in the right way, at the right time.

As individuals...

- We model accountability.
- We demonstrate our commitment.
- We are proud of our accomplishments.

As a City...

- We practice environmental stewardship.
- We are service oriented, with a strong referral and support network.
- We build inclusive and collaborative relationships.

Trust

We have confidence that everyone involved will do the right thing.

As individuals...

- We are willing to be open and vulnerable.
- We accept each other's actions without doubt.
- We are consistent in our actions.

As a City ...

- We encourage an open door policy, with full disclosure whenever appropriate.
- We are transparent and share information freely with our community.
- We provide opportunities for public feedback through surveys, our newsletter, and our website.

Safety

We protect our community and employees from harm.

As individuals ...

- We provide funding for safety initiatives.
- We are knowledgeable about safety practices.
- We enforce safety laws, ordinances and regulations.

As a City ...

- We educate the public about safety practices.
- We update our ordinances to encourage safe practices.
- We issue warnings and/or tickets when necessary to encourage safe practices.

Leadership

We are willing to take responsibility for making things happen.

As individuals ...

- We demonstrate strength of character.
- We have strong convictions.
- We are willing to be involved.

As a City ...

- We cooperate with other governmental units.
- We demonstrate fiscal responsibility.
- We listen to the public and understand its needs.

Competence

We have the ability (through training and experience) to do things well.

As individuals ...

- We participate in ongoing, continuous education.
- We demonstrate a positive attitude toward learning.
- We are dedicated to performing tasks well.

As a City ...

- We budget for continuing education.
- We attend classes and seminars.
- We identify and hold each other to clear standards of performance.

VISION

Understanding where an organization is going is a critical part of successful change. Council members, staff, and community members participated in a visioning exercise, which resulted in eight major themes that are important for the City in the future.

- Vibrant Downtown
- Small Town Feel
- Business & Commerce
- Consolidation of Government Services
- Higher Education
- Economic Diversity
- Waterfront Development
- Technology Infrastructure



CREATING THE FUTURE

Obstacles

Looking back from great success, what were the obstacles that had to be overcome to achieve the vision for the City of Alpena? Council members and staff identified the following key obstacles.

- Lack of money/budget
- Lack of cooperation (internal & external)
- Community apathy
- Public opinion
- Policies (lack of, limiting, too much)
- Turf battles (government and agencies)
- Lack of resources (time, staff, money)
- Fear (failure, unknown, ridicule, re-election)
- Small group minority/vocal majority
- Politics
- Close-minded narrow thinking
- Image (self & external)
- Pre-conceived ideas
- Having to do more with less
- "No"
- Boundary constraints / lack of room
- Limited staff, time, burnout
- Lack of citizens taking ownership
- Disconnect between staff and elected officials
- "Alpena mentality" - not good enough

A discussion of the obstacles allowed for clearing the air and served as a springboard for looking forward.

Enablers

What are the things we have going for us now that can help us create the City that we want? Council members and staff focused on the question, "It's five years from now. You have had great success."

- What "enablers" were available that helped the City to achieve its great success?
- What resources did you take advantage of?

The group identified the following enablers.

- Professional staff & council
- Partnerships
 - Public
 - Private
- Built trust and core values
- Survival ability/adaptability
- Innovative and creative thinking
- Knowledge and innate ability
- Redeveloped downtown
- Natural resources
- Positive political endorsements
- "Get it done" mentality
- Cultural/recreational infrastructure
- Leadership

- Safety
- Manufacturing base
- Trust
- Volunteers/community spirit
- Technology
- Better service
- Cooperation amongst "powers that be"
- Grants

STRATEGIC PROFILE

Having considered the obstacles to success and possible resources that could be employed to achieve the vision for the City, participants then considered possible strategies that could be implemented to achieve success.

After considering many possible strategies, participants identified 21 strategies for success.

- A. Educated staff, boards, council, etc. (training, workshops, abilities, skills)
- B. Built strong consensus and understanding for ideas (joint workshops, staff, council, community) - good communication with staff about what's happening
- C. Multiple opportunities for community involvement (solicited public input, listened with an open mind)
- D. Policies that support the vision and move us forward (ordinance, charters, etc.)
- E. Clear target market (who we are - tourism, manufacturing, other, seniors)
- F. Strong essential services (police, fire, etc.)
- G. Strong infrastructure
- H. Great housing options (green/redeveloped/new)
- I. Great communication with state and federal legislators and agencies
- J. Partnerships - public and private (townships, county, MDOT, schools, service organizations, grants, etc.)
- K. Clear organizational priorities and goals
- L. Coordinated economic development plan and strategy
- M. Adequate resources - work together, committed to right things
- N. Marketed Alpena's assets
- O. Promoted and protected natural resources
- P. Found all available sources of funding (grants, private, public internal, external)
- Q. Consolidated government services
- R. Encouraged employees input and participation
- S. Communicate information to public effectively (use technology, etc.)
- T. Empower citizens to find their own solutions and work together
- U. Capitalize on Alpena's small town feel

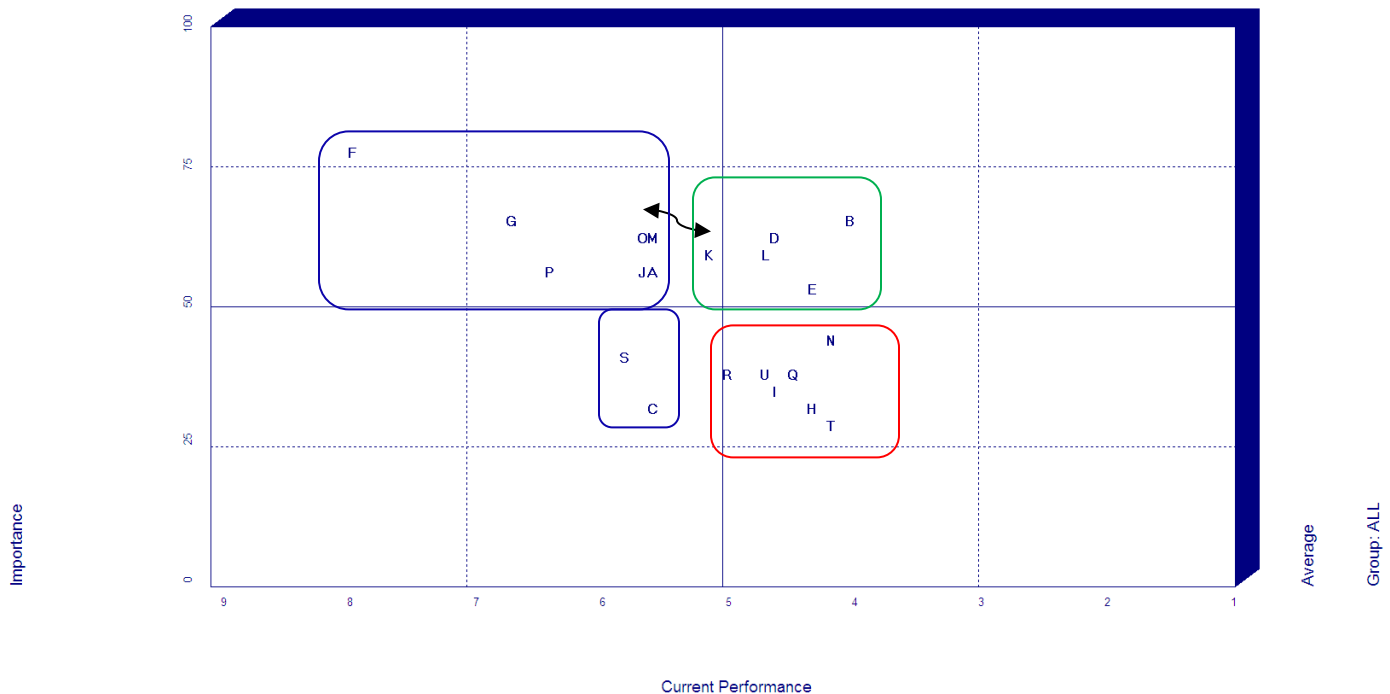
Strategic Rankings

The 21 strategies were ranked and plotted using Consensus™ technology. They were viewed from two perspectives.

1. Importance – Looking back from great success, having implemented all of these strategies, which were the most important in achieving the City's vision?
2. Current Performance – How well are you currently performing this strategy, as compared to where it needs to be?

The following chart is an opportunity profile displaying the results of the evaluation. Letters on the chart correspond with the letters shown in the list of strategies

Strategic Opportunity Profile



Profile Interpretation

The items with the green rectangle around them are the most important strategies to be addressed first.

High-Leverage Opportunities

Five strategies emerged as high-leverage opportunities (high importance, low performance). They are:

- Built strong consensus and understanding for ideas (B)
- Policies that support the vision and move us forward (D)
- Coordinated economic development plan and strategy (L)
- Clear target market (E)
- Promote and protect natural resources (O)* (note: this was moved to high-leverage because there is a clear discrepancy between the council's and staff's perception as to current performance).

Foundational Strategies

Nine additional strategies (in blue) were identified as foundational strategies that must be continued. These are strategies that are important to continue, as they are foundational to the success of the City.

- Strong essential services (F)
- Strong infrastructure (G)
- Found all available sources of funding (P)
- Adequate resources (M)
- Public and private partnerships (J)
- Educated staff, board, and council (A)
- Clear organizational goals and objectives (K)* (moved to foundational based on discussion and consensus that action planning on the high-leverage opportunities would address performance issues on this strategy).
- Communicate information to public effectively (S)
- Multiple opportunities for community involvement (C)

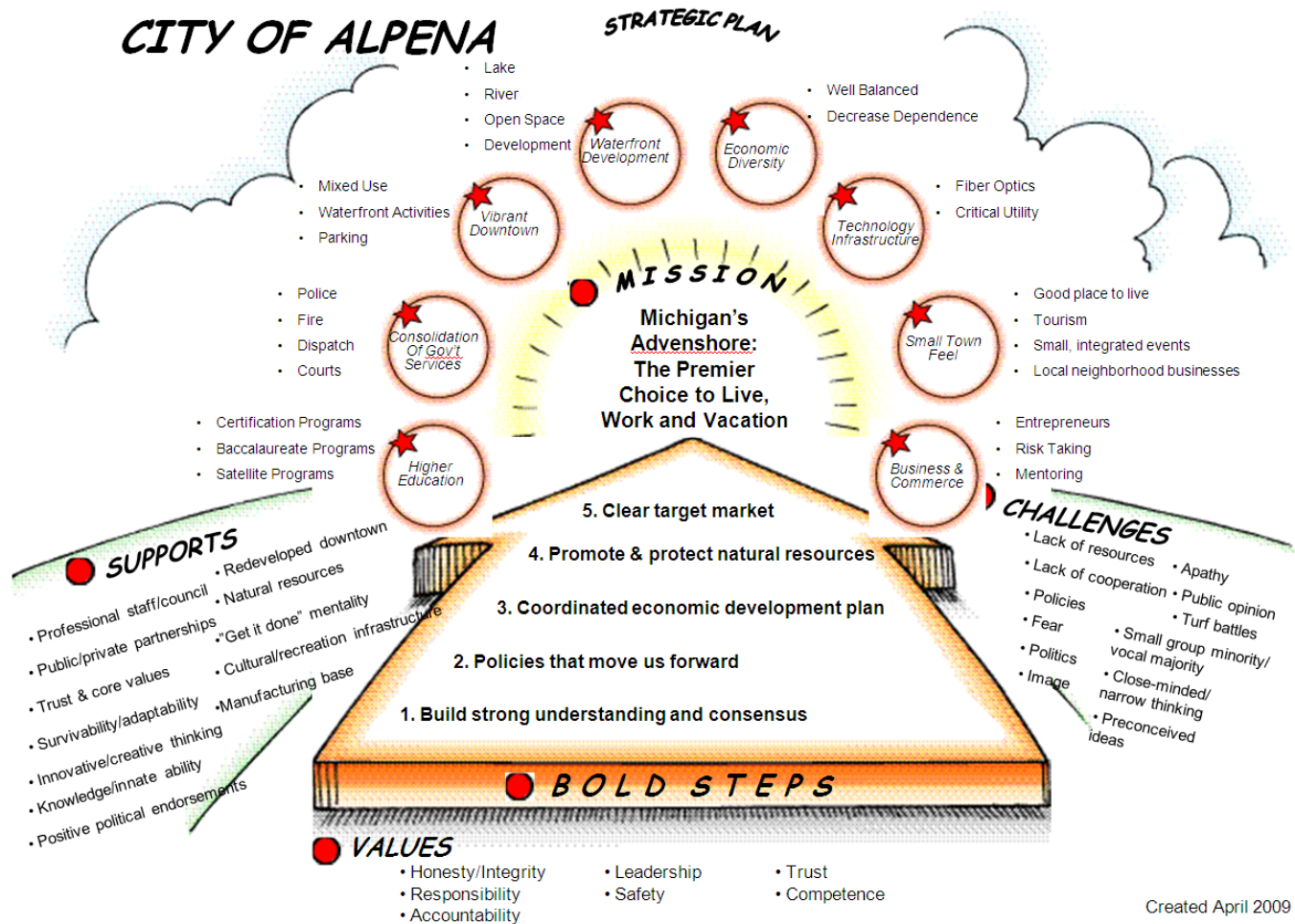
Mid-Term Opportunities (24-36 months)

Seven additional strategies (in red) were identified as mid-term opportunities that should be explored. While these will take slightly longer to implement, research should be started soon. As performance improves on the high-leverage opportunities, these strategies are likely to increase in importance.

- Marketed Alpena's assets (N)
- Encouraged employees' input and participation (R)
- Capitalize on Alpena's small town feel (U)
- Consolidated government services (Q)
- Great communication with state and federal legislators and agencies (I)
- Great housing options (H)
- Empower citizens to find their own solutions and work together (T)

FIVE BOLD STEPS

When all of the activities from the strategic planning meetings are combined, the result was the following drawing that represents the vision and plan for the City.



Created April 2009

ACTION PLANS

Action plans were created for the five high-leverage strategies. These plans will need to be updated on a regular basis as progress takes place.

Build Strong Understanding and Consensus

WHO:	Staff ↔ City Council
What:	Face to face meetings between council and staff
When:	Semi-annually or quarterly
How:	Specific meeting times with council / work session type environment. Set up specific times when staff is available for council interaction
Measurement:	Comfort level between staff and the community (based on direction going)

WHO:	Manager ↔ Staff
What:	Manager and key staff member meetings
When:	Bi-weekly with all key department heads; as needed for specific issues
How:	Set regular meeting times (block on calendars)
Measurement:	Comfort level between staff and the community (based on direction going)

WHO:	Public ↔ Staff/City Council
What:	Further promote existing communication channels
When:	Ongoing
How:	Letters, emails, public comment meetings, public information meetings, on-site meetings, presentations, Internet
Measurement:	Comfort level between staff and the community (based on direction going)

WHO:	City ↔ Other Governmental Agencies
What:	Meet with appropriate government officials as needed for specific actions
When:	Dictated by need based upon specific issues
How:	As appropriate and as needed
Measurement:	Comfort level between staff and the community (based on direction going)

Policies that Move Us Forward

WHO:	City Attorney, Appropriate Staff, Council, Community
What:	Update city policies and charter to align with our vision; Review policies, ordinances, and charter to identify sections that are inconsistent or interfere; Develop new language
When:	Review within 180 days Rewrite within 180 days after review is completed Coordinate charter revisions with scheduled elections
Measurements:	When adopted or approved by Council When passed by the electorate

Coordinated Economic Development Plan/Strategy

WHO:	Area wide economic development process. Council, staff, citizens DDA, Target, CVB, business community
What:	Determine what we are targeting and build consensus about what we're looking for Modify zoning ordinances, etc. to help promote economic development Identify which tax incentives we want to approve based upon our economic development goals
When:	Need to begin immediately – establish within 6-9 months Zoning done by August/September 2009
Measurements:	Zoning completed

Promote Natural Resources

WHO:	City council, DDA, CVB, individual citizens, very involved peer groups
What:	<p>Promote educational programs in both government and individuals</p> <p>Better communicate with agencies</p> <p>Market Alpena's water facilities/culture (lakes, rivers, amenities)</p> <p>Strive for cleaner beaches and lakes</p>
When:	<p>As soon as possible → long term</p> <p>Education – institute fairly quickly</p> <p>Some things take more funding or planning</p> <p>Work on long-term as finances allow</p>
Measurements:	<p>Scientific sampling and studies</p> <p>Waste stream collection records</p> <p>Recycling collection records</p> <p>Public surveys</p> <p>Sniff tests</p> <p>Level of cleaner streets (protect catch basins)</p> <p>Reduction of salt</p> <p>Seeing fewer non-redeemable containers along streets and roadways</p> <p>Tourism surveys</p> <p>More people on beaches</p>

Protect Natural Resources

WHO:	MDEQ, EPA, Large/small industry, private citizens, council, other environmental protection agencies
What:	<p>Better communication with agencies</p> <p>Government and public education</p> <p>Offer solutions for pollution</p> <p>Incentives for environmental responsibility</p> <p>Better understanding of economic/ environmental costs and impact</p> <p>Seek ways to make environmental responsibility cost effective</p>
When:	<p>As soon as possible → long term</p> <p>Education – institute fairly quickly</p> <p>Some things take more funding or planning</p> <p>Work on long-term as finances allow</p>
Measurements:	<p>Scientific sampling and studies</p> <p>Waste stream collection records</p> <p>Recycling collection records</p> <p>Public surveys</p> <p>Sniff tests</p> <p>Level of cleaner streets (protect catch basins)</p> <p>Reduction of salt</p> <p>Seeing fewer non-redeemable containers along streets and roadways</p> <p>Tourism surveys</p> <p>More people on beaches</p>

Clear Target Market

WHO:	City council, staff, Public citizens, Chamber, CVB, DDA, Businesses, DNR, Sportsmen, media (involved), environmental, seniors, hospital, college, K-12, intergovernmental partners, CRTC, Airport, State & Federal representatives, NEMCOG, contractors, manufacturers, Target ... didn't intentionally exclude anyone
What/When:	<p>Co-champions</p> <ul style="list-style-type: none">• Staff, elected• 30 days <p>Create / invite / organize the “Kings & Queens” meeting in a workshop type session. Outside facilitator.</p> <ul style="list-style-type: none">• Review recent plans• Brainstorm what we want Alpena to be – 120 days <p>Identify opportunities for target market – create public input forum</p>
Measurements:	Agreed upon target markets

CONSENSUS

While it is important to look at the overall voting results, it is equally important to consider the level of agreement for each strategy. In most cases, there is significant agreement among the groups (same quadrant = general agreement). Where there are significant differences, additional dialogue should be considered.

CONCLUSION AND RECOMMENDATIONS

There is much work to be done to turn these action plans into reality. The City is encouraged to add these items to quarterly Council agendas for the purpose of following up and keeping the focus on the important priorities that has been established.

RELEVANT FINANCIAL POLICIES

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds and debt service funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department within the individual funds. Detail at the activity level is presented in the Required Supplementary Information – Budgetary Comparison Schedule – General Fund for the benefit of management.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alpena for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of one year only. The City of Alpena has received a *Certificate of Achievement* for the last twenty-four consecutive years (fiscal years ended June 30, 1994 through 2017). We believe our current report continues to conform to the *Certificate of Achievement* program requirements, and we are submitting it to GFOA.

Acknowledgments. Special recognition must be extended to Leilan Bruning, Deputy Clerk/Treasurer/Finance Director, who assisted with the development of the Comprehensive Annual Financial Report (CAFR) and annual independent audit. We wish to express our appreciation to all members of the City's departments. We would also like to thank the members of the Alpena City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Greg E. Sundin
City Manager



Anna M. Soik
City Clerk/Treasurer/Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Alpena
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

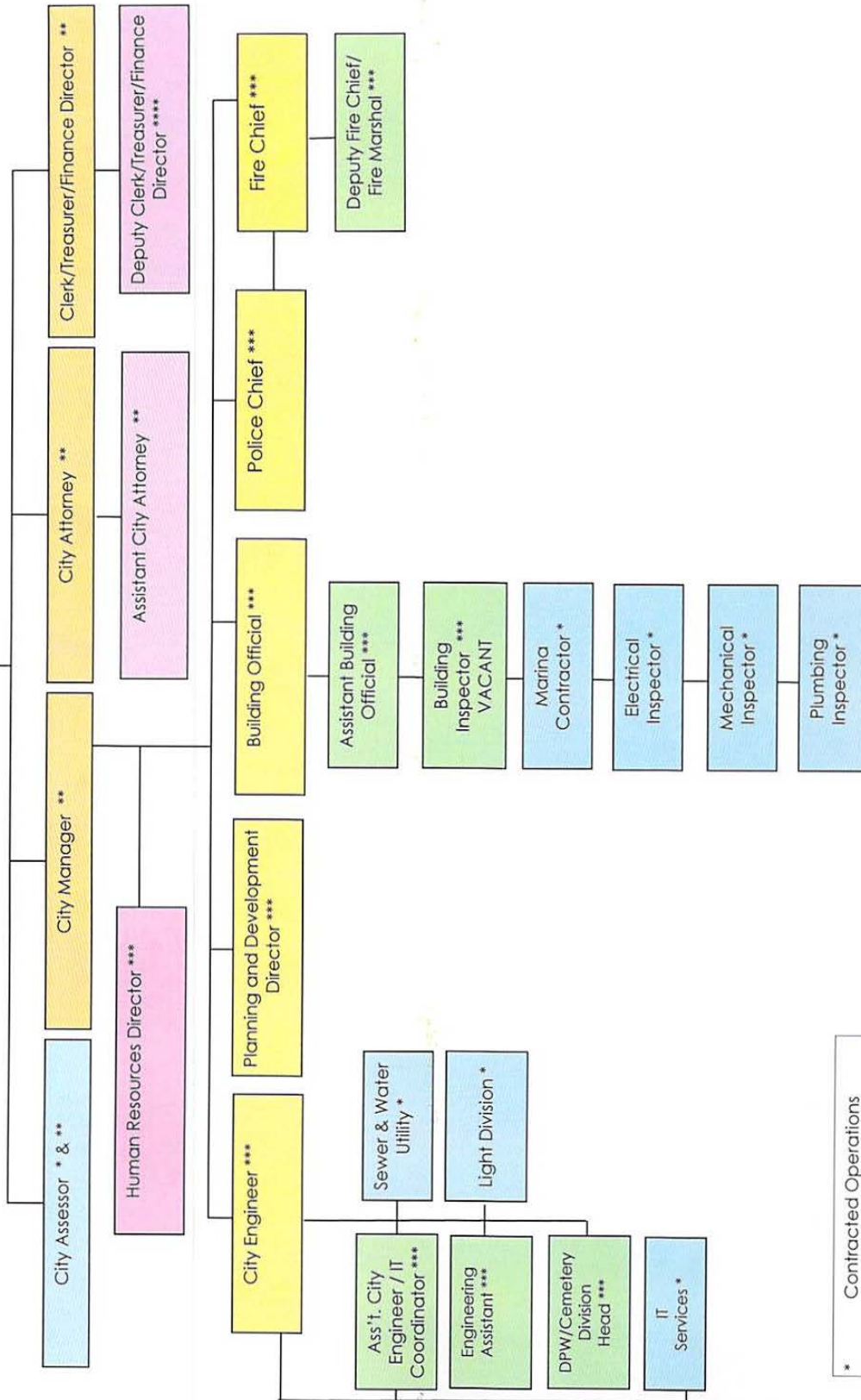
June 30, 2017

Christopher P. Morill

Executive Director/CEO

Planning Commission; Wildlife Sanctuary Board; Downtown Development Authority; Harbor Advisory Committee; Retirement Board; Recreation Advisory Board; Zoning Board of Appeals; Authority for Brownfield Redevelopment; Rental Housing Committee; Historic District Commission; Housing Commission; Historic District Study Committee

**Mayor and City Council -
Elected by Voters**



* Contracted Operations
 ** Appointed by City Council
 *** Appointed by City Manager
 **** Appointed by City Clerk

ADMINISTRATIVE STAFF

City Council Appointees

City Manager	Greg E. Sundin
City Clerk/Treasurer/Finance Director	Anna M. Soik
City Assessor	Berg Assessing and Consulting, Inc.
City Attorney	William Pfeiffer

City Manager Appointees

City Planning & Development Director	Adam Poll
City Engineer	Richard Sullenger
Assistant City Engineer	Steve Shultz
Police Chief	Joel Jett
Fire Chief	William Forbush
Deputy Fire Chief	Robert Adrian
Deputy Clerk/Treasurer/Finance Director	Leilan Bruning
Human Resources Administrator	Kathy Himes
City Building Official	Donald Gilmet
Assistant City Building Official	Michael Kieliszewski

Division Heads

Department of Public Works / Cemetery	Sean McNamara
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II. FINANCIAL SECTION

The Financial Section Contains:

- A. Independent Auditor's Report**
- B. Management's Discussion and Analysis**
- C. Basic Financial Statements**
- D. Required Supplementary Information**
- E. Combining and Individual Fund Financial Statements and Schedules (Supplementary Information)**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Alpena, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 19 to the financial statements, during the year ended June 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to employees of state and local governments. Our opinion is not modified with respect to this matter.

Also, as described in Note 19 to the financial statements, beginning fund balances and net position has been restated to reflect prior period adjustments in the General, Building Inspection, Local Street, and Major Street Funds and the government-wide financial statements. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund and each major special revenue fund, City of Alpena defined benefit pension system trust schedules and other post-employment benefit schedules, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alpena, Michigan's basic financial statements. The introductory section, statistical section and other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

The introductory and statistical sections, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of the City of Alpena'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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Straley Lamp & Kraenzlein P.C.

December 27, 2018

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CITY OF ALPENA

Management's Discussion and Analysis

As management of the City of Alpena, Michigan (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-22 of this report.

Financial Highlights

- The assets of the City of Alpena exceeded its liabilities at the close of the most recent fiscal year by \$53,112,372 (*net position*). A deficit of \$1,973,219 of unrestricted net position was due to pension and OPEB liabilities.
- The City of Alpena's primary government total net position decreased by \$1,599,493. This was the result of negative net changes in position of \$1,385,570 in the governmental activities and negative net changes in position of \$213,923 in business-type activities.
- The City of Alpena provided services of \$14,253,534 in governmental activities and \$4,823,668 of business-type activities for expenses totaling \$19,077,202 during the year ended June 30, 2018.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$5,430,109, an increase of \$305,892 in comparison with the prior year. Approximately 44.6% of the combined ending fund balance is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,420,083 or 24.0% of total general fund expenditures and transfers to other funds in comparison to \$2,615,457 at the close of the prior year, a decrease of \$195,374.
- The City's total outstanding long-term debt obligations decreased by \$259,251 from the prior year. Total debt obligations at June 30, 2018 were \$17,967,761 consisted of bonds and loans of \$6,074,619, compensated absences of \$304,891, a net pension obligation of \$7,054,711; and a net OPEB obligation of \$4,533,540.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Alpena's basic financial statements. The City of Alpena's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Alpena's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Alpena's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Alpena is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The

CITY OF ALPENA

Management's Discussion and Analysis

governmental activities of the City of Alpena include General government, Public safety, Public works, and Recreation and culture. The business-type activities of the City of Alpena include Sewage and Water operations. The government-wide financial statements include not only the City of Alpena itself (known as the *primary government*), but also two legally separate downtown development authorities, a brownfield redevelopment authority, and a legally separate economic development corporation, for which the City of Alpena is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The City of Alpena Building Authority, although also legally separate, functions for all practical purposes as a department of the City of Alpena, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 43-45 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Alpena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Alpena can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Alpena maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general major street funds, both of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Alpena adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget as part of the required supplemental information.

The basic governmental fund financial statements can be found on pages 46-53 of this report.

Proprietary funds. The City of Alpena maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Alpena uses enterprise funds to account for its Water and Sewage funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Alpena's various functions. The City of Alpena uses internal service funds to account for its equipment and its stores supplies. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage and Water funds, both of which are considered to be major funds of the City of Alpena. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 54-61 of this report.

CITY OF ALPENA

Management's Discussion and Analysis

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Alpena's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 62-63 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 68-107 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Alpena's progress in funding its obligation to provide pension and OPEB benefits to its employees. The City also adopts annual appropriated budgets for its general and major governmental funds. Budgetary comparison schedules are also presented. Required supplementary information can be found on pages 109-119 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 121-169 of this report.

A Statistical Section with data reflecting information on financial trends, revenue capacity, debt capacity, demographic, and economic trends of the City can be found on pages 171-200 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Alpena, Michigan, assets exceeded liabilities by \$53,112,372 at the close of the most recent fiscal year.

CITY OF ALPENA'S, Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 7,972,050	\$ 7,763,252	\$ 5,767,839	\$ 8,628,530	\$ 13,739,889	\$ 16,391,782
Capital assets	30,346,737	28,166,082	27,427,816	26,178,791	57,774,553	54,344,873
Total assets	38,318,787	35,929,334	33,195,655	34,807,321	71,514,442	70,736,655
Deferred outflows of resources	1,648,873	2,586,215	-	-	1,648,873	2,586,215
Liabilities						
Current liabilities	820,672	944,673	809,159	1,581,902	1,629,831	2,526,575
Noncurrent liabilities	12,933,847	12,552,809	4,233,819	4,858,819	17,167,666	17,411,628
Total liabilities	13,754,519	13,497,482	5,042,978	6,440,721	18,797,497	19,938,203
Deferred inflows of resources	1,253,446	374,648	-	-	1,253,446	374,648
Net position						
Net investment in capital assets	29,130,937	26,846,092	22,568,997	20,689,973	51,699,934	47,536,065
Restricted	3,035,026	2,508,760	350,631	227,050	3,385,657	2,735,810
Unrestricted (deficit)	(7,206,268)	(4,711,433)	5,233,049	7,449,577	(1,973,219)	2,738,144
Total net position	\$ 24,959,695	\$ 24,643,419	\$ 28,152,677	\$ 28,366,600	\$ 53,112,372	\$ 53,010,019

CITY OF ALPENA

Management's Discussion and Analysis

By far the largest portion of the City of Alpena's net position \$51,699,934 (97.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Alpena uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Alpena's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Alpena's net position \$3,385,657 (6.4%) represents resources that are committed for a certain purpose or have restrictions on how they may be used, (capital projects, bond payments, perpetual lot care). The deficit of \$1,973,219 in the unrestricted net position is primarily due to the net pension and OPEB liabilities.

CITY OF ALPENA'S, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,422,872	\$ 4,074,006	\$ 6,207,436	\$ 6,339,047	\$ 10,630,308	\$ 10,413,053
Operating grants and contributions	2,758,757	2,971,115	-	-	2,758,757	2,971,115
Capital grants and contributions	191,778	13,661	-	-	191,778	13,661
General revenues:						
Property taxes	3,760,951	3,811,792	-	-	3,760,951	3,811,792
State shared	1,689,706	1,682,923	-	-	1,689,706	1,682,923
Investment earnings	43,855	32,068	179,355	15,444	223,210	47,512
Miscellaneous	45	800	-	-	45	800
Total revenues	12,867,964	12,586,365	6,386,791	6,354,491	19,254,755	18,940,856
Expenses:						
General government	3,357,377	4,069,620	-	-	3,357,377	4,069,620
Public safety	6,533,086	6,766,066	-	-	6,533,086	6,766,066
Public works	3,338,349	3,410,282	-	-	3,338,349	3,410,282
Parks and recreation	990,632	779,257	-	-	990,632	779,257
Interest on long-term debt	34,090	35,029	-	-	34,090	35,029
Sewage	-	-	2,526,104	2,277,385	2,526,104	2,277,385
Water	-	-	2,297,564	2,011,412	2,297,564	2,011,412
Total expenses	14,253,534	15,060,254	4,823,668	4,288,797	19,077,202	19,349,051
Change in net position before special item	(1,385,570)	(2,473,889)	1,563,123	2,065,694	177,553	(408,195)
Special item - revenue adjustment	-	-	(1,777,046)	-	(1,777,046)	-
Change in net position	(1,385,570)	(2,473,889)	(213,923)	2,065,694	(1,599,493)	(408,195)
Net position - beginning of year, as restated (Note 19)	26,345,265	27,117,308	28,366,600	26,300,906	54,711,865	53,418,214
Net position - ending	\$ 24,959,695	\$ 24,643,419	\$ 28,152,677	\$ 28,366,600	\$ 53,112,372	\$ 53,010,019

The City of Alpena's net position decreased \$1,599,493 during the current fiscal year. Key elements of this decrease are as follows:

Governmental activities experienced a decrease in net position during the current fiscal year of \$1,385,570 while business-type activities had a negative change of \$213,923.

CITY OF ALPENA

Management's Discussion and Analysis

The revenues of governmental activities increased by \$281,599 for the current fiscal year. While revenue for property taxes decreased, state revenue sharing (CVTRS) increased. The CVTRS has increased the last 5 out of 6 fiscal years. The City received a modest increase in revenue sharing of \$6,783 in 2018 than 2017.

Governmental activities expenses decreased by \$806,720 in 2018 from the previous year. The largest decrease, \$712,243, was in the general government department, while other decreases were in the public safety and public works departments. The parks and recreation department had an increase of \$211,375 in expenses as compared to last year. This was due to repair of the North Riverfront walkway that collapsed.

Across all departments the cost of the post-retirement health insurance paid into the fund was 2% of budgeted payroll. This was increased to 6% for fiscal year 2018-19.

The net cost of services for governmental activities decreased \$1,121,345 from the 2016-17 fiscal year's net cost of \$8,001,472. Revenue increased from 2016-17 by \$314,625 due mainly to public works and parks and recreation. Expenses decreased \$806,720, which was attributed mainly to the general government.

Cost of Services – Governmental Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Functions/Programs:						
General government	\$ 3,357,377	\$ 4,069,620	\$ 1,945,789	\$ 2,547,474	\$ 1,411,588	\$ 1,522,146
Public safety	6,533,086	6,766,066	2,950,396	2,892,306	3,582,690	3,873,760
Public works	3,338,349	3,410,282	2,028,258	1,516,474	1,310,091	1,893,808
Parks and recreation	990,632	779,257	448,964	102,528	541,668	676,729
Interest on long-term debt	34,090	35,029	-	-	34,090	35,029
Total expenses	<u>\$ 14,253,534</u>	<u>\$ 15,060,254</u>	<u>\$ 7,373,407</u>	<u>\$ 7,058,782</u>	<u>\$ 6,880,127</u>	<u>\$ 8,001,472</u>

The City's taxable value increased in 2017 by \$1,858,207. The real property taxable values increased by \$3,396,407, while personal property taxable values decreased by \$1,538,200 for the 2017-18 fiscal year from the previous year. Taxable values for personal property have begun to trend down due to The Small Business Personal Property Exemption in 2014 and the Industrial Exemption in 2016. Revenue Sharing has remained fairly steady since 2013-14. The City received \$1,224,215 in 2017-18 and \$1,194,686 in 2016-17. A number of documents are required to be submitted annually to the State in order to receive the City, Village, Township, Revenue Sharing (CVTRS).

Labor and benefit costs are approximately 59% of the budget. The City has worked hard to keep health insurance costs from rising. Employees have paid 20% of their premiums for several years. Health Savings Accounts are being utilized to help employees save for health care now and when retired. The savings in the insurance premiums was passed on to the employees.

The City's pension system includes 94 retirees, 4 deferred retirees, and 67 active employees. The City has made pension contributions of \$722,318 for fiscal year 2016-17, \$796,584 for fiscal year 2017-18, and \$847,999 will be paid for 2018-19. Along with health insurance, pensions are the most expensive employee benefits. Pension reform has been implemented for all employees. Administrative employees and DPW hired after July 1, 2009 and Clerical employees hired after July of 2010 will not be in the defined benefit plan, but rather a defined contribution plan. New hires in the Public Safety department will continue to be in the defined benefit plan but their multiplier was reduced from 3.00% to 2.25%. The City's Pension Fund is currently at a funding level of 79.5%.

Other efforts to reduce costs include re-bidding contracts, seeking out grant funds and reducing services without eliminating them. All departments review work processes during the budget sessions and throughout the year to improve efficiency as much as possible. The implementation of new tax and financial software has greatly increased efficiency and has given us the opportunity to offer better customer service. The City accepts credit and debit cards and on-line payment of taxes, tickets, and miscellaneous charges, which helps increase collections.

CITY OF ALPENA

Management's Discussion and Analysis

REVENUES

Property taxes continue to be our largest source of revenue and received \$3,720,159 for fiscal year 2017-18. For 2016, the total City taxable valuation dropped significantly by \$18,657,631 from the previous year. Valuations since then are increasing, however at a very slow rate. For 2017, the total taxable valuation is \$237,792,626, which is a mere increase of \$1,858,207 from 2016. The lower valuation reflects the exemption of certain personal property taxes per State law. City can levy up to 17.5 mills within the limits of the Charter, however due to the Headlee Amendment and Proposal A, the City has been rolled back to 16.1066 mills. The 2017-18 total millage for the City of Alpena homestead property was 37.1872 mills and non-homestead property was 55.1872 mills.

Much of the development in the City is done through tax abatements or exemption programs such as the Renaissance Zones, OPRA, NEZ, or IFT's. In the short term, this does not help increase tax revenues; however, the City will see the benefits when the programs mature and the properties are placed on the tax roll at 100%. The downtown NEZ rehabilitation program has continued to be successful with 31 completed rehabs. Some of the NEZ abatements are beginning to be phased back on to the tax roll at their full value.

Licenses and Permit revenue is dependent on the type and scope of construction for the year. Revenue decreased from \$231,438 in 2016-2017 to \$54,110 in 2017-18.

State Revenue Sharing increased from \$1,194,686 in 2016-17 to \$1,224,215 in 2017-18. The revenue tends to fluctuate every few years between increases and decreases.

State and Federal Grants were used in 2017-18 for projects in the City. Especially of note is the construction of the Splash Park at Starlite Beach. Federal grant revenue was lower in 2017-18 as compared to the previous year. The Downtown Development Authority continues to offer façade grants for the business owners in the downtown area. Many building owners have taken advantage of this program and made their building exteriors very pleasing.

All administrative charges for services are increased by 3.0% annually. Revenue for ambulance charges for services increased in 2017-18 due in part to the long-distance transfer program becoming successful. The City has a contract with the Presque Isle Fire Department to provide service and transition them into an independent fire service provider. The City also has a partnership with surrounding townships for EMS service at their locations five days per week.

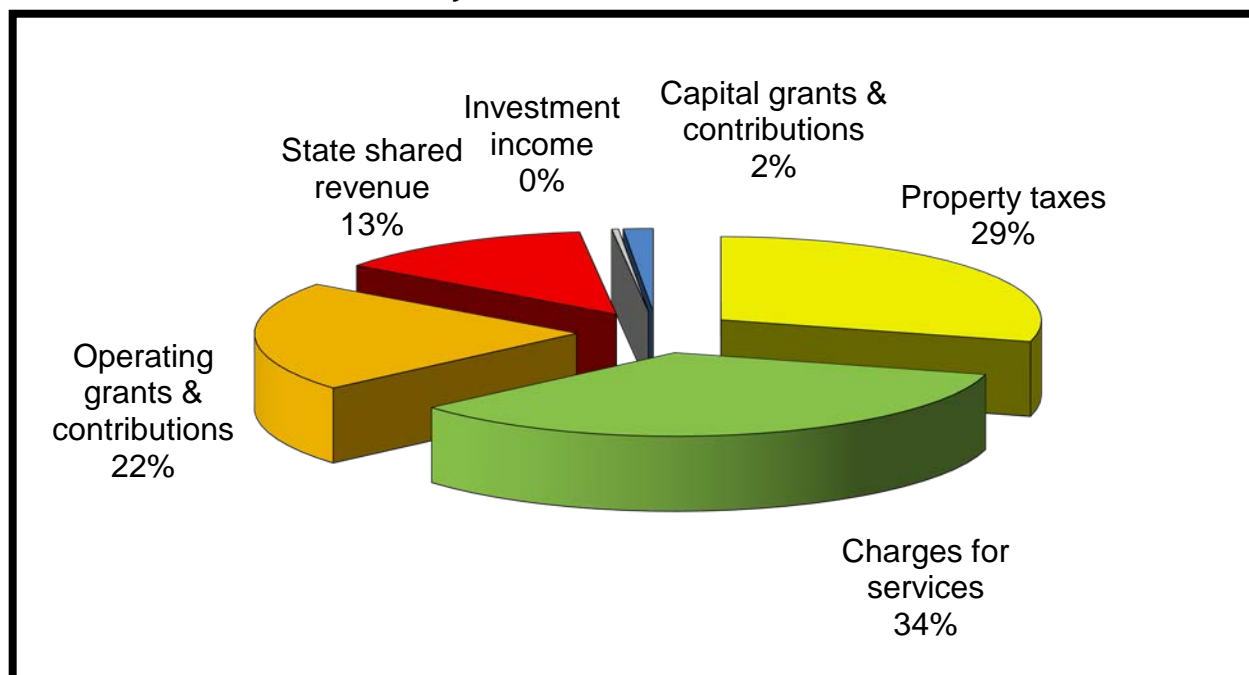
The main sources of revenue in the cemetery are monument permits, burials and the sale of cemetery lots. Revenue in the fund averages approximately \$50,000 - \$53,000 annually.

The categories of investment income, fines and forfeitures and other are fairly steady overall. Fluctuations occur for items such as a change in interest rates, donations received, vehicle sales, or insurance reimbursement.

CITY OF ALPENA

Management's Discussion and Analysis

Revenues by Source - Governmental Activities



Business-type Activities. The Enterprise Funds (Water and Sewage utilities) are operated under contract by an outside private contractor, SUEZ, formally known as United Water NACO, LLC. The operations agreement with SUEZ was renewed on March 17, 2008, for a 4-year period beginning June 30, 2008. An amendment to the contract was made in April of 2012 to initiate the meter change out program and billing system upgrade. United Water financed the \$1.5 million project and the City will reimburse them on a monthly basis for eight years. United Water's contract has been extended to June 30, 2020.

The net cost of services in the business-type activities increased for both sewer and water. Both programs had increased expenses and decreased revenue for 2018 as compared to 2017.

Cost of Services – Business-type Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Functions/Programs:						
Sewage	\$ 2,526,104	\$ 2,277,385	\$ 3,077,140	\$ 3,133,993	\$ (551,036)	\$ (856,608)
Water	2,297,565	2,011,412	3,130,296	3,205,054	(832,731)	(1,193,642)
Total expenses	<u>\$ 4,823,669</u>	<u>\$ 4,288,797</u>	<u>\$ 6,207,436</u>	<u>\$ 6,339,047</u>	<u>\$ (1,383,767)</u>	<u>\$ (2,050,250)</u>

The sewage fund's total operating revenue decreased slightly by \$56,853. The two main areas of revenue were sales and septage treatment. The operating expenses in the sewage fund increased by \$254,861, while net non-operating revenues increased by \$51,543.

The water fund's total operating revenue decreased slightly by \$74,758 from fiscal year 2016-17 to 2017-18. The operating expenses in the water fund increased \$293,150, while net non-operating revenues increased \$125,508.

The revenues in the sewage and water funds are primarily derived from charges for services, 97.2%, while non-operating revenues derive the remaining 2.8%.

CITY OF ALPENA

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the City of Alpena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Alpena's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Alpena's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2017-18, the City of Alpena's governmental funds reported combined ending fund balances of \$5,430,109 an increase of \$305,892 in comparison with the prior year. Approximately 44.6% of this total amount constitutes unassigned fund balance, \$2,420,083, which is available for spending at the government's discretion. The remainder of fund balance falls into three categories; 1) Non-spendable – which is the perpetual lot care funds; 2) Restricted – to pay debt service and streets and highways; and 3) Committed (i.e. capital projects, marina).

The general fund is the chief operating fund of the City of Alpena. At the end of the fiscal year 2017-18, the fund balance of the general fund was \$2,522,687, of which \$2,420,083 was unassigned and the remainder of \$102,604 was committed for specific purposes. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represented 24.0% of total general fund expenditures and operating transfers to other funds.

Management advised council that the fund balance should be on the high side because of the uncertainty of the state revenue sharing program and the elimination of the personal property taxes with no solid plan for state reimbursement. We also saw a major loss of property tax revenue since 2012, which made budgeting very difficult so capital projects were reduced to a minimum to keep more money on hand.

The fund balance of the City of Alpena's General Fund decreased by \$239,863 during the 2017-18 fiscal year.

The major street fund has a fund balance of \$743,284, which is an increase from last year's fund balance of \$144,177. This represents funds restricted for streets and highways.

The debt service funds have a total fund balance of \$14,235, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund is \$620.

Proprietary funds. The City of Alpena's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewage and water funds at the end of the year amounted to \$2,537,648 and \$2,695,401 respectively. The change in net position for the funds was a decrease of \$502,236 and an increase of \$288,313 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alpena's business-type activities.

General Fund Budgetary Highlights

At year-end the revenue was \$666,372 less than the final budget and \$350,671 less than received last fiscal year. Federal revenue actually received was \$757,276 less than the final budget. This was due to the timing of when the money was actually received.

On the expense side, the City came in under the final budget by \$441,740. The largest variance from the final budget is in the General Government which accounts for \$387,567 of the difference.

CITY OF ALPENA

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The City of Alpena's net investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$57,774,552. The infrastructure of the City has been a high priority and we have committed much of our capital project money to improve the roads, bridges, sidewalks, and water/sewer lines.

During the year ended June 30, 2018 the City of Alpena had an overall increase of \$2,180,655 to its governmental activities capital assets as a result of fixed asset additions exceeding depreciation. Business-type activities capital assets increased by \$1,249,024, which was again the result of fixed asset additions exceeding depreciation charges.

CITY OF ALPENA'S, Capital Assets

Additional information on the City of Alpena's capital assets can be found in the footnote disclosure in Note 6 on pages 84-86 of this report.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Historical cost:						
Land	\$ 3,237,864	\$ 3,237,864	\$ 12	\$ 12	\$ 3,237,876	\$ 3,237,876
Construction in progress	567,510	23,436	265,893	53,529	833,403	76,965
Land improvements	5,933,684	5,931,522	566,354	566,354	6,500,038	6,497,876
Buildings and improvements	10,201,917	9,897,779	6,916,673	6,677,293	17,118,590	16,575,072
Machinery and equipment	8,654,194	8,528,179	2,584,364	2,590,309	11,238,558	11,118,488
Infrastructure	48,659,915	45,385,966	40,544,018	38,945,925	89,203,933	84,331,891
	<u>77,255,084</u>	<u>73,004,746</u>	<u>50,877,314</u>	<u>48,833,422</u>	<u>128,132,398</u>	<u>121,838,168</u>
Accumulated depreciation						
Land improvements	(3,235,804)	(3,053,729)	(269,802)	(254,372)	(3,505,606)	(3,308,101)
Buildings and improvements	(4,791,775)	(4,592,016)	(3,110,557)	(2,994,719)	(7,902,332)	(7,586,735)
Machinery and equipment	(6,753,003)	(6,489,334)	(1,862,314)	(1,769,657)	(8,615,317)	(8,258,991)
Infrastructure	(32,127,765)	(30,703,585)	(18,206,826)	(17,635,883)	(50,334,591)	(48,339,468)
	<u>(46,908,347)</u>	<u>(44,838,664)</u>	<u>(23,449,499)</u>	<u>(22,654,631)</u>	<u>(70,357,846)</u>	<u>(67,493,295)</u>
Net capital assets	<u>\$ 30,346,737</u>	<u>\$ 28,166,082</u>	<u>\$ 27,427,815</u>	<u>\$ 26,178,791</u>	<u>\$ 57,774,552</u>	<u>\$ 54,344,873</u>

CITY OF ALPENA'S OUTSTANDING DEBT

At the end of the current fiscal year, the City of Alpena (primary government) had total debt from bonds and loans outstanding of \$6,074,619. Of this amount, there was \$1,210,000 of building authority bonds and installment contracts of \$5,800. The remainder of the City of Alpena's debt of \$4,858,819 represents the long-term obligations of the sewage and water funds. Of this amount, \$600,000 comprises general obligation bonds and \$4,258,819 is bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Alpena decreased its total debt from bonds and loans by \$734,190 during the current fiscal year.

CITY OF ALPENA

Management's Discussion and Analysis

CITY OF ALPENA'S, Outstanding Debt Bonds and Loans

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ -	\$ -	\$ 600,000	\$ 650,000	\$ 600,000	\$ 650,000
Building authority bonds	1,210,000	1,300,000	-	-	1,210,000	1,300,000
Installment contracts	5,800	19,990	-	-	5,800	19,990
Revenue bonds	-	-	4,258,819	4,838,819	4,258,819	4,838,819
	<u>\$1,215,800</u>	<u>\$1,319,990</u>	<u>\$4,858,819</u>	<u>\$5,488,819</u>	<u>\$6,074,619</u>	<u>\$6,808,809</u>

On May 15, 2013, the City of Alpena Building Authority issued \$1,525,000 in Limited Tax General Obligation Refunding Bonds with an average interest rate of 2.67% to advance refund \$1,425,000 of outstanding 2004 Building Authority Bonds with an average interest rate of 4.87%. The net proceeds of \$1,532,964 (after payment of \$60,242 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portion of the 2004 Building Authority Bonds.

The City of Alpena advance refunded the 2004 Building Authority Bonds to reduce its total debt service payments for 2016 through 2030 by \$143,082 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$110,700.

The revenue bonds of the Water and Sewer Authority have been rated "A" by all three of these rating agencies. The City of Alpena Building Authority was recently reviewed by Standard and Poor and maintained an "A" rating. The Authority is considered stable due to the City's adequate income levels; very strong general fund reserves; and low debt burden.

State of Michigan statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation of \$232,452,758. The current debt limitation for the City of Alpena is \$23,245,276 which is significantly in excess of the City of Alpena's net outstanding general obligation debt of \$6,060,384.

Additional information on the City of Alpena's long-term debt can be found in Note 7 on pages 86-89 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue makes up 36.93% of the 2017-18 budget. The 2017-18 revenue decreased \$5,530 to \$3,720,159 from the 2016-17 level of \$3,725,689. The 2018-19 budget projects property tax revenues of \$3,866,100.
- The taxable value increased from \$235,934,419 in 2016, to \$237,792,626 in 2017.
- The City has been successful in incorporating many economic development tools that attract businesses and residences to the area. Currently there are Neighborhood Enterprise Zones, Renaissance Zones, Personal Property Tax Abatements, Commercial Rehabilitation Exemptions, Brownfield's and Industrial Facility Tax Abatements. The Downtown Rental Development program has resulted in the construction of 31 new residential rental units.
- The City utilized a grant from the Michigan Land Bank for the removal of the former Alpena Power Building located downtown. Most of the building had been vacant for 12 years. The Building has been demolished and the riverfront site is being marketed for development.

CITY OF ALPENA

Management's Discussion and Analysis

- With assistance of a Brownfield Development Plan, construction of an \$8.25 million, four stories, ninety room Holiday Inn Express hotel. The hotel is built on riverfront property at Third Avenue and River Street in the downtown area, and was completed in 2017. The size of this hotel gives the City the ability to host conventions and conferences that were unable to be offered in the past.
- In 2016 the finished construction of the Alpena Regional Trailhead located off of Woodward Avenue. The project was funded by a \$245,000 MDNR Trust Fund Grant. The City of Alpena and other partners provided the matching funds of \$105,000 towards the \$350,000 project. In 2018, another MDNR Trust Fund grant for \$205,000 was obtained and a splash park was constructed at Starlite Beach along with a number of other park improvements to improve the walkability of the park. The Alpena Rotary Club contributed \$200,000 for matching funds for the project. The splash pad was opened on June 30, 2018.
- Interest in Alpena continues to bring new businesses and activities to the area. We have seen new office buildings erected, a beautiful 3-D mural downtown, and the renovation of old restaurants. Several businesses now have tables and chairs outside in the summer months. The City also is in the process of upgrading the downtown pocket park and Culligan Plaza, and recently opened a dog park in North Riverfront Park.
- The Thunder Bay National Marine Sanctuary and Underwater Preserve operated by NOAA attracts 80,000 tourists annually to tour the facility and dive among the shipwrecks. Their site along the Thunder Bay River is also the home of a glass bottom boat that takes visitors out to tour the lighthouses and shipwrecks in Thunder Bay. The tours began in 2011 and continues to be a draw to the community. The Sanctuary hosts the Maritime Festival in July.
- The Sanctuary has also hosted an international robotics competition in their outdoor diving tank. Teams from all over the world came to participate in the event.
- The City has Mobile Food Vendors in several of the City Park's during the summer season.
- A new covered bridge and water tower at the Wildlife Sanctuary was completed by a local businessman in the fall of 2015. It is a beautiful site drawing many visitors and has become a local favorite for photo opportunities.
- The City continues to partner with local entrepreneurs to offer kayak and canoe rentals in the Wildlife Sanctuary throughout the summer months.

Council Policy 55 – “Fund Balance Policy” requires that a minimum of 10% of expenditures and a maximum of 20% be in the fund balance of the general fund. The fund balance for 2017-18 is \$2,522,687. The unassigned portion is \$2,420,083. The unassigned fund balance represents 24.5% of total general fund expenditures. Due to the uncertainty of future reimbursements by the state for personal property tax exemptions, and the always present possibility of more changes to state revenue sharing, Council approved a fund balance over the 20% maximum.

Another area that continues to impact the City's finances is funding the City of Alpena Employees Retirement Fund. We have had a healthy Retirement Fund with over 100% funding since 1985, and from 1999 - 2004, the City was required to make contributions for the Firemen's group only. Since 2006, the employer contributions have increased significantly over all employee groups due to the low return on investments and the reduction of surplus funds. The funding level of the retirement system had dropped to 82.9% as of the December 31, 2017 valuation date. The 2017-18 contribution to the retirement system was \$796,584. The 2018-19 contribution will be \$847,999. The City has moved towards a phase-out of the defined benefit plan for new hires and has replaced it with a defined contribution plan. As of July 1, 2009, all new hires in Administration and DPW were enrolled in a defined contribution plan rather than the defined benefit plan. As of July 1, 2010, all new hires in the Clerical department were enrolled in a defined contribution plan rather than the defined benefit plan. As of July 1, 2011, all new hires in the Public Safety Department are members of the defined benefit plan and have a multiplier of 2.25%.

The December 31, 2016, Actuarial Valuation Report of the City's Post-Retirement Health Care Fund reported our unfunded accrued liability at \$4,533,540. The City budgeted 6% of fiscal year 2018-19 payroll to be put into the

CITY OF ALPENA

Management's Discussion and Analysis

Post-Retirement Health Care Fund. While this does not keep us at the suggested funding rate, it does help us stay ahead of the annual premium costs.

Since 2014, the City has implemented a rate methodology based on actual costs incurred in the operation of the water and wastewater systems, the debt associated with each utility, and a portion of the capital needs of the two systems. The City has been increasing the per-unit cost associated with the capital needs annually towards achieving the funding levels needed to meet the capital demands. While still below the funds needed, the rate methodology being utilized is improving the position of the two utilities in meeting those needs.

Requests for Information

This financial report is designed to provide a general overview of the City of Alpena's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the City Clerk/Treasurer/Finance Director, 208 N. First Avenue, City of Alpena, Alpena, MI 49707. E-mail: annas@[alpena.mi.us](mailto:annas@alpena.mi.us)

CITY OF ALPENA

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,683,102	\$ 3,110,835	\$ 7,793,937	\$ 547,524
Investments, at fair value	1,404,961	-	1,404,961	-
Receivables, net	1,657,118	2,657,004	4,314,122	19,039
Due from primary government	-	-	-	12,862
Inventories	226,869	-	226,869	-
Capital assets not being depreciated	3,805,374	265,905	4,071,279	94,423
Capital assets being depreciated, net	26,541,363	27,161,911	53,703,274	134,924
Total assets	38,318,787	33,195,655	71,514,442	808,772
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,616,219	-	1,616,219	-
Deferred outflows related to OPEB	32,654	-	32,654	-
Total deferred outflows of resources	1,648,873	-	1,648,873	-
LIABILITIES				
Accounts payable	407,258	80,471	487,729	7,488
Accrued payroll	217,258	77,213	294,471	2,989
Accrued interest payable	8,199	26,475	34,674	-
Due to component units	12,862	-	12,862	-
Unearned revenue	-	-	-	18,672
Long-term liabilities:				
Due within one year				
Compensated absences	81,195	-	81,195	-
Bonds and loans	93,900	625,000	718,900	2,904
Due in more than one year				
Compensated absences	223,696	-	223,696	-
Bonds and loans	1,121,900	4,233,819	5,355,719	48,205
Net OPEB obligation	4,533,540	-	4,533,540	-
Net pension liability	7,054,711	-	7,054,711	-
Total liabilities	13,754,519	5,042,978	18,797,497	80,258
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	1,119,033	-	1,119,033	-
Deferred inflows related to OPEB	134,413	-	134,413	-
Total deferred inflows of resources	1,253,446	-	1,253,446	-
NET POSITION				
Net investment in capital assets	29,130,937	22,568,997	51,699,934	178,238
Restricted (nonexpendable)	950,282	-	950,282	-
Restricted (expendable) for:				
Streets and highways	1,358,499	-	1,358,499	-
Debt service	14,235	350,631	364,866	-
Capital projects	354,420	-	354,420	-
Budget stabilization	25,000	-	25,000	-
Other purposes	332,590	-	332,590	-
Unrestricted	(7,206,268)	5,233,049	(1,973,219)	550,276
Total net position	\$ 24,959,695	\$ 28,152,677	\$ 53,112,372	\$ 728,514

See accompanying notes to financial statements.

CITY OF ALPENA

Statement of Activities

Year Ended June 30, 2018

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary Government				
Governmental activities:				
General government	\$ 3,357,377	\$ 1,738,227	\$ 207,562	\$ -
Public safety	6,533,086	2,058,064	885,467	6,865
Public works	3,338,349	342,806	1,500,539	184,913
Recreation and culture	990,632	283,775	165,189	-
Interest on long-term debt	34,090	-	-	-
Total governmental activities	<u>14,253,534</u>	<u>4,422,872</u>	<u>2,758,757</u>	<u>191,778</u>
Business-type activities:				
Sewage	2,526,104	3,077,140	-	-
Water	2,297,564	3,130,296	-	-
Total business-type activities	<u>4,823,668</u>	<u>6,207,436</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 19,077,202</u>	<u>\$ 10,630,308</u>	<u>\$ 2,758,757</u>	<u>\$ 191,778</u>
Component Units				
Downtown Development Authority No.2	\$ 89,667	\$ 14,696	\$ -	\$ -
Downtown Development Authority No.5	29,754	-	-	-
Brownfield Redevelopment Authority	87,033	23,449	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 206,454</u>	<u>\$ 38,145</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
Unrestricted state shared revenues
Investment earnings
Gain on sale of capital assets
Special item - revenue adjustment
Total general revenues

Change in net position

Net position, beginning of year, as restated (Note 19)

Net position, end of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,411,588)	\$ -	\$ (1,411,588)	\$ -
(3,582,690)	-	(3,582,690)	-
(1,310,091)	-	(1,310,091)	-
(541,668)	-	(541,668)	-
(34,090)	-	(34,090)	-
<u>(6,880,127)</u>	<u>-</u>	<u>(6,880,127)</u>	<u>-</u>
-	551,036	551,036	-
-	832,732	832,732	-
<u>-</u>	<u>1,383,768</u>	<u>1,383,768</u>	<u>-</u>
<u>(6,880,127)</u>	<u>1,383,768</u>	<u>(5,496,359)</u>	<u>-</u>
-	-	-	(74,971)
-	-	-	(29,754)
-	-	-	(63,584)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,309)</u>
3,760,951	-	3,760,951	201,925
1,689,706	-	1,689,706	15,103
43,855	179,355	223,210	17,114
45	-	45	-
-	(1,777,046)	(1,777,046)	-
<u>5,494,557</u>	<u>(1,597,691)</u>	<u>3,896,866</u>	<u>234,142</u>
(1,385,570)	(213,923)	(1,599,493)	65,833
<u>26,345,265</u>	<u>28,366,600</u>	<u>54,711,865</u>	<u>662,681</u>
<u>\$ 24,959,695</u>	<u>\$ 28,152,677</u>	<u>\$ 53,112,372</u>	<u>\$ 728,514</u>

CITY OF ALPENA

Balance Sheet - Governmental Funds

June 30, 2018

	General	Major Street
ASSETS		
Cash and cash equivalents	\$ 1,150,803	\$ 592,464
Investments, at fair value	856,373	-
Accounts receivable, net	635,019	-
Taxes receivable	138,797	-
Interest receivable	9,501	-
Due from other governmental units	639,208	164,799
Due from other funds	115	-
Total assets	<u>\$ 3,429,816</u>	<u>\$ 757,263</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 338,413	\$ 360
Accrued payroll	196,790	5,703
Due to component units	12,862	-
Due to other funds	220,267	7,916
Total liabilities	<u>768,332</u>	<u>13,979</u>
Deferred inflows of resources:		
Unavailable revenue, property taxes	138,797	-
Total deferred inflows of resources	<u>138,797</u>	<u>-</u>
Fund Balances:		
Nonspendable - perpetual care lot	-	-
Restricted for:		
Streets and highways	-	743,284
Debt service	-	-
Tree/Park improvement	-	-
Building inspection	-	-
Committed for:		
Capital outlay	102,604	-
Capital projects	-	-
Marina	-	-
Unassigned	2,420,083	-
Total fund balances	<u>2,522,687</u>	<u>743,284</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,429,816</u>	<u>\$ 757,263</u>

Other Governmental Funds	Total Governmental Funds
\$ 1,930,401	\$ 3,673,668
249,872	1,106,245
7,500	642,519
-	138,797
2,171	11,672
53,935	857,942
403	518
<u>\$ 2,244,282</u>	<u>\$ 6,431,361</u>
\$ 59,869	\$ 398,642
11,358	213,851
-	12,862
8,917	237,100
<u>80,144</u>	<u>862,455</u>
-	138,797
<u>-</u>	<u>138,797</u>
950,282	950,282
615,215	1,358,499
14,235	14,235
49,558	49,558
23,731	23,731
-	102,604
354,420	354,420
156,697	156,697
-	2,420,083
<u>2,164,138</u>	<u>5,430,109</u>
<u>\$ 2,244,282</u>	<u>\$ 6,431,361</u>



CITY OF ALPENA

Reconciliation of the Balance Sheet - Governmental Funds to the Government-Wide Statement of Net Position

June 30, 2018

Fund balances - Total governmental funds	\$	5,430,109
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.

Capital assets not being depreciated	\$ 3,805,374	
Capital assets being depreciated, net	26,541,363	
Less capital assets accounted for in internal service funds	<u>(814,883)</u>	29,531,854

Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds.

Compensated absences	(304,891)	
Bonds payable	(1,210,000)	
Installment purchase agreements	<u>(5,800)</u>	(1,520,691)

Certain pension and OPEB related amounts, such as the net liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the governmental funds.

Net pension liability	(7,054,711)	
Deferred outflows related to the net pension liability	1,616,219	
Deferred inflows related to the net pension liability	<u>(1,119,033)</u>	(6,557,525)

Net OPEB liability	(4,533,540)	
Deferred outflows related to the net OPEB liability	32,654	
Deferred inflows related to the net OPEB liability	<u>(134,413)</u>	(4,635,299)

Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(8,199)
--	--	---------

Deferred inflows of resources in the governmental funds is susceptible to full accrual on the government-wide statements.		138,797
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

2,580,649

Net Position of Governmental Activities	\$	<u><u>24,959,695</u></u>
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CITY OF ALPENA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2018

	General	Major Street
REVENUES		
Property taxes	\$ 3,720,159	\$ -
Licenses and permits	54,110	-
State revenue	1,872,043	1,342,698
Federal revenue	229,977	-
Local grant revenue	852,771	-
Charges for services	2,580,605	34,170
Investment income and rents	80,594	1,186
Fines and forfeitures	22,151	-
Other	450,979	662
Total revenues	<u>9,863,389</u>	<u>1,378,716</u>
EXPENDITURES		
Current operations:		
General government	2,285,036	-
Public safety	5,374,149	-
Public works	775,524	924,087
Recreation and culture	1,051,360	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	<u>9,486,069</u>	<u>924,087</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>377,320</u>	<u>454,629</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(610,179)	-
Total other financing sources (uses)	<u>(610,179)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(232,859)	454,629
FUND BALANCES , beginning of year, as restated (Note 19)	<u>2,755,546</u>	<u>288,655</u>
FUND BALANCES , end of year	<u>\$ 2,522,687</u>	<u>\$ 743,284</u>

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,720,159
209,205	263,315
342,754	3,557,495
-	229,977
-	852,771
13,695	2,628,470
38,634	120,414
-	22,151
40,546	492,187
<u>644,834</u>	<u>11,886,939</u>
5,966	2,291,002
437,899	5,812,048
597,975	2,297,586
128,540	1,179,900
90,000	90,000
33,798	33,798
<u>1,294,178</u>	<u>11,704,334</u>
<u>(649,344)</u>	<u>182,605</u>
538,079	538,079
-	(610,179)
<u>538,079</u>	<u>(72,100)</u>
(111,265)	110,505
<u>2,275,403</u>	<u>5,319,604</u>
<u>\$ 2,164,138</u>	<u>\$ 5,430,109</u>



CITY OF ALPENA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-Wide Statement of Activities

Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	\$	110,505
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Capital outlay	\$	1,730,394	
Depreciation expense		<u>(2,116,874)</u>	(386,480)

The borrowing of and repayment of bond and land purchase loan principal is an other financing source and expenditure in the governmental funds, but the borrowings increase long-term liabilities and the repayments reduces long-term liabilities in the statement of net position.

Bond principal payments	90,000	
Installment contract payments	<u>14,190</u>	104,190

Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Change in deferred inflow of resources - unearned revenue		40,792
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	292	
Change in long-term compensated absences	(11,984)	
Change in net pension liability	(860,535)	
Change in long-term other postemployment benefit obligations	<u>(284,956)</u>	(1,157,183)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Change in Net Position of Governmental Activities	\$	<u><u>(1,385,570)</u></u>
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CITY OF ALPENA

Statement of Net Position - Proprietary Funds

June 30, 2018

	Business-type Activities - Enterprise Funds	
	Sewage	Water
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,860,987	\$ 1,249,848
Investments, at fair value	-	-
Accounts receivable, net	979,322	1,677,682
Interest receivable	-	-
Inventories	-	-
Due from other funds	-	-
Total current assets	<u>2,840,309</u>	<u>2,927,530</u>
Noncurrent assets:		
Capital assets not being depreciated	98,976	166,929
Capital assets being depreciated, net	15,801,259	11,360,652
Total noncurrent assets	<u>15,900,235</u>	<u>11,527,581</u>
Total assets	<u>18,740,544</u>	<u>14,455,111</u>
LIABILITIES		
Current liabilities:		
Accounts payable	33,636	46,835
Accrued payroll	76,284	929
Accrued interest payable	12,218	14,257
Bonds and notes payable, current portion	312,500	312,500
Total current liabilities	<u>434,638</u>	<u>374,521</u>
Noncurrent liabilities:		
Bonds and notes payable	2,165,659	2,068,160
Total liabilities	<u>2,600,297</u>	<u>2,442,681</u>
NET POSITION		
Net investment in capital assets	13,422,076	9,146,921
Restricted for:		
Debt service	180,523	170,108
Unrestricted	2,537,648	2,695,401
Total net position	<u>\$ 16,140,247</u>	<u>\$ 12,012,430</u>

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 3,110,835	\$ 1,009,434
-	298,716
2,657,004	4,717
-	1,471
-	226,869
-	236,582
<u>5,767,839</u>	<u>1,777,789</u>
265,905	-
27,161,911	814,883
<u>27,427,816</u>	<u>814,883</u>
33,195,655	2,592,672
80,471	8,616
77,213	3,407
26,475	-
625,000	-
<u>809,159</u>	<u>12,023</u>
4,233,819	-
<u>5,042,978</u>	<u>12,023</u>
22,568,997	814,883
350,631	-
<u>5,233,049</u>	<u>1,765,766</u>
<u>\$ 28,152,677</u>	<u>\$ 2,580,649</u>

CITY OF ALPENA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds	
	Sewage	Water
OPERATING REVENUES		
Charges for services	\$ 3,069,901	\$ 3,102,646
Other services	7,239	27,650
Total operating revenues	<u>3,077,140</u>	<u>3,130,296</u>
OPERATING EXPENSES		
Salaries and wages	98,356	37,004
Employee benefits	13,289	10,797
Supplies and durable goods	32,453	138,431
Gas and oil	-	-
Professional and contractual	989,265	936,240
Administrative services	211,803	211,803
Insurance	19,280	17,349
Utilities	276,423	114,943
Repairs and maintenance	12,592	136,121
Equipment rental	46,124	15,014
Miscellaneous	178,063	182,019
Other operating expenses	-	79,461
Depreciation	597,506	359,061
Total operating expenses	<u>2,475,154</u>	<u>2,238,243</u>
OPERATING INCOME (LOSS)	<u>601,986</u>	<u>892,053</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income and rents	15,211	40
Judgment interest	43,865	120,239
Gain (loss) on sale of assets	-	-
Interest expense	(50,950)	(59,321)
Total nonoperating revenues (expenses)	<u>8,126</u>	<u>60,958</u>
Net income (loss) before transfers and special item	<u>610,112</u>	<u>953,011</u>
TRANSFERS AND SPECIAL ITEM		
Special item - revenue adjustment	(1,112,348)	(664,698)
Transfers in	-	-
Net transfers	<u>(1,112,348)</u>	<u>(664,698)</u>
CHANGE IN NET POSITION	(502,236)	288,313
Net Position , beginning of year	<u>16,642,483</u>	<u>11,724,117</u>
Net Position , end of year	<u>\$ 16,140,247</u>	<u>\$ 12,012,430</u>

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,172,547	\$ 926,207
34,889	-
<u>6,207,436</u>	<u>926,207</u>
135,360	84,529
24,086	60,105
170,884	156,138
-	103,101
1,925,505	1,802
423,606	373,550
36,629	26,226
391,366	-
148,713	107,136
61,138	71
360,082	245
79,461	-
956,567	196,826
<u>4,713,397</u>	<u>1,109,729</u>
<u>1,494,039</u>	<u>(183,522)</u>
15,251	13,983
164,104	-
-	45
(110,271)	-
<u>69,084</u>	<u>14,028</u>
<u>1,563,123</u>	<u>(169,494)</u>
(1,777,046)	-
-	72,100
<u>(1,777,046)</u>	<u>72,100</u>
(213,923)	(97,394)
<u>28,366,600</u>	<u>2,678,043</u>
<u>\$ 28,152,677</u>	<u>\$ 2,580,649</u>

CITY OF ALPENA

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds	
	Sewage	Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,629,189	\$ 1,788,841
Receipts from interfund service provided	-	-
Payments to suppliers	(1,571,843)	(1,531,533)
Payments to employees	(37,245)	(47,700)
Payments for interfund services used	(211,803)	(211,803)
Net cash provided (used) by operating activities	<u>1,808,298</u>	<u>(2,195)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	2,743,439
Transfers to other funds	(2,743,439)	-
Net cash provided (used) by noncapital financing activities	<u>(2,743,439)</u>	<u>2,743,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	-
Acquisition and construction of capital assets	(1,071,522)	(1,214,405)
Principal paid on capital debt	(312,500)	(317,500)
Interest paid on capital debt	(52,482)	(61,068)
Net cash provided (used) by capital and related financing activities	<u>(1,436,504)</u>	<u>(1,592,973)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	15,211	40
Net cash provided (used) by investing activities	<u>15,211</u>	<u>40</u>
Net increase (decrease) in cash and cash equivalents	(2,356,434)	1,148,311
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,217,421</u>	<u>101,537</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,860,987</u></u>	<u><u>\$ 1,249,848</u></u>

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 5,418,030	\$ -
-	942,690
(3,103,376)	(382,664)
(84,945)	(145,001)
(423,606)	(296,132)
<u>1,806,103</u>	<u>118,893</u>
2,743,439	72,100
<u>(2,743,439)</u>	<u>-</u>
<u>-</u>	<u>72,100</u>
-	45
(2,285,927)	(123,896)
(630,000)	-
<u>(113,550)</u>	<u>-</u>
<u>(3,029,477)</u>	<u>(123,851)</u>
15,251	15,434
<u>15,251</u>	<u>15,434</u>
(1,208,123)	82,576
<u>4,318,958</u>	<u>926,858</u>
<u>\$ 3,110,835</u>	<u>\$ 1,009,434</u>

CITY OF ALPENA

Statement of Cash Flows
Proprietary Funds (continued)

Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds	
	Sewage	Water
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ 601,986	\$ 892,053
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	597,506	359,061
Book value of disposed assets	874	79,461
(Increase) decrease in accounts receivable	966,565	(926,939)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in inventories	-	-
Increase (decrease) in accounts payable	(18,517)	8,584
Increase (decrease) in accrued payroll	74,400	101
Increase (decrease) in unearned revenue	(414,516)	(414,516)
Net cash provided (used) by operating activities	<u>\$ 1,808,298</u>	<u>\$ (2,195)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 1,494,039	\$ (183,522)
956,567	196,826
80,335	-
39,626	16,483
-	77,418
-	11,493
(9,933)	562
74,501	(367)
(829,032)	-
<u>\$ 1,806,103</u>	<u>\$ 118,893</u>
<u>\$ -</u>	<u>\$ 45</u>

CITY OF ALPENAStatement of Fiduciary Net Position
Fiduciary Funds

June 30, 2018

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 114,195
Investments, at fair value:		
Short-term investment funds	876,660	-
Brokerage certificates	488,885	-
Treasury securities	574,600	-
Corporate bonds	7,611,300	-
Equity securities	18,879,722	-
Taxes receivable	-	140,765
Interest receivable	70,751	-
	<u>28,501,918</u>	<u>254,960</u>
Total assets		
	<u>28,501,918</u>	<u>254,960</u>
LIABILITIES		
Accounts payable	29,396	114,195
Due to other governmental units	-	140,765
	<u>29,396</u>	<u>254,960</u>
Total liabilities		
	<u>29,396</u>	<u>254,960</u>
NET POSITION		
Net position restricted for pension/OPEB	<u>28,472,522</u>	<u>-</u>
	<u>\$ 28,472,522</u>	<u>\$ -</u>
Total net position		
	<u>\$ 28,472,522</u>	<u>\$ -</u>

CITY OF ALPENAStatement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2018

	Pension (and Other Employee Benefit) Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 888,412
Employees	216,055
Total contributions	<u>1,104,467</u>
Investment income:	
Net increase (decrease) in fair value of investments	1,972,349
Gain (loss) on securities sold	357,281
Interest and dividends	352,798
	<u>2,682,428</u>
Less investment expense	67,529
Net investment income	<u>2,614,899</u>
Total additions	<u>3,719,366</u>
DEDUCTIONS	
Benefits	1,941,570
Lump-sum retirement payments	100,648
Administrative expense	57,024
Miscellaneous	12,268
	<u>2,111,510</u>
Total deductions	<u>2,111,510</u>
Change in net position	1,607,856
Net Position, beginning of year	<u>26,864,666</u>
Net Position, end of year	<u><u>\$ 28,472,522</u></u>

CITY OF ALPENA

Statement of Net Position - Component Units

June 30, 2018

	Downtown Development Authority No. 2	Downtown Development Authority No. 5
ASSETS		
Cash and cash equivalents	\$ 293,784	\$ 40,324
Taxes receivable	-	367
Loans receivable	6,572	-
Due from primary government	12,862	-
Capital assets not being depreciated	94,423	-
Capital assets being depreciated, net	134,924	-
	<hr/>	<hr/>
Total assets	542,565	40,691
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	7,425	63
Accrued payroll	1,406	1,583
Unearned revenue	6,572	-
Long-term liabilities:		
Due within one year		
Bonds and loans	2,904	-
Due in more than one year		
Bonds and loans	48,205	-
	<hr/>	<hr/>
Total liabilities	66,512	1,646
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	178,238	-
Unrestricted	297,815	39,045
	<hr/>	<hr/>
Total net position	\$ 476,053	\$ 39,045
	<hr/> <hr/>	<hr/> <hr/>

Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ 209,709	\$ 3,707	\$ 547,524
-	-	367
12,100	-	18,672
-	-	12,862
-	-	94,423
-	-	134,924
<u>221,809</u>	<u>3,707</u>	<u>808,772</u>
-	-	7,488
-	-	2,989
12,100	-	18,672
-	-	2,904
-	-	48,205
<u>12,100</u>	<u>-</u>	<u>80,258</u>
-	-	178,238
<u>209,709</u>	<u>3,707</u>	<u>550,276</u>
<u>\$ 209,709</u>	<u>\$ 3,707</u>	<u>\$ 728,514</u>

CITY OF ALPENA

Statement of Activities - Component Units

Year Ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority No.2	\$ 89,667	\$ 14,696	\$ -	\$ -
Downtown Development Authority No.5	29,754	-	-	-
Brownfield Redevelopment Authority	87,033	23,449	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 206,454</u>	<u>\$ 38,145</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes

Unrestricted state shared revenues

Investment earnings

Total general revenues

Change in Net Position

Net Position, beginning of year

Net Position, end of year

Net (Expense) Revenue and Changes in Net Position				
Downtown Development Authority No. 2	Downtown Development Authority No. 5	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (74,971)	\$ -	\$ -	\$ -	\$ (74,971)
-	(29,754)	-	-	(29,754)
-	-	(63,584)	-	(63,584)
-	-	-	-	-
<u>(74,971)</u>	<u>(29,754)</u>	<u>(63,584)</u>	<u>-</u>	<u>(168,309)</u>
117,979	19,151	64,795	-	201,925
15,103	-	-	-	15,103
3,918	12,707	488	1	17,114
<u>137,000</u>	<u>31,858</u>	<u>65,283</u>	<u>1</u>	<u>234,142</u>
62,029	2,104	1,699	1	65,833
<u>414,024</u>	<u>36,941</u>	<u>208,010</u>	<u>3,706</u>	<u>662,681</u>
<u>\$ 476,053</u>	<u>\$ 39,045</u>	<u>\$ 209,709</u>	<u>\$ 3,707</u>	<u>\$ 728,514</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the City of Alpena, Michigan (the "City") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. Accounting and financial pronouncements are promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the significant accounting policies used by the City of Alpena, Michigan:

A. Reporting Entity.

The City was incorporated in 1871 and covers an area of approximately 8.4 square miles. The City operates under an elected Municipal Council (consisting of the Mayor and four members) and provides services to approximately 10,483 residents (2010 census) in many areas including law enforcement, fire, water, sewer, community enrichment and development, and human services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government, although the government has the ability to impose its will over the entities. The criteria established by GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

Blended component units - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City of Alpena. It is reported as a part of the City and blended into the appropriate fund types.

Building Authority - The City of Alpena Building Authority is governed by a three-member board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely presented component units - The component units' columns in the government-wide combined financial statements include the financial data of the City's four component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

City of Alpena Downtown Development Authority (DDA) No. 2 and No. 5 – (governmental fund type)

- City approves operating budget
- City appoints governing board
- City issues bonds to finance Authority projects
- Surplus funds existing at termination of Authority vest to the City

The Downtown Development Authorities were organized to promote and rehabilitate the downtown area. The Authorities also sponsor downtown events.

Brownfield Redevelopment Authority – (governmental fund type)

The City of Alpena Brownfield Redevelopment Authority was created under Act 381, of P.A. 1996 of the State of Michigan to promote the revitalization, redevelopment, and reuse of contaminated, blighted and functionally obsolete properties within the City of Alpena through the use of Tax Increment Financing and State Single Business Tax credits. The Authority is governed by a six-member board appointed by the Mayor with approval of the City Council. In addition, the City Council is responsible for approving the Authority's budget.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

City of Alpena Economic Development Corporation (EDC) - (governmental fund type)

- City appoints governing board
- City approves issuance of bonds to finance projects
- Surplus funds existing at termination of Corporation vest to City

The EDC was created to encourage business development and job creation within the City. The EDC provides loans to start up or expanding businesses.

Separate financial statements for the four discretely presented component units are not prepared. Questions about these organizations may be directed to the City of Alpena Clerk-Treasurer.

B. Government-Wide and Fund Financial Statements.

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The government reports the following major governmental funds:

General Fund. This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund. This fund accounts for the resources of state gas and weight tax revenues that are restricted for use on City streets that have been designated as major by the Michigan Department of Transportation.

The government reports the following major proprietary funds:

Sewage Fund. Accounts for the activities associated with the collection and purification of wastewater.

Water Fund. Accounts for the activities related to water production, purification, distribution and billing.

Additionally, the City of Alpena reports the following fund types:

Special Revenue Funds. Account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified services.

Capital Project Funds. These funds are used to account for the acquisition or construction of capital facilities.

Debt Service Funds. Account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service Funds. Account for major machinery and equipment purchases and maintenance, as well as supply inventory services provided to other departments of the government on a cost reimbursement basis.

Pension and Other Employee Benefit Trust Funds. These account for the activities of the City of Alpena's employee retirement system which accumulates resources for pension benefit payments to qualified employees and funding of employee health care benefits.

Agency Funds. These funds are used to account for property and payroll taxes collected and distributed to other governments in an agency capacity.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net position of fund balances are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and then unassigned.

D. Assets, Liabilities, and Net Position or Equity.

Cash and Investments. The City maintains and controls two cash and investment pools in which the primary government and component unit's share. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet. As listed on each respective balance sheet, cash and cash equivalents are considered to be cash on hand, demand deposits, pooled cash and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value which is determined using selective bases. Securities traded on a national exchange are valued at the last reported sales price.

Receivables and Payables. In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items. Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Capital Assets. Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	20 to 25 years
Buildings	40 to 45 years
Building improvements	15 to 45 years
Machinery and equipment	3 to 8 years
Infrastructure	10 to 75 years

Compensated Absences (Vacation and Sick Leave). City employees are granted vacation and sick leave in varying amounts based on length of service and union contracts. Vacation pay is fully vested when earned; upon termination, employees are paid accumulated vacation at their regular pay rates to a limit of 100% of their current annual earned vacation.

Administrative and non-union employees hired prior to May 19, 2003 are granted 120 days of sick leave at the time of hire. If after using some or all of his/her sick leave, an employee goes six (6) months without missing a scheduled day of work, his/her sick leave bank is restored to 120 days. For employees hired on or after May 19, 2003, the number of sick days is 75. At termination, death, or retirement, no payment is made to an administrative or non-union employee (or heirs) for unused sick leave.

Clerical employees, Public Works employees, and Police Patrol and Police Command Officers hired prior to July 1, 1989 earn sick leave at the rate of one day for each full month worked, up to the following caps:

	<u>Days</u>
Clerical employees	90
Public Works employees	65
Police Patrol	130/90*/75**
Police Command Officers	130/90*/75**

* Police Patrol and Police Command Officers hired after September 1, 1989.

** Police Patrol and Command Officers hired after August 1, 2002 earn ½ day each month.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Upon retirement, these employees are paid for one-half of their accumulated sick leave based on their hourly straight-time rate of pay at the time of retirement. No payments for unused sick leave are made at termination or death. Clerical employees hired after July 1, 1989, earn sick leave at the rate of ½ day for each full month worked. Public Works employees hired after July 1, 2001, earn sick leave at the rate of ½ day for each full month worked.

Fire Department employees earn sick leave at the rate of 12 hours for each full month worked with no cap. Upon either retirement or death, Fire Department employees, or heirs, are paid for one-half of their accumulated sick leave based on their regular straight-time hourly rate of pay at the time of retirement or death. The payoff is limited to 13 weeks' pay.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for nonvested accumulated sick leave. All vacation pays, and vested sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. Typically, the general fund has been used to liquidate the liability for compensated absences in prior years.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position will sometimes report 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Other Postemployment Benefit (OPEB) Liability. Beginning in fiscal year 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, requires governments providing defined benefit post-employment benefits (other than pensions) to recognize the net OPEB liability and the OPEB expense on their financial statements. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience. The net OPEB liability is recorded on the government-wide statements and is computed differently than the prior unfunded actuarial accrued liability, using specific parameters set forth by the GASB.

Net Pension Liability. Beginning in fiscal year 2015, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments providing defined benefit pensions to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience. The net pension liability is recorded on the government-wide statements and is computed differently than the prior unfunded actuarial accrued liability, using specific parameters set forth by the GASB.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Net Position. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity. In the fund financial statements, governmental funds report various components of fund balance. Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance**-amounts that are not in a spendable form (such as inventory) or are legally or contractually required to be maintained intact;
- **Restricted fund balance**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed fund balance**-amounts constrained and formally set aside to specific purposes by a government itself, using its highest level of decision-making authority the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- **Assigned fund balance**-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the city manager or clerk/treasurer/finance director, who are authorized by a resolution approved by the governing body to make assignments;
- **Unassigned fund balance**-amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

In the general fund, the City strives to maintain a minimum unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses. When unassigned fund balance approaches its minimum threshold, the following measures will be considered.

- Cut or delay pay-as-you-go capital improvements from the CIP (Capital Improvement Plan)
- Cut general operating expenses
- Increase rates and charges funding specific revenues to make them self-sufficient where possible

The City has not established a policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. When both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed.

Contracted Services. On July 1, 1988 the City turned over operation of its Water and Sewage Treatment Plants to a private contractor, who is also responsible for billings and collection of payments. Except for certain equipment, ownership of these plants remains with the City. Various other maintenance services previously performed by the City are now being provided by independent contractors.

CITY OF ALPENA

Notes to Financial Statements

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Proprietary Funds Operating Classification. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the water and sewer fund and the internal service fund is charges to customers for sales and services. The water and sewer fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administration, expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Statements of Cash Flows. The City presents statements of cash flows for all proprietary fund types. These statements, which have been prepared utilizing the direct method, analyze the net increase or decrease in cash and cash equivalents by source. For purposes of the statements of cash flows, the City considers all highly liquid investments purchased with an original maturity of three months or less and the deposits in the investment funds to be cash equivalents.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data / Reclassifications. Comparative total data for the prior year have been presented in only the management discussion and analysis and in the individual fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Special Item. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. As a result of a judgment entered by the Court, for the fiscal year ended June 30, 2018, the City of Alpena recognized a special item in the water and sewage funds to reduce the outstanding receivable from the Township of Alpena in the amounts of \$664,698 and \$1,112,348 in the water and sewage funds, respectively.

Accounting Changes. Effective July 1, 2017, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. This statement replaces GASB Statement No. 45.

Effective July 1, 2017, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)).

Effective July 1, 2017, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

CITY OF ALPENA

Notes to Financial Statements

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

Budgetary Information. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State of Michigan Public Act 2 of 1968, as amended, for the general fund and each special revenue fund. Budgets are not required for debt service, capital project, enterprise, and internal service funds. Prior to adoption of the budgets, City departments prepare and submit their proposed operating budgets for the period commencing July 1. A public hearing is conducted the second meeting in May to obtain taxpayer comments. Prior to July 1, the budget is adopted by the Council. Budgeted amounts shown are as originally adopted, or as amended by the Council during the year. Unused appropriations lapse at June 30 and are not carried forward to the following year.

After the budget is adopted, the City Manager and the Clerk/Treasurer are authorized to transfer budgeted amounts between accounts within a department. However, any revisions that alter the total expenditures of a department or fund must be approved by the City Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriation amount) is established by department within the individual funds. Detail at the activity level is presented in the General Fund - Comparative Schedule of Revenues, Expenditures and Fund Balances – Budget and Actual for the benefit of management.

Individual budget amendments were not material in relation to the original appropriations.

Excess of Expenditures Over Appropriations in Budgeted Funds. The Uniform Budgeting and Accounting Act, P.A. 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The City of Alpena's budgeted and actual expenditures for the funds budgeted have been shown on a departmental basis by function.

During the year, the City incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

Budget Item	Appropriated	Expended	Variance
General Fund			
Public safety			
Police	\$ 1,849,193	\$ 1,863,595	\$ (14,402)
Fire	1,646,863	1,650,446	(3,583)
Ambulance	1,802,152	1,860,108	(57,956)
Other financing sources (uses)			
Transfers out	609,776	610,179	(403)
Major Street Fund			
Public works			
Maintenance	459,853	469,210	(9,357)
Maintenance - trunkline	111,960	127,576	(15,616)

Accumulated Fund Deficits. The City of Alpena had no funds with an accumulated fund balance deficit at June 30, 2018.

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the City of Alpena to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Pension Trust Fund is also authorized to invest in certain reverse repurchase agreements, equity securities, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (limited to 5 percent of the trust fund's assets if total assets are less than \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the City Council has authorized investments to those listed under the State's statutory authority as noted above. The City of Alpena's deposits and investments are in accordance with statutory authority.

At year end, the City of Alpena's cash and investments were reported in the accompanying financial statements in the following categories:

	Primary Government	Component Units	Total
Statement of net position			
Cash and cash equivalents	\$ 7,793,937	\$ 547,524	\$ 8,341,461
Investments, at fair value	1,404,961	-	1,404,961
Statement of fiduciary net position			
Cash and cash equivalents	114,195	-	114,195
Investments, at fair value	28,431,167	-	28,431,167
Total	<u>\$ 37,744,260</u>	<u>\$ 547,524</u>	<u>\$ 38,291,784</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS. (continued)

Cash and investments as of June 30, 2018 consisted of the following:

	Primary Government	Component Units	Total
Bank deposits (demand accounts)	\$ 5,805,831	\$ 547,524	\$ 6,353,355
Certificates of deposit due within one year	2,100,000	-	2,100,000
Cash on hand	2,300	-	2,300
Investments, at fair value			
Short-term investment funds	2,207,158	-	2,207,158
Precious metals	59,872	-	59,872
Brokerage certificates	1,593,734	-	1,593,734
Treasury obligations	3,062,904	-	3,062,904
Municipal bonds	298,716	-	298,716
Corporate bonds	7,611,300	-	7,611,300
Equity securities	14,111,926	-	14,111,926
Other	890,519	-	890,519
	<u>\$ 37,744,260</u>	<u>\$ 547,524</u>	<u>\$ 38,291,784</u>

The City's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had demand bank deposits (certificates of deposit, checking, and savings accounts) with a carrying amount of \$8,453,355 and a bank balance of \$9,299,942. FDIC insurance provides \$250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank. From the bank balance, \$3,068,415 was covered by federal depository insurance and \$6,231,527 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

	Carrying Amount	Bank Balance	Insured	Uninsured
Cash and cash equivalents	\$ 5,846,154	\$ 6,662,706	\$ 804,998	\$ 5,857,708
Certificates of deposit	2,100,000	2,100,000	1,800,000	300,000
Downtown Development Authority No. 2	293,784	323,819	250,000	73,819
Brownfield Redevelopment Authority	209,709	209,709	209,709	-
Economic Development Authority	3,708	3,708	3,708	-
Totals	<u>\$ 8,453,355</u>	<u>\$ 9,299,942</u>	<u>\$ 3,068,415</u>	<u>\$ 6,231,527</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS. (continued)

Custodial Credit Risk of Investments. For investments this is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

Interest Rate Risk. The risk that changes in market interest rates will adversely affect the fair value of an investment. The City through its investment policy, manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Investment Maturities (Fair Value by Years)			
		<1	1-5	6-10	>10
Short-term investment funds	\$ 2,207,158	\$ 2,207,158	\$ -	\$ -	\$ -
Precious metals	59,872	59,872	-	-	-
Brokerage certificates	1,593,734	659,325	934,409	-	-
Treasury securities	3,062,904	2,733,744	238,847	90,313	-
Municipal bonds	298,716	298,716	-	-	-
Corporate bonds	7,611,300	1,493,052	5,149,480	968,768	-
	<u>\$ 14,833,684</u>	<u>\$ 7,451,867</u>	<u>\$ 6,322,736</u>	<u>\$ 1,059,081</u>	<u>\$ -</u>

Concentration of Credit Risk. The City places no limits on the amount the City may invest in any one issuer.

Credit Risk. In compliance with State law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year-end, the credit quality ratings of debt securities (other than the U.S. government securities) are as follows:

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS. (continued)

Investment Type	Fair Value of Investments	Rating	Rating Organization
City investment pool:			
Municipal bonds	\$ 298,716	Aaa	Moody's
	<u>298,716</u>		
Pension trust fund:			
Corporate bonds	295,167	Aaa	Moody's
Corporate bonds	889,742	Aa2	Moody's
Corporate bonds	246,154	Aa3	Moody's
Corporate bonds	1,488,313	A1	Moody's
Corporate bonds	190,494	A2	Moody's
Corporate bonds	937,199	A3	Moody's
Corporate bonds	2,624,647	Baa1	Moody's
Corporate bonds	788,498	Baa2	Moody's
Corporate bonds	151,086	Not rated	Moody's
	<u>7,611,300</u>		

Foreign Currency Risk. Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates.

The pension fund has exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the pension fund are protected from foreign currency risk through the use of ADRs (American Depositary Receipts).

Fair Value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs and are based on estimates and assumptions. These levels are determined by the investment manager.

In instances whereby, inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS. (continued)

GENERAL INVESTMENTS:

	Balance at June 30, 2018	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Short-term investments	\$ 1,396	\$ 1,396	\$ -	\$ -
Brokerage certificates	1,104,849	-	1,104,849	-
Municipal bonds	298,716	-	298,716	-
Total investments by fair value level	<u>\$ 1,404,961</u>	<u>\$ 1,396</u>	<u>\$ 1,403,565</u>	<u>\$ -</u>

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS:

Equity Securities:				
Consumer discretionary	\$ 1,240,395	\$ 1,240,395	\$ -	\$ -
Consumer staples	384,076	384,076	-	-
Energy	648,082	648,082	-	-
Financials	581,570	581,570	-	-
Real estate investment trusts	164,070	164,070	-	-
Healthcare	978,403	978,403	-	-
Industrials	1,230,356	1,230,356	-	-
Technology	2,130,681	2,130,681	-	-
Materials	587,262	587,262	-	-
Special situations	145,710	145,710	-	-
Total equity securities	<u>8,090,605</u>	<u>8,090,605</u>	<u>-</u>	<u>-</u>
Debt Securities:				
Brokerage certificates	488,885	-	488,885	-
Treasury securities	574,600	-	574,600	-
Corporate bonds	7,611,300	-	7,611,300	-
Total debt securities	<u>8,674,785</u>	<u>-</u>	<u>8,674,785</u>	<u>-</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 3--CASH AND INVESTMENTS. (continued)

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (continued)

	Balance at June 30, 2018	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other:				
Short-term investment funds	\$ 876,660	\$ 876,660	\$ -	\$ -
Atlantic Fund I, L.P.				
Short-term investments	1,163,704	1,163,704	-	-
Treasury securities	2,488,304	2,488,304	-	-
Equity securities	643,888	643,888	-	-
	<u>4,295,896</u>	<u>4,295,896</u>	<u>-</u>	<u>-</u>
Pacific Fund I, L.P.				
Short-term investments	7,983	7,983	-	-
Equity securities	<u>1,228,280</u>	<u>1,228,280</u>	<u>-</u>	<u>-</u>
	<u>1,236,263</u>	<u>1,236,263</u>	<u>-</u>	<u>-</u>
Capital Opportunities Fund, L.P.				
Short-term investments	157,414	157,414	-	-
Precious metals	59,872	59,872	-	-
Equity securities	4,149,153	4,149,153	-	-
Funds	688,381	-	-	688,381
Private companies	97,726	-	-	97,726
Real estate	77,876	-	-	77,876
Artwork	<u>26,536</u>	<u>-</u>	<u>-</u>	<u>26,536</u>
	<u>5,256,958</u>	<u>4,366,439</u>	<u>-</u>	<u>890,519</u>
Total other	<u>11,665,777</u>	<u>10,775,258</u>	<u>-</u>	<u>890,519</u>
Total investments by fair value level	<u>\$ 28,431,167</u>	<u>\$ 18,865,863</u>	<u>\$ 8,674,785</u>	<u>\$ 890,519</u>

Equity and debt securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of collateralized debt obligations for brokerage certificates and corporate bonds at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Short-term investment funds are held by equity managers as a temporary investment vehicle for cash prior to entrance into the equity market.

The Atlantic Fund I, L.P., Pacific Fund I, L.P., and Capital Opportunities Fund, L.P. are limited partnerships. The General Partner is R.H. Bluestein and Company. They were organized for the purpose of seeking capital appreciation and interest, dividend and other income by investing in and trading securities and other financial instruments. Investments are carried at fair value in accordance with the provisions of the partnership agreement. The partnership has determined that it meets the definition of an investment company for accounting purposes, and therefore follows investment company accounting guidance.

CITY OF ALPENA

Notes to Financial Statements

NOTE 4--RECEIVABLES.

Receivables for the primary government and component units at June 30, 2018 are as follows:

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Receivables (net of allowance for uncollectables)	\$ 647,236	\$ 3,110,835	\$ 3,758,071	\$ -
Taxes receivable	138,797	-	138,797	367
Loans receivable	-	-	-	18,672
Interest receivable	13,143	-	13,143	-
Due from governmental units	857,942	-	857,942	-
	<u>\$ 1,657,118</u>	<u>\$ 3,110,835</u>	<u>\$ 4,767,953</u>	<u>\$ 19,039</u>

NOTE 5--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances at June 30, 2018 is as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General fund	\$ 115	\$ 220,267
Special revenue funds:		
Major street fund	-	7,916
Local street fund	-	8,714
Marina fund	-	88
Capital projects fund:		
Capital improvement fund	403	-
Permanent fund:		
Perpetual lot care fund	-	115
Internal service fund:		
Equipment fund	236,582	-
	<u>\$ 237,100</u>	<u>\$ 237,100</u>

The Interfund balances at June 30, 2018 represent current unpaid balances for cash advances by the equipment fund and perpetual lot care fund to the general fund within the pooled cash and investment accounts until amounts are transferred from cash and investment accounts.

CITY OF ALPENA

Notes to Financial Statements

NOTE 5--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS. (continued)

	Transfer In	Transfer Out
Local street fund	\$ 250,000	\$ -
Marina fund	95,000	-
Building authority debt fund	123,108	-
Capital improvement fund	69,971	-
Stores fund	72,100	-
General fund	-	610,179
	<u>\$ 610,179</u>	<u>\$ 610,179</u>

The transfers from the general fund to the local street fund represents the transfer of unrestricted resources for current road projects; the transfer from the general fund to the building authority debt fund represents the amount transferred to pay the bond payments; the transfer from the general fund to the capital improvement fund represents the transfer of unrestricted resources for current capital improvements; and the transfer from the general fund to the marina and stores funds represent cash flow assistance for the purpose of purchasing materials and supplies.

NOTE 6--CAPITAL ASSETS.

Capital asset activity of the primary government for the current year was as follows:

	Balance June 30, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,237,864	\$ -	\$ -	\$ 3,237,864
Construction in progress	23,436	1,135,167	(591,093)	567,510
	<u>3,261,300</u>	<u>1,135,167</u>	<u>(591,093)</u>	<u>3,805,374</u>
Capital assets being depreciated:				
Land improvements	5,931,522	2,162	-	5,933,684
Buildings and improvements	9,897,779	304,138	-	10,201,917
Machinery and equipment	8,528,179	299,754	(173,739)	8,654,194
Infrastructure	45,385,966	3,344,227	(70,278)	48,659,915
	<u>69,743,446</u>	<u>3,950,281</u>	<u>(244,017)</u>	<u>73,449,710</u>
Accumulated depreciation:				
Land improvements	(3,053,729)	(182,075)	-	(3,235,804)
Buildings and improvements	(4,592,016)	(199,759)	-	(4,791,775)
Machinery and equipment	(6,489,334)	(437,408)	173,739	(6,753,003)
Infrastructure	(30,703,585)	(1,494,458)	70,278	(32,127,765)
	<u>(44,838,664)</u>	<u>(2,313,700)</u>	<u>244,017</u>	<u>(46,908,347)</u>
Net capital assets being depreciated	<u>24,904,782</u>	<u>1,636,581</u>	<u>-</u>	<u>26,541,363</u>
Net governmental capital assets	<u>\$ 28,166,082</u>	<u>\$ 2,771,748</u>	<u>\$ (591,093)</u>	<u>\$ 30,346,737</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 6--CAPITAL ASSETS. (continued)

	Balance June 30, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	53,529	265,893	(53,529)	265,893
	<u>53,541</u>	<u>265,893</u>	<u>(53,529)</u>	<u>265,905</u>
Capital assets being depreciated:				
Land improvements	566,355	-	-	566,355
Buildings and improvements	6,677,292	254,866	(15,485)	6,916,673
Machinery and equipment	2,590,309	(13,821)	7,875	2,584,363
Infrastructure	38,945,925	1,778,989	(180,894)	40,544,020
	<u>48,779,881</u>	<u>2,020,034</u>	<u>(188,504)</u>	<u>50,611,411</u>
Accumulated depreciation:				
Land improvements	(254,372)	(15,430)	-	(269,802)
Buildings and improvements	(2,994,719)	(130,449)	14,611	(3,110,557)
Machinery and equipment	(1,769,657)	(92,657)	-	(1,862,314)
Infrastructure	(17,635,883)	(718,031)	147,087	(18,206,827)
	<u>(22,654,631)</u>	<u>(956,567)</u>	<u>161,698</u>	<u>(23,449,500)</u>
Net capital assets being Depreciated	<u>26,125,250</u>	<u>1,063,467</u>	<u>(26,806)</u>	<u>27,161,911</u>
Net business-type capital assets	<u>\$ 26,178,791</u>	<u>\$ 1,329,360</u>	<u>\$ (80,335)</u>	<u>\$ 27,427,816</u>

Depreciation was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 61,985
Public safety	297,923
Public works	1,758,596
Parks and recreation	<u>195,196</u>
	<u>\$ 2,313,700</u>
Business-type activities:	
Sewage	\$ 597,506
Water	<u>359,061</u>
	<u>\$ 956,567</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 6--CAPITAL ASSETS. (continued)

At year end the City has active construction projects in process. The remaining commitments with contractors for these projects as of June 30, 2018 are as follows:

	Contract Amount	Commitment Remaining
Mich-e-Kewis Beach Volleyball Court Lighting Omega Electric & Sign Company	\$ 14,500	\$ 14,500
Starlite Beach Trust Fund Improvements Meridian Contracting	529,490	141,506
Dog Park Fence Project Meridian Contracting	26,972	11,743
Capital Improvement Project Phase I MacArthur Construction	583,168	494,294
Water Recycling Plant HVAC Upgrade Wise Heating and Cooling	79,500	79,500
2018 Resurfacing Project Everett Goodrich Trucking	295,515	205,592
US 23 Property Access Road & Utilities MacArthur Construction	398,122	205,592
Miller Street Reconstruction Project MDOT	1,457,600	1,457,600
Miller Street Reconstruction Project Reengineering Huron Engineering & Survey	52,770	50,070
Total	<u>\$ 3,437,637</u>	<u>\$ 2,660,397</u>

NOTE 7--LONG-TERM DEBT.

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CITY OF ALPENA

Notes to Financial Statements

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

Bond and contractual obligation activity can be summarized as follows:

	<u>Balances, June 30, 2017</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances, June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds:					
2013 Building Authority Bonds:					
Amount of issue - \$1,525,000					
Maturing through 2030					
Interest rate ranges: (1.20%-3.15%)					
Principal maturity range:					
(\$15,000 - \$125,000)	\$ 1,300,000	\$ -	\$ (90,000)	\$ 1,210,000	\$ 90,000
Installment purchase agreements:					
2015 Installment contract purchase:					
Amount of issue - \$53,090					
Maturing through 2017					
Interest rate range: (2.70%)					
Principal maturity range:					
(\$16,826 - \$29,109)	10,290	-	(10,290)	-	-
2016 Installment contract purchase:					
Amount of issue - \$13,600					
Maturing through 2019					
Interest rate range: (2.70%)					
Principal maturity range:					
(\$1,900 - \$3,900)	<u>9,700</u>	<u>-</u>	<u>(3,900)</u>	<u>5,800</u>	<u>3,900</u>
Total bond and installment purchase obligations	1,319,990	-	(104,190)	1,215,800	93,900
Other long-term obligations:					
Compensated absences	<u>292,907</u>	<u>93,178</u>	<u>(81,194)</u>	<u>304,891</u>	<u>81,195</u>
Total governmental activities	<u>\$ 1,612,897</u>	<u>\$ 93,178</u>	<u>\$ (185,384)</u>	<u>\$ 1,520,691</u>	<u>\$ 175,095</u>

CITY OF ALPENA

Notes to Financial Statements

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

	Balances, June 30, 2017	Additions	(Deductions)	Balances, June 30, 2018	Due Within One Year
Business-type Activities					
2007 Capital improvement bonds, Amount of issue - \$995,000 Maturing through 2028 Interest rate range: (4.73%) Principal maturity range: (\$20,000 - \$100,000)	\$ 650,000	\$ -	\$ (50,000)	\$ 600,000	\$ 50,000
2007 Sewage disposal system, State of Michigan revolving fund: Amount of issue - \$3,215,659 Maturing through 2030 Interest rate range: (1.625%) Principal maturity range: (\$140,000 - \$185,659)	2,195,659	-	(150,000)	2,045,659	155,000
2007 Water supply system, State of Michigan revolving fund: Amount of issue - \$3,163,160 Maturing through 2030 Interest rate range: (2.125%) Principal maturity range: (\$150,000 - \$170,000)	2,103,160	-	(155,000)	1,948,160	155,000
2012 Water supply and sewage disposal system revenue bonds Amount of issue - \$1,925,000 Maturing through 2019 Interest rate ranges:(1.89%) Principal maturity range: (\$265,000 - \$295,000)	540,000	-	(275,000)	265,000	265,000
Total business-type activities	<u>\$ 5,488,819</u>	<u>\$ -</u>	<u>\$ (630,000)</u>	<u>\$ 4,858,819</u>	<u>\$ 625,000</u>

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	93,900	31,135	625,000	100,488
2020	91,900	29,470	365,000	89,931
2021	85,000	27,851	370,000	81,784
2022	85,000	26,002	375,000	73,556
2023	85,000	23,878	375,000	65,288
2024 through 2028	535,000	78,420	2,040,000	198,408
2029 through 2030	240,000	7,560	708,819	13,195
	<u>\$ 1,215,800</u>	<u>\$ 224,316</u>	<u>\$ 4,858,819</u>	<u>\$ 622,650</u>

CITY OF ALPENA

Notes to Financial Statements

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

Advance Refunding's. On January 17, 2012, the City of Alpena issued \$1,925,000 in Water Supply and Sewage Disposal System Revenue Refunding Bonds; Series 2012 with an average interest rate of 1.89% to advance refund \$1,925,000 of outstanding Water Supply and Sewage Disposal System Revenue Bonds, Series 1998 with an average interest rate of 4.67%. The net proceeds of \$1,925,000 (after payment of \$47,125 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portion of the Water Supply and Sewage Disposal System Revenue Bonds, Series 1998. This issue was called and paid in 2012 and no further liability exists for the 1998 bonds. As a result, the 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt of the City.

The City of Alpena advance refunded the Water Supply and Sewage Disposal System Revenue Bonds, Series 1998 to reduce its total debt service payments for 2012 through 2018 by \$272,696 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$108,636.

On May 15, 2013, the City of Alpena Building Authority issued \$1,525,000 in Limited Tax General Obligation Refunding Bonds with an average interest rate of 2.67% to advance refund \$1,425,000 of outstanding 2004 Building Authority Bonds with an average interest rate of 4.87%. The net proceeds of \$1,532,964 (after payment of \$60,242 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portion of the 2004 Building Authority Bonds. This issue was called and paid in 2014 and no further liability exists for the 2004 bonds. As a result, the 2004 Building Authority Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt of the City.

The City of Alpena advance refunded the 2004 Building Authority Bonds to reduce its total debt service payments for 2016 through 2030 by \$143,082 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$110,700.

Legal debt margin. The City of Alpena, Michigan is subject to a debt limit per state statute that is ten percent of the total taxable valuation of real and personal property. At June 30, 2018 that amount was \$232,452,758. As of June 30, 2018, the net total outstanding debt applicable to the limit was \$6,060,384 which is 26.07% of the total debt limit.

NOTE 8--RISK MANAGEMENT.

The City of Alpena is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, and workers compensation coverage from the Michigan Municipal Workers Compensation Fund. The City currently has general liability, excess liability, auto liability, trunk line liability, errors and omissions, physical damage (equipment, buildings and contents) through Trident Insurance, administered through Alpena Agency Insurance. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Michigan municipal corporations in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool in accordance with the provisions of Section 7, 1951 P.A. 35, as amended by 1988 P.A. 36. The pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities with the state. The City of Alpena became a member of the pool in January 1978 for workers compensation insurance and from December 1996 to December 2000 for liability and property coverage.

CITY OF ALPENA

Notes to Financial Statements

NOTE 9--GOVERNMENTAL FUND BALANCES.

The detail of the various components of governmental fund balances is as follows:

	General Fund	Major Street Fund	Other Nonmajor Governmental Funds	Total
Fund balances:				
Nonspendable:				
Perpetual care lot	\$ -	\$ -	\$ 950,282	\$ 950,282
Restricted for:				
Streets and highway	-	743,284	615,215	1,358,499
Debt service	-	-	14,235	14,235
Tree/Park improvement	-	-	49,558	49,558
Building inspection	-	-	23,731	23,731
Committed for:				
Capital outlay	102,604	-	-	102,604
Capital projects	-	-	354,420	354,420
Marina	-	-	156,697	156,697
Unassigned	2,420,083	-	-	2,420,083
	<u>\$ 2,522,687</u>	<u>\$ 743,284</u>	<u>\$ 2,164,138</u>	<u>\$ 5,430,109</u>

NOTE 10--PROPERTY TAXES.

The City's property tax is levied on each July 1st on the taxable valuation of property located in the City as of the preceding December 31st of the preceding year for all taxable real and personal property located in the City. On July 1, the property tax attach as an enforceable lien on the property and is payable, without penalty, by July 31. On March 1 of the subsequent year unpaid taxes are returned to the County Treasurer as delinquent.

The City's 2017 ad valorem tax is levied and collectible on July 1, 2017. It is the City's policy to recognize revenues from the current tax levy in the current year when the City proceeds of this levy are budgeted and made available for the financing of City operations.

The 2017 taxable valuation of the City of Alpena amounted to \$209,249,826 on real property and \$28,542,800 on personal property for a total of \$237,792,626 on which ad valorem taxes of 16.1066 mills were levied for City operating purposes.

The 2017 tax levy raised \$3,720,159 for City General Operations. This amount is recognized in the general fund financial statements as property taxes.

In addition, specific taxes are levied under the Industrial Facilities Tax Act, Tax Increment Financing Authority, Brownfield Redevelopment Authority, and the Downtown Development Authority. City residents are also assessed 7.9474 mills for County operations, .6450 mills for Dial-A-Ride transportation, 2.5000 mills for the Community College, 2.1882 mills for the Educational Service District, 6.000 mills for the State Education Tax, 1.8000 mills for school debt, and non-homesteaded properties are assessed an additional 18.0000 mills for public schools.

CITY OF ALPENA

Notes to Financial Statements

NOTE 11--PROPERTY TAX ABATEMENTS.

The City of Alpena provides tax abatements under several different programs:

Industrial property tax abatements are granted in the State of Michigan under Public Act 198 to promote economic development, creation of jobs, and new or improved facilities. The Industrial Facilities Tax (IFT) Exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for up to 12 years. A certificate may be revoked, and taxes recaptured for noncompliance with the terms of the agreement. Property taxes abated by the City under this program for fiscal year 2018 amounted to \$15,510.

The State of Michigan allows for Commercial Rehabilitation Exemption under Public Act 210 if making substantial improvements to a business or multi-family residential facility. The City had Commercial Rehabilitation Exemptions for fiscal year 2018 of \$31,476.

The Brownfield Redevelopment Authority encourages environmental cleanup and economic development through its Brownfield Redevelopment Plan under Public Act 318. A developer performs redevelopment and cleanup activities at a site that is obsolete or blighted. The increased tax revenues resulting from the increase in taxable value are captured by the City and used to repay the developer for qualifying expenses. There is no provision for recovery of abated taxes because the developer is only paid for eligible expenses on a reimbursement-basis. Property taxes abated by the Authority under this program for fiscal year 2018 amounted to \$6,979.

PA 147 (Neighborhood Enterprise Zone Act) provides property tax exemptions for properties that provides for the development and rehabilitation for residential housing and meet the requirements of the Act. Properties must be in a designated neighborhood enterprise zone. Exemptions may range from 6 to 17 years dependent on the type of property. The City abated \$25,821 related to PA 147 during fiscal year 2018.

NOTE 12--PERPETUAL LOT CARE FUND.

The Perpetual Lot Care Fund (PLCF) is a permanent trust fund authorized by M.C.L. 128 and the City of Alpena code of ordinances.

The PLCF is used to hold and manage funds for the purpose of maintenance and upkeep of cemetery property, inclusive of maintenance of grounds and capital assets, monuments, and infrastructure. To this end, the PLCF provides support to the City's General Fund Cemetery Department, which manages the day-to-day operations and maintenance of the City's cemetery system.

Income for the PLCF is derived primarily from investments, charges for services, as well as from 25% of the fee for sale of each cemetery lot.

NOTE 13--DEFINED CONTRIBUTION PENSION PLAN.

Effective July 1, 2009 the City will provide pension benefits to Administration and DPW employees through defined contribution (DC) plans administered by the City of Alpena through a third-party plan administrator. Administration and DPW employees hired on or after July 1, 2009 will no longer be eligible to participate in the City's defined benefit pension plan. Clerical employees hired on or after July 1, 2010 will no longer be eligible to participate in the City's defined benefit pension plan.

Administration. The City will contribute 5% of the prior calendar year gross wages. Affected employees shall participate in a defined contribution plan with a mandatory 2% employee contribution.

CITY OF ALPENA

Notes to Financial Statements

NOTE 13--DEFINED CONTRIBUTION PENSION PLAN. (continued)

DPW. The City will contribute 6% in 2017-18, 6.5% in 2018-19 and 7% in 2019-20, (regular, non-overtime wages for hours actually worked, plus holiday, sick, and vacation pay) in the prior calendar year. In order to receive the City contribution, the participating employee must contribute 2%. The 2% employee contribution shall be mandatory for the affected employees and cannot exceed 2% unless agreed upon by all employees affected.

Clerical. The City will contribute 4% (regular, non-overtime wages for hours actually worked, plus holiday, sick leave, and vacation pay) in the prior calendar year. In order to receive the City contribution, the participating employee must contribute 2%. The 2% employee contribution shall be mandatory for the affected employees and cannot exceed 2% unless agreed upon by all employees affected.

All contributions are remitted to a third-party plan administrator. The DC plans maintain a schedule of vesting, with the participants becoming fully vested upon making the contribution. The requirements of plan members are established and may be amended by the City Council in accordance with city policies and union contracts. There were 14 employees participating in DC plans as of June 30, 2018. The City's contributions to the plans for calendar year 2017 wages were calculated based on covered payroll of \$478,701 resulting in an employer contribution of \$25,368 and employee contributions of \$11,795.

NOTE 14--DEFINED BENEFIT PENSION PLAN.

Plan Description. The City reporting entity participates in and administers one single-employer defined benefit pension plan - City of Alpena Employees' Retirement System. The system provides retirement, disability and death benefits to plan members and their beneficiaries and was established in 1945 by City Council Ordinance. Assets are held separately and may be used only for the payment of benefits to the members of the City's retirement plan. Actuarial valuations are performed annually.

Management of the retirement system is vested in the City of Alpena Retirement Board, which consists of six trustees-two members of the City municipal council, the city manager, a police officer or firefighter, a general member, and a city retiree appointed by the municipal council.

The plan does not issue a separate or stand-alone report. The plan is reported within Pension (and Other Employee Benefit) Trust Funds in the accompanying financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the city's balance sheet date. Securities without an established market value are reported at estimated fair value.

Plan Membership. At June 30, 2018, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	94
Inactive plan members	4
Active plan members	67
	<hr/>
	165
	<hr/>

Effective July 1, 2009 the City provides pension benefits to non-union and DPW employees through a defined contribution plan administered by the City of Alpena. Nonunion and DPW employees hired on or after July 1, 2009 will no longer be eligible to participate in the City's defined benefit pension plan. Clerical employees hired on or after July 1, 2010 will no longer be eligible to participate in the City's defined benefit pension plan.

Benefits Provided. The Pension Plan provides retirement, disability and death benefits to eligible plan members. Retirement benefits are calculated by multiplying the plan member's Final Average Compensation (FAC) times the member's years of services times the multiplier applicable to the member's employee group. The benefits per employee group are as follows:

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

General

Eligibility:

Non-Union and City Manager - Age 60 with 5 years of service, or age 55 with 15 years of service; and Non-Union hired after 7/1/2009 are not eligible for membership in this retirement system.

Police Chief and Deputy Chief / Fire Marshal – Same as non-union but mandatory retirement at age 70.

DPW Union - Age 60 with 10 years of service and effective 7/1/1999, age 55 with 15 years of service; and DPW Union hired after July 1, 2009, are not eligible for membership in this retirement system.

Clerical Union - Age 60 with 10 years of service; and Clerical Union hired after July 1, 2010, are not eligible for membership in this retirement system.

Annual Amount:

Non-Union (including City Manager) - 2.25% of final average compensation times total service through 7/1/2003 plus 2.5% times total service after 7/1/2003. DPW Union - Total service times the sum of a) 1.3% of the first \$4,800 of final average compensation plus b) 2.0% of final average compensation in excess of \$4,800.

Clerical Union - Total service times the sum of a) 1.3% of the first \$4,800 of final average compensation plus b) 1.8% of final average compensation in excess of \$4,800. Police Chief - 2.5% of final average compensation times total service through 7/1/2002 plus 3.0% times total service after 7/1/2002.

Type of Final Average Compensation:

Non-Union (including Police Chief, Deputy Fire Chief / Fire Marshal and City Manager) - Highest 24 months out of last 10 years, need not be consecutive, but must be in units of 12 consecutive months each.

Clerical Union - Highest 36 consecutive months out of last 5 years. DPW Union - Highest 3 out of last 5 years, in 12 month increments, need not be consecutive years.

Fire

Eligibility: Age 55 with 10 years of service. Mandatory retirement at age 60.

Annual Amount: Hired before 7/1/2011, 2.5% of final average compensation times service to 7/1/2001 plus 3.0% of final average compensation times service after 7/1/2001. Hired on or after 7/1/2011, 2.25% of final average compensation times total service.

Type of Final Average Compensation: Highest 36 months out of last 5 years, need not be consecutive, but must be in units of 12 consecutive months each.

Police

Eligibility: Age 55 with 10 years of service or 25 years of service regardless of age. Mandatory retirement at age 60.

Annual Amount: Hired before 7/1/2011, 2.4% (2.5% for Command) of final average compensation times total service through 7/1/2002 plus 3.0% of final average compensation times service after 7/1/2002. Hired on or after 7/1/2011, 2.25% of final average compensation times total service. Maximum benefit is 85% of final average compensation for all police members.

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

Type of Final Average Compensation: Highest 36 months out of last 5 years, need not be consecutive, but must be in units of 12 consecutive months each.

Deferred Retirement (vested benefit)

Eligibility: 10 years of service, or 5 years of service for General Non-Union and Police Chief.

General Union, Police and Fire - Benefit begins at age 62.

General Non-Union and Police Chief - Benefit begins at age 60 or age 55 with 15 years of service for General non-union; Surviving spouse entitled to an Option II benefit beginning when the deceased vested member would have attained age 60.

Annual Amount: Computed as regular retirement but based upon service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility: No age or service requirement.

Annual Amount: Computed as regular retirement. Minimum benefit is the greater of \$50 per month or 10% of final average compensation. Upon termination of worker's compensation, or attainment of age 65, whichever occurs first, additional service credit is granted for period in receipt of worker's compensation and benefit is recomputed.

Non-Duty Disability Retirement

Eligibility: 10 years of service.

Annual Amount: Computed as regular retirement. Minimum benefit is the greater of \$50 per month or 10% of final average compensation.

Duty Death Before Retirement

Eligibility: No age or service requirement.

Annual Amount: A benefit of 33-1/3% of final compensation is paid to the widow. Unmarried children under the age of 18 receive an equal share of 25% of final compensation. Maximum benefit of all benefits paid must not exceed \$250 per month. Worker's compensation payments are offset.

Non-Duty Death Before Retirement

Eligibility: 10 years of service.

Annual Amount: Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Member Contribution Withdrawal Option

Police, Fire and General members may elect to withdraw their accumulated contributions in a lump sum at retirement. The regular retirement benefit will be reduced by the actuarial equivalent of the amount withdrawn based on the PBGC interest rate in effect at time of retirement.

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

Normal Form of Payment

The form of payment available to new retirees from city employment without any cost to the retiree is as follows:

Firefighters: If married at the time of retirement: 60% joint and survivor annuity. If single at the time of retirement: straight life annuity.

All Others: Straight life annuity.

Post-Retirement Cost-of-Living Adjustments (COLA)

COLA payments may be made annually to eligible retirees by allocating an amount of money (adjusted for inflation) among all retirees using a formula based on years of City service and years retired as well as other variables. Annual COLA payments are not guaranteed.

Contributions. The State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the Pension Board in accordance with the City ordinance, union contracts and plan provisions. The City's average contribution rate was 20.70% of annual payroll and the actuarially determined contribution was \$796,584. System administrative costs are financed through investment earnings.

For the year ended June 30, 2018, the member contribution rates were as follows:

General - Union - 3.0% of the first \$4,800 of annual compensation plus 5.0% of annual compensation in excess of \$4,800. **Non-Union (including Police Chief and City Manager)** - 3.5% of annual compensation.

Police Patrol and Command Officers - Contribute 6.0% of annual compensation.

Fire - Contribute 6.5% of annual compensation.

Investment Policy. The City of Alpena Employees' Retirement System authorized the system's investment consultant to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes in accordance with Michigan Public Act 314 of 1965, as amended. The most significant requirements as they impact the system are that investments in stock are limited to 70% of the system's assets, and that investments in the stock of any one corporation are limited to 5% of the system's assets. Limitations on investments in real estate are 10%, state and local government obligations are 5%, and global securities are 20% of the system's total assets.

Asset Class	Target Allocation
Domestic equity	53%
International equity	9%
Fixed income	28%
Real Estate investments trusts	1%
Other	2%
Cash and cash equivalents	7%
	<u>100%</u>

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

Rate of Return. For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.18% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reserves. In accordance with state law, the balance in the plan's legally required reserves to be set aside within the pension plan at June 30, 2018, 2017, 2016 and 2015, respectively were \$27,354,482, \$25,700,239, \$25,510,633 and \$26,783,043.

There are no assets legally reserved for purposes other than the payment of plan member benefits. The plan held no individual investments (other than U.S. government obligations) whose fair value exceeds five percent or more of net position available for benefits. There are no long-term contracts for contributions. The City has no financial derivative instruments or products as a part of their pension investment portfolio.

The individual balances of the reserve accounts at June 30 were as follows:

Reserves For	Fiscal Year Ended June 30,		
	2018	2017	2016
Employees' contributions (Annuity Savings Fund)	\$ 3,689,083	\$ 3,315,960	\$ 2,939,920
Employer contributions (Pension Reserve Fund)	5,508,920	4,352,415	5,552,389
Retired benefit payments (Retirement Reserve Fund)	17,456,983	17,332,368	16,318,828
Undistributed investment income (Income Fund)	699,496	699,496	699,496
	<u>\$ 27,354,482</u>	<u>\$ 25,700,239</u>	<u>\$ 25,510,633</u>

Net Pension Liability of the City. Effective July 1, 2014, the City adopted GASB Statement No. 68 which requires the measurement of pension expense as it is earned, rather than as it is funded. The City has chosen to use June 30, 2018 as its measurement date for the net pension liability. The June 30, 2018 total pension liability was determined by an actuarial valuation performed as of that date. The components of the net pension liability of the City at June 30, 2018 were as follows:

Total pension liability	\$ 34,409,193
Plan fiduciary net position	<u>27,354,482</u>
Net pension liability	<u>\$ 7,054,711</u>
Plan fiduciary net position as a percentage of the total pension liability	79.50%
Covered employees payroll	\$ 3,847,552
Net pension liability as a percentage of covered payroll	183.36%

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

Changes in the net pension liability during the measurement year were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 33,608,796	\$ 25,700,239	\$ 7,908,557
Changes for the year:			
Service cost	666,365	-	666,365
Interest on the total pension liability	2,308,694	-	2,308,694
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(253,404)	-	(253,404)
Contributions - employer	-	796,584	(796,584)
Contributions - employees	-	216,055	(216,055)
Net investment income	-	2,615,086	(2,615,086)
Benefit payments, including refunds	(1,921,258)	(1,921,258)	-
Pension plan administrative expense	-	(40,024)	40,024
Other	-	(12,200)	12,200
Net changes	800,397	1,654,243	(853,846)
Balances at June 30, 2018	\$ 34,409,193	\$ 27,354,482	\$ 7,054,711

There were no changes in benefit terms during the year ended June 30, 2018.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2017 and a measurement date of June 30, 2018 using the entry age cost method. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on an open basis. The remaining amortization period for the general and police groups is 25 years and 23 years for the fire group for unfunded accrued liabilities.

Inflation	3.50%
Salary increases, (average, including inflation)	3.50% - 7.30%
Investment rate of return (Net of pension plan investment expense, including inflation)	7.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table, as appropriate, adjusted for mortality improvements to 2020 using projection scale BB for both males and females.

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

For the year ended June 30, 2018, the City recognized pension expense of \$1,657,119. At June 30, 2018, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 17,076	\$ (439,274)	\$ (422,198)
Net difference between projected and actual earnings on pension plan investments	<u>1,599,143</u>	<u>(679,759)</u>	<u>919,384</u>
Total	<u>\$ 1,616,219</u>	<u>\$ (1,119,033)</u>	<u>\$ 497,186</u>

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

Year Ended June 30,	Net Deferred Outflows of Resources
2019	\$ 597,443
2020	213,231
2021	(118,673)
2022	<u>(194,815)</u>
	<u>\$ 497,186</u>

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine this single 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 pension plan's fiduciary net position was 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ALPENA

Notes to Financial Statements

NOTE 14--DEFINED BENEFIT PENSION PLAN. (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.0%
International equity	5.4%
Fixed income	2.6%
Real estate investments trusts	5.0%
Other	4.5%
Cash and cash equivalents	0.0%

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 38,401,209	\$ 34,409,193	\$ 31,055,829
Plan fiduciary net position	27,354,482	27,354,482	27,354,482
Net Pension Liability / (Asset)	\$ 11,046,727	\$ 7,054,711	\$ 3,701,347

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES.

Plan Description. The City of Alpena through the City of Alpena Retiree Health Care Plan (the plan) provides other postemployment benefits (OPEB) to retirees of the City who are eligible to receive a retirement benefit from the City of Alpena Employees Retirement System. The Retiree Health Care Fund was created under the authority of the State of Michigan Public Employee Health Care Fund Investment Act, Public Act 149 of 1999. The plan is a single employer defined benefit health care plan administered by the City of Alpena. Administrative costs are paid by the plan through employer contributions. The plan was adopted and established by action of the City Council, effective July 1, 2002. Actuarial valuations are performed triennially; the latest was an actuarial evaluation as of December 31, 2016.

Management of the Retirement System is vested in the City of Alpena Retirement and Health Care Plan Board, which consists of six trustees-two members of the City Municipal Council, the City Manager, a police officer or firefighter, a general member, and a city retiree appointed by the municipal council.

CITY OF ALPENA

Notes to Financial Statements

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES. (continued)

The plan does not issue a separate or stand-alone report. The plan is reported within Pension (and Other Employee Benefit) Trust Funds in the accompanying financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

Plan Membership. At June 30, 2018, plan membership consisted of the following:

Retired members and beneficiaries currently receiving benefits	24
Active plan members	<u>79</u>
	<u>103</u>

Eligibility requirements vary between bargaining groups. Health insurance coverage is provided by the City outside of the Retirement System on the following basis:

- Retired members (individuals who retire directly from City employment) of the Retirement System except for members of the Housing Division receive benefits.
- As of July 1, 2011, spouses of retired members do not have access to the retiree health plan.
- Eligibility requirements for health benefits are the same as those for retirement except that deferred vested members do not receive coverage.
- Retirees pay their own Medicare Part B premiums and are required to elect coverage when eligible.
- Eligible members of the City's defined contribution pension plan may elect to receive retiree health benefits from this plan.

The City provides retiree health care premiums to eligible members of the program who meet the following conditions.

<u>Employment Division</u>	<u>Retiree Health Benefit Eligibility</u>
General Non-Union	Age 60 with 5 years of service, or age 55 with 15 years of service
DPW	Age 60 with 10 years of service, or age 55 with 15 years of service (Effective 7/1/1999)
Clerical	Age 60 with 10 years of service
Fire	Age 55 with 10 years of service
Police	Age 55 with 10 years of service, or 25 years of service regardless of age
Police Chief and Fire Chief	Age 55 with 10 years of service

Funding Policy. The City has no obligation to make contributions in advance of when insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund a portion of these benefits, as determined by the City Council through annual budget resolutions.

CITY OF ALPENA

Notes to Financial Statements

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES. (continued)

Contributions. A July 2002 City Council Resolution grants the authority to establish and amend the contribution requirements of the City and plan members to the City of Alpena Retirement and Health Care Plan Board. The Investment Committee establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2018, the City's contribution was \$91,828.

Investment Policy. The Plan has no specific investment policy in regard to the allocation of invested assets and may be amended by the City Council by a majority vote of its members. The committee has currently invested the funds of the plan in a short-term money market account and treasury securities.

Rate of Return. For the year ended June 30, 2018, the annual money weighted rate of return on plan investments, net of investment expense, was (.02) percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2016 and a measurement date of June 30, 2018.

The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB liability	\$	5,651,580
Plan fiduciary net position		<u>1,118,040</u>
City's net OPEB liability	\$	<u><u>4,533,540</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		19.78%
Covered-employee payroll	\$	4,377,658
Net OPEB liability as a percentage of covered-employee payroll		103.56%

CITY OF ALPENA

Notes to Financial Statements

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES. (continued)

Changes in the net OPEB liability during the measurement year were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	<u>\$ 5,518,555</u>	<u>\$ 1,168,212</u>	<u>\$ 4,350,343</u>
Changes for the year:			
Service cost	207,582	-	207,582
Interest on the total OPEB liability	198,002	-	198,002
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(116,263)	-	(116,263)
Changes of assumptions	(35,336)	-	(35,336)
Contributions - employer	-	91,828	(91,828)
Net investment income	-	(187)	187
Administrative expense	-	(17,000)	17,000
Miscellaneous other change	-	(3,853)	3,853
Benefit payments, including refunds of employee contributions	(120,960)	(120,960)	-
Net changes	<u>133,025</u>	<u>(50,172)</u>	<u>183,197</u>
Balance at June 30, 2018	<u>\$ 5,651,580</u>	<u>\$ 1,118,040</u>	<u>\$ 4,533,540</u>

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016 and a measurement date of June, 30, 2018. The valuation used the following actuarial assumptions, applied to all periods includes in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases, (average, including inflation)	3.50% - 7.30%
Investment rate of return (Net of pension plan investment expense, including inflation)	4.00%
Health care trend rates	9.00% - 4.00%

CITY OF ALPENA

Notes to Financial Statements

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES. (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 103,083	\$ (103,083)
Assumption changes	-	31,330	(31,330)
Net difference between projected and actual earnings on OPEB plan investments	32,654	-	32,654
	<u>\$ 32,654</u>	<u>\$ 134,413</u>	<u>\$ (101,759)</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2019	\$ (9,022)
2020	(9,022)
2021	(9,022)
2022	(9,024)
2023	(17,186)
Thereafter	(48,483)
	<u>\$ (101,759)</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability, calculated using the discount rate of 3.62%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (2.62%) or 1-percentage-point-higher (4.62%) than the current rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
City's net OPEB liability	\$ 5,157,446	\$ 4,533,540	\$ 3,999,506

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 9.0%, decreasing to 3.5%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point-lower (8.0%, decreasing to 2.5%) or 1-percentage-point-higher (8.0%, decreasing to 4.5%) than the current rate:

	1% Decrease (8.0% decreasing to 2.5%)	Healthcare Cost Trend Rates (9.0% decreasing to 3.5%)	1% Increase (8.0% decreasing to 4.5%)
City's net OPEB liability	\$ 3,861,110	\$ 4,533,540	\$ 5,342,204

CITY OF ALPENA

Notes to Financial Statements

NOTE 15--OTHER POST EMPLOYMENT BENEFIT DISCLOSURES. (continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Benefits Provided. In addition to the healthcare benefits described above, the City of Alpena provides postretirement life insurance benefits, in accordance with council resolution for non-union employees and negotiated labor agreements for union employees, to all covered employees who retire from the City. The City provides a City-paid \$2,000 life insurance policy for administrative, police, and fire department retirees. During the year, the City's share of expenditures was \$584 for retiree life insurance. Expenditures for postretirement benefits are recognized when incurred by the City.

NOTE 16--DEFERRED COMPENSATION PLAN.

The City of Alpena offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City of Alpena's financial statements.

NOTE 17--CONTINGENCIES AND CLAIMS.

Sewage and Water Litigation. The City of Alpena has been involved in litigation with the Charter Township of Alpena regarding protested sewage and water rates charged by the City to the Township from June 2014 through the date of issuance of these financial statements. The City of Alpena has been seeking delinquent sewer and water charges of approximately \$5,206,475 (through June 30, 2018), in addition to late charges of approximately \$1,637,125.

A bench trial commenced February 27, 2018. Settlement negotiations occurred, and a settlement was tentatively reached. On September 19, 2018, the Court issued its final order. The Court awarded the City of Alpena \$1,374,294 of the charges from June 2014 through October 1, 2018. In addition, the Court awarded the City judgment interest of \$164,143. Since this judgment the City and the Township have both appealed the settlement. Despite the ongoing appeal, the City of Alpena adjusted the receivable with the Township to the amount awarded in the judgment.

Other Litigation. During the ordinary course of its operation, the City is a party to various claims, legal actions and complaints. The majority of these matters are covered by the City's Risk Management Program. Those which are not covered involve construction contract claims.

In the opinion of the City's management and legal counsel, that while possible, it is not probable that the City will receive unfavorable rulings in the other lawsuits. These matters are not anticipated to have a material financial impact on the city.

CITY OF ALPENA

Notes to Financial Statements

NOTE 17--CONTINGENCIES AND CLAIMS. (continued)

Other Contingencies. The City of Alpena, like many municipalities, previously owned and operated a solid waste landfill. Should the Michigan Department of Natural Resources (MDNR) determine that environmental contamination exists, the City, as well as other parties, could be required to share in any associated clean-up costs. However, at this point in time, the City is not incurring nor expects to incur in the future any additional costs associated with this landfill.

NOTE 18--COMPONENT UNIT DISCLOSURES.

Loans Receivable. The Downtown Development Authority No. 2 and the Brownfield Redevelopment Authority have loans receivable from local businesses of \$6,572 and \$12,100, respectively that have been reflected in the accompanying fund financial statements with offsetting unearned revenue to be applied upon future collection

Capital Assets. The following table summarizes the changes in the Downtown Development Authority No. 2's capital assets:

	Balance June 30, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being				
Depreciated:				
Land	\$ 93,756	\$ -	\$ -	\$ 93,756
Construction in progress	667	-	-	667
	<u>94,423</u>	<u>-</u>	<u>-</u>	<u>94,423</u>
Capital assets being				
Depreciated:				
Land improvements	128,065	16,286	-	144,351
Buildings and improvements	88,030	-	-	88,030
Machinery and equipment	4,880	-	-	4,880
	<u>220,975</u>	<u>16,286</u>	<u>-</u>	<u>237,261</u>
Accumulated depreciation:				
Land improvements	(89,817)	(3,238)	-	(93,055)
Buildings and improvements	(2,641)	(1,761)	-	(4,402)
Machinery and equipment	(4,880)	-	-	(4,880)
	<u>(97,338)</u>	<u>(4,999)</u>	<u>-</u>	<u>(102,337)</u>
Net capital assets being				
Depreciated	<u>123,637</u>	<u>11,287</u>	<u>-</u>	<u>134,924</u>
Net governmental capital assets	<u>\$ 218,060</u>	<u>\$ 11,287</u>	<u>\$ -</u>	<u>\$ 229,347</u>

Depreciation was charged to programs of the component units as follows:

Downtown Development Authority No. 2	<u>\$ 4,999</u>
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CITY OF ALPENA

Notes to Financial Statements

NOTE 18--COMPONENT UNIT DISCLOSURES. (continued)

The Brownfield Redevelopment Authority and the Economic Development Corporation had no capital assets.

Long-term Debt. Contractual obligation of the Downtown Development Authority No.2 can be summarized as follows:

	Balances, June 30, 2017	Additions	(Deductions)	Balances, June 30, 2018	Due Within One Year
2016 Commercial real estate loan:					
Amount of issue - \$56,516					
Maturing through 2021					
Interest rate ranges: (4.75%)					
Principal maturity range:					
(\$643 - \$42,794)	\$ 53,877	\$ -	\$ (2,768)	\$ 51,109	\$ 2,904
	<u>\$ 53,877</u>	<u>\$ -</u>	<u>\$ (2,768)</u>	<u>\$ 51,109</u>	<u>\$ 2,904</u>

The Downtown Development Authority No. 5, Brownfield Redevelopment Authority and the Economic Development Corporation had no long-term debt.

NOTE 19--PRIOR PERIOD ADJUSTMENTS.

During the current year, the City determined the activity in the building inspection fund should be segregated from the general fund. This resulted in a reduction to the fund balance in the general fund and a separate fund balance in the building inspection fund for fiscal year ended June 30, 2017 in the amount of \$7,004 as presented in the fund financial statements.

The City's government-wide and fund financial statements have been restated for revenue received from the State of Michigan for major and local street projects that pertained to the fiscal year ended June 30, 2017 and were received in July and August of 2017. The City had historically recorded certain revenue from the State of Michigan on a cash basis. The restatement increased the fund balance of the major and local street funds by \$144,478 and \$50,909, respectively, and the net position of the government-wide statements was increased by \$195,387.

During the current year, the City restated its beginning net position only in the government-wide financial statements in order to record activity primarily funded through a grant with the Michigan Department of Transportation. A portion of the project was complete in fiscal year 2017. Accordingly, a prior period adjustment has been recorded increasing beginning net position for the governmental activities in the amount of \$2,640,063.

As indicated in Note 1, the City adopted GASB Statement No. 75, which replaces GASB Statement No. 45. This standard requires the net OPEB liability under GASB Statement No. 75 to be applied retroactively. As a result, the government-wide statements have been restated to incorporate the City's net OPEB liability under the new standard that was measured as of June 30, 2017. The impact of this change decreased the net position for the governmental activities in the amount of \$1,133,604.

NOTE 20--SUBSEQUENT EVENTS.

Management has evaluated subsequent events through December 27, 2018, the date on which the financial statements were available to be issued.

CITY OF ALPENA

Notes to Financial Statements

NOTE 21--UPCOMING REPORTING CHANGES.

In December 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2019.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2021.

In April 2018, the Governmental Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements*, which improves the information related to debt that is required to be disclosed in the notes to the financial statements. This statement also clarifies which liabilities should be included in the information that is disclosed related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2019.

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which establishes requirements for interest costs incurred before the end of a construction period. This statement improves the relevance and comparability of information related to capital assets and the cost of borrowing for a reporting period. In addition, this statement simplifies the accounting for interest cost incurred before the end of a construction period. Under this statement, the cost of interest that is incurred prior to the end of the construction period will be an expense in the period in which the cost is incurred for financial statements prepared under the economic resources measurement focus. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2021.



CITY OF ALPENA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 3,823,250	\$ 3,687,446	\$ 3,720,159	\$ 32,713
Licenses and permits	60,188	65,586	54,110	(11,476)
State revenue	2,023,907	1,934,229	1,872,043	(62,186)
Federal revenue	544,995	987,253	229,977	(757,276)
Local grant revenue	869,601	861,601	852,771	(8,830)
Charges for services	2,626,480	2,548,107	2,580,605	32,498
Investment income and rents	88,836	76,665	80,594	3,929
Fines and forfeitures	18,500	20,500	22,151	1,651
Other	274,702	348,374	450,979	102,605
Total revenues	10,330,459	10,529,761	9,863,389	(666,372)
Expenditures				
General government:				
General government	2,492,495	2,217,700	1,830,133	387,567
Information technology	266,835	256,741	241,592	15,149
Cemetery	208,706	219,183	213,311	5,872
	2,968,036	2,693,624	2,285,036	408,588
Public safety:				
Police	1,930,864	1,849,193	1,863,595	(14,402)
Fire	1,638,905	1,646,863	1,650,446	(3,583)
Ambulance	1,801,460	1,802,152	1,860,108	(57,956)
	5,371,229	5,298,208	5,374,149	(75,941)
Public works:				
Public works	517,745	540,814	495,820	44,994
Highways, streets and lights	222,248	281,673	279,704	1,969
	739,993	822,487	775,524	46,963
Recreation and culture:				
Parks and recreation	948,711	1,113,490	1,051,360	62,130
	948,711	1,113,490	1,051,360	62,130
Total expenditures	10,027,969	9,927,809	9,486,069	441,740

CITY OF ALPENA

Required Supplementary Information Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess (deficiency) of revenues over expenditures	\$ 302,490	\$ 601,952	\$ 377,320	\$ (224,632)
Other financing sources (uses)				
Transfers in	21,000	16,000	-	(16,000)
Transfers out	(570,208)	(609,776)	(610,179)	(403)
	<u>(549,208)</u>	<u>(593,776)</u>	<u>(610,179)</u>	<u>(16,403)</u>
Net change in fund balances	(246,718)	8,176	(232,859)	(241,035)
Fund balances - beginning of the year	<u>3,364,025</u>	<u>2,755,546</u>	<u>2,755,546</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 3,117,307</u>	<u>\$ 2,763,722</u>	<u>\$ 2,522,687</u>	<u>\$ (241,035)</u>

CITY OF ALPENA

Required Supplementary Information
Budgetary Comparison Schedule - Major Street Fund

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
State revenue	\$ 946,600	\$ 1,085,870	\$ 1,342,698	\$ 256,828
Charges for services	-	34,170	34,170	-
Investment income and rents	2,300	1,000	1,186	186
Other	<u>28,500</u>	<u>800</u>	<u>662</u>	<u>(138)</u>
Total revenues	<u>977,400</u>	<u>1,121,840</u>	<u>1,378,716</u>	<u>256,876</u>
Expenditures				
Public works:				
Administration and engineering	69,344	66,735	64,501	2,234
Construction	106,624	406,780	262,800	143,980
Maintenance	430,320	459,853	469,210	(9,357)
Maintenance - trunkline	<u>97,032</u>	<u>111,960</u>	<u>127,576</u>	<u>(15,616)</u>
Total expenditures	<u>703,320</u>	<u>1,045,328</u>	<u>924,087</u>	<u>121,241</u>
Excess (deficiency) of revenues over expenditures	<u>274,080</u>	<u>76,512</u>	<u>454,629</u>	<u>378,117</u>
Other financing sources (uses)				
Transfers out	<u>(100,000)</u>	-	-	-
Total other financing sources (uses)	<u>(100,000)</u>	-	-	-
Net change in fund balances	174,080	76,512	454,629	378,117
Fund balances - beginning of the year	<u>68,582</u>	<u>288,655</u>	<u>288,655</u>	<u>-</u>
Fund balances - end of the year	<u><u>\$ 242,662</u></u>	<u><u>\$ 365,167</u></u>	<u><u>\$ 743,284</u></u>	<u><u>\$ 378,117</u></u>

CITY OF ALPENA

Notes to Required Supplementary Information

NOTE 1--STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

Budgetary Information. Prior to adoption of the budgets, City departments prepare and submit their proposed operating budgets commencing July 1. A public hearing is conducted the second meeting in May to obtain taxpayer comments. Prior to July 1, the budget is adopted by the Council. Budgeted amounts shown are as originally adopted, or as amended by the Council during the year. Unused appropriations lapse at June 30 and are not carried forward to the following year.

After the budget is adopted, the City Manager and the Clerk/Treasurer are authorized to transfer budgeted amounts between accounts within a department. However, any revisions that alter the total expenditures of a department or fund must be approved by the City Council. Activities of the general fund, and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for capital projects. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriation amount) is established by department within the individual fund.

Budgeted amounts of the revenues and expenditures presented for the general and special revenue funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the general fund and major special revenue funds is presented as required supplemental information.



CITY OF ALPENA

Required Supplementary Information
Defined Benefit Pension System Trust
Schedule of Changes in the City's Net Pension Liability and Related Ratios

June 30, 2018

	2018	2017	2016
Total Pension Liability			
Service Cost	\$ 666,365	\$ 643,778	\$ 639,140
Interest on the total pension liability	2,308,694	2,245,552	2,213,262
Benefit Changes	-	-	-
Difference between expected and actual experience of the total pension liability	(253,404)	(116,263)	(496,231)
Assumption changes	-	-	-
Benefit payments and refunds	(1,921,258)	(1,843,385)	(1,951,044)
Net change in total pension liability	800,397	929,682	405,127
Total pension liability, Beginning of year	33,608,796	32,679,114	32,273,987
Total pension liability, End of year (a)	\$ 34,409,193	\$ 33,608,796	\$ 32,679,114
Plan Fiduciary Net Position			
Employer contributions	\$ 796,584	\$ 722,318	\$ 738,836
Employee contributions	216,055	211,925	210,403
Pension plan net investment income (loss)	2,615,086	1,138,147	(233,064)
Benefit payments and refunds	(1,921,258)	(1,843,385)	(1,951,044)
Pension plan administrative expense	(40,024)	(39,007)	(37,541)
Other	(12,200)	(392)	-
Net change in plan fiduciary net position	1,654,243	189,606	(1,272,410)
Plan fiduciary net position, Beginning of year	25,700,239	25,510,633	26,783,043
Plan fiduciary net position, end of year (b)	\$ 27,354,482	\$ 25,700,239	\$ 25,510,633
City's net pension liability, end of year (a) - (b)	\$ 7,054,711	\$ 7,908,557	\$ 7,168,481
Plan fiduciary net position as a percentage of total pension liability	79.50%	76.47%	78.06%
Covered payroll	\$ 3,847,552	\$ 3,788,940	\$ 3,940,937
Net pension liability as a percentage of covered payroll	183.36%	208.73%	181.90%

Note: Governmental Accounting Standards Board (GASB) Statement No. 67 was implemented in fiscal year 2014 and Statement No. 68 in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

2015	2014
\$ 681,104	\$ 466,628
2,146,300	2,090,739
-	-
140,728	-
-	-
(2,030,031)	(1,711,722)
938,101	845,645
31,335,886	30,490,241
<u>\$ 32,273,987</u>	<u>\$ 31,335,886</u>

\$ 679,715	\$ 659,411
210,742	217,601
(87,422)	3,669,773
(2,030,031)	(1,711,722)
(36,507)	(36,479)
-	(2,854)
(1,263,503)	2,795,730
28,046,546	25,250,816
<u>\$ 26,783,043</u>	<u>\$ 28,046,546</u>
<u>\$ 5,490,944</u>	<u>\$ 3,289,340</u>

82.99%	89.50%
\$ 3,826,833	\$ 3,812,921
143.49%	86.27%

Required Supplementary Information
Defined Benefit Pension System Trust
Schedule of Contributions

Notes to Schedule of Contributions

Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2018:

Note: This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF ALPENA

Required Supplementary Information
Defined Benefit Pension System Trust
Schedule of Investment Returns

June 30, 2018

Fiscal Year Ending June 30,	(1) Annual Return
2015	-0.14%
2016	-0.70%
2017	4.44%
2018	10.18%

(1) Annual money-weighted rate of return, net of investment expenses.

Note: This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF ALPENA

Required Supplementary Information
Other Post Employment Benefits (OPEB)
Schedule of Changes in the City's Net OPEB Liability and Related Ratios

June 30, 2018

	2018	2017
Total OPEB Liability		
Service cost	\$ 207,582	\$ 231,673
Interest on the total OPEB liability	198,002	189,581
Changes in benefit terms	-	-
Difference between expected and actual experience due to benefit payments	(116,263)	(92,035)
Changes of assumptions	(35,336)	-
Benefit payments	(120,960)	(132,334)
Net change in total OPEB liability	133,025	196,885
Total OPEB liability, beginning of year	5,518,555	5,321,670
Total OPEB liability, end of year (a)	\$ 5,651,580	\$ 5,518,555
Plan Fiduciary Net Position		
Employer contributions	\$ 91,828	\$ 271,501
Employee contributions	-	-
OPEB plan net investment income (loss)	(187)	5,594
Benefit payments and refunds	(120,960)	(132,334)
OPEB plan administrative expense	(17,000)	-
Other	(3,853)	(7)
Net change in plan fiduciary net position	(50,172)	144,754
Plan fiduciary net position, beginning of year	1,168,212	1,023,458
Plan fiduciary net position, end of year (b)	\$ 1,118,040	\$ 1,168,212
City's net OPEB liability, end of year (a) - (b)	\$ 4,533,540	\$ 4,350,343
Plan fiduciary net position as a percentage of total OPEB liability	19.78%	21.17%
Covered employee payroll	\$ 4,377,658	\$ 4,377,658
Net OPEB liability as a percentage of covered employee payroll	103.56%	99.38%

Note: Governmental Accounting Standards Board (GASB) Statement No. 75 was implemented in fiscal year 2018. Amounts presented to each plan fiscal year all based on the actuarial valuation as of December 31, 2016 and a measurement date of the City's year end. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Required Supplementary Information
Other Post Employment Benefits (OPEB)
Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 470,550	\$ 271,501	\$ 199,049	\$4,377,658	6.20%
2018	-	91,828	(91,828)	4,377,658	2.10%

Notes to Schedule of Contributions

Valuation date

Actuarially determined contribution amounts are calculated as of December 31, 2016.

Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2018:

Actuarial cost method

Individual Entry Age Normal

Amortization method

Level percent of payroll, closed

Asset valuation method

Market value of assets

Price inflation

3.50%

Salary increases

3.5% to 7.3%, including inflation

Investment rate of return

3.62%

Mortality

RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB for both males and females.

Health Care Trend Rates

Trend starting at 9.0% and gradually decreasing to an ultimate trend rate of 3.50%.

Note: This schedule is being built prospectively. Ultimately, ten years of data will be presented.



CITY OF ALPENA

Nonmajor Governmental Funds

Description of Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Marina Fund. This fund is responsible for maintaining the City Marina and associated dockage and launching facilities.

Tree/Park Improvement Fund. This fund accounts for the resources to be used for the planting of trees and the improvement of the City of Alpena parks.

Local Street Fund. This fund accounts for the resources that are utilized for repairs, maintenance and construction of the City's local streets.

Building Inspection Fund. This fund accounts for charges for services and expenditures related to building inspections for the City of Alpena.

Debt Service Funds

Debt Service Funds are used to record the funding and payment of principal and interest on debt.

Building Authority Debt Fund. This fund is used to record the servicing of the Building Authority of the City of Alpena debt.

Capital Project Funds

Capital Project Funds are used to record the acquisition and construction of major capital facilities other than those financed by proprietary fund operations.

Capital Improvement Fund. This fund is used to record construction activity of the City of Alpena.

Building Authority Construction Fund. This fund is used to record construction activity of the Building Authority of the City of Alpena.

Department of Public Works DPW Construction Fund. This fund is used to record construction activity of the DPW.

Permanent Fund

Permanent funds are used to account for and report amounts in which only earnings from investments can be utilized by the City, while the remaining principle is permanently restricted.

Perpetual Lot Care Fund. Investment earnings in this fund are utilized to help fund the City of Alpena's Evergreen Cemetery.

CITY OF ALPENA

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

			Nonmajor Special Revenue Funds	
			Marina	Tree/Park Improvement
ASSETS				
Cash and cash equivalents	\$	155,608	\$	49,558
Investments - at fair value		-		-
Accounts receivable, net		7,500		-
Due from other governments		-		-
Due from other funds		-		-
Interest receivable		-		-
		<hr/>		<hr/>
Total assets	\$	<u>163,108</u>	\$	<u>49,558</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	4,653	\$	-
Accrued payroll		1,670		-
Due to other funds		88		-
		<hr/>		<hr/>
Total liabilities		<u>6,411</u>		<u>-</u>
Fund Balances				
Nonspendable - perpetual care lot		-		-
Restricted:				
Debt service		-		-
Tree/Park improvement		-		49,558
Streets and highways		-		-
Building inspection		-		-
Committed:				
Marina		156,697		-
Capital projects		-		-
		<hr/>		<hr/>
Total fund balances		<u>156,697</u>		<u>49,558</u>
Total liabilities and fund balances	\$	<u>163,108</u>	\$	<u>49,558</u>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ 608,451	\$ 32,833	\$ 17,042	\$ 426	\$ 353,457
-	-	-	-	-
-	-	-	-	-
53,935	-	-	-	-
-	-	403	-	-
-	-	-	-	437
<u>\$ 662,386</u>	<u>\$ 32,833</u>	<u>\$ 17,445</u>	<u>\$ 426</u>	<u>\$ 353,894</u>
\$ 31,785	\$ 6,086	\$ 17,345	\$ -	\$ -
6,672	3,016	-	-	-
8,714	-	-	-	-
<u>47,171</u>	<u>9,102</u>	<u>17,345</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
615,215	-	-	-	-
-	23,731	-	-	-
-	-	-	-	-
-	-	100	426	353,894
<u>615,215</u>	<u>23,731</u>	<u>100</u>	<u>426</u>	<u>353,894</u>
<u>\$ 662,386</u>	<u>\$ 32,833</u>	<u>\$ 17,445</u>	<u>\$ 426</u>	<u>\$ 353,894</u>

continued

CITY OF ALPENA

Combining Balance Sheet - Nonmajor Governmental Funds (continued)

June 30, 2018

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,235	\$ 698,791	\$ 1,930,401
Investments - at fair value	-	249,872	249,872
Accounts receivable, net	-	-	7,500
Due from other governments	-	-	53,935
Due from other funds	-	-	403
Interest receivable	-	1,734	2,171
Total assets	<u>\$ 14,235</u>	<u>\$ 950,397</u>	<u>\$ 2,244,282</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 59,869
Accrued payroll	-	-	11,358
Due to other funds	-	115	8,917
Total liabilities	<u>-</u>	<u>115</u>	<u>80,144</u>
Fund Balances			
Nonspendable - perpetual care lot	-	950,282	950,282
Restricted:			
Debt service	14,235	-	14,235
Tree/Park improvement	-	-	49,558
Streets and highways	-	-	615,215
Building inspection	-	-	23,731
Committed:			
Marina	-	-	156,697
Capital projects	-	-	354,420
Total fund balances	<u>14,235</u>	<u>950,282</u>	<u>2,164,138</u>
Total liabilities and fund balances	<u>\$ 14,235</u>	<u>\$ 950,397</u>	<u>\$ 2,244,282</u>



CITY OF ALPENA

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2018

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
REVENUES		
Licenses and permits	\$ 4,000	\$ -
State revenue	-	-
Charges for services	-	-
Investment income and rents	28,646	175
Other	23,990	-
Total revenues	<u>56,636</u>	<u>175</u>
EXPENDITURES		
Current operations:		
General government	-	-
Public safety	-	-
Public works	-	-
Recreation and culture	128,540	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	<u>128,540</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(71,904)</u>	<u>175</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>95,000</u>	<u>-</u>
Total other financing sources (uses)	<u>95,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	23,096	175
FUND BALANCES, beginning of year	<u>133,601</u>	<u>49,383</u>
FUND BALANCES, end of year	<u><u>\$ 156,697</u></u>	<u><u>\$ 49,558</u></u>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ -	\$ 205,205	\$ -	\$ -	\$ -
342,754	-	-	-	-
-	-	-	-	-
2,366	9	431	2	876
178	1,705	-	-	11,358
345,298	206,919	431	2	12,234
-	-	-	-	-
-	190,192	247,707	-	-
597,975	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
597,975	190,192	247,707	-	-
(252,677)	16,727	(247,276)	2	12,234
250,000	-	69,971	-	-
250,000	-	69,971	-	-
(2,677)	16,727	(177,305)	2	12,234
617,892	7,004	177,405	424	341,660
\$ 615,215	\$ 23,731	\$ 100	\$ 426	\$ 353,894

continued

CITY OF ALPENA

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (continued)

Year Ended June 30, 2018

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
REVENUES			
Licenses and permits	\$ -	\$ -	\$ 209,205
State revenue	-	-	342,754
Charges for services	-	13,695	13,695
Investment income and rents	70	6,059	38,634
Other	-	3,315	40,546
Total revenues	70	23,069	644,834
EXPENDITURES			
Current operations:			
General government	-	5,966	5,966
Public safety	-	-	437,899
Public works	-	-	597,975
Recreation and culture	-	-	128,540
Debt service:			
Principal retirement	90,000	-	90,000
Interest and fees	33,798	-	33,798
Total expenditures	123,798	5,966	1,294,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(123,728)	17,103	(649,344)
OTHER FINANCING SOURCES (USES)			
Transfers in	123,108	-	538,079
Total other financing sources (uses)	123,108	-	538,079
NET CHANGE IN FUND BALANCES	(620)	17,103	(111,265)
FUND BALANCES , beginning of year	14,855	933,179	2,275,403
FUND BALANCES , end of year	\$ 14,235	\$ 950,282	\$ 2,164,138



CITY OF ALPENA

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
MARINA				
Revenues				
Licenses and permits	\$ 2,500	\$ 4,400	\$ 4,000	\$ (400)
State revenue	21,140	-	-	-
Investment income and rents	25,700	25,650	28,646	2,996
Donations	200	2,450	2,850	400
Other	20,140	21,140	21,140	-
Total revenues	<u>69,680</u>	<u>53,640</u>	<u>56,636</u>	<u>2,996</u>
Expenditures				
Recreation and culture	<u>164,067</u>	<u>145,600</u>	<u>128,540</u>	<u>17,060</u>
Total expenditures	<u>164,067</u>	<u>145,600</u>	<u>128,540</u>	<u>17,060</u>
Excess (deficiency) of revenues over expenditures	(94,387)	(91,960)	(71,904)	20,056
Other financing sources (uses)				
Transfers in	<u>85,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Net change in fund balances	(9,387)	3,040	23,096	20,056
Fund balances, beginning of the year	<u>125,126</u>	<u>133,601</u>	<u>133,601</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 115,739</u></u>	<u><u>\$ 136,641</u></u>	<u><u>\$ 156,697</u></u>	<u><u>\$ 20,056</u></u>
TREE/PARK IMPROVEMENT				
Revenues				
Investment income and rents	\$ 200	\$ 133	\$ 175	\$ 42
Total revenues	<u>200</u>	<u>133</u>	<u>175</u>	<u>42</u>
Expenditures				
Recreation and culture	<u>21,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total expenditures	<u>21,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	<u>(20,800)</u>	<u>(29,867)</u>	<u>175</u>	<u>(29,958)</u>
Fund balances, beginning of the year	<u>49,228</u>	<u>49,383</u>	<u>49,383</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 49,228</u></u>	<u><u>\$ 49,383</u></u>	<u><u>\$ 49,558</u></u>	<u><u>\$ -</u></u>

CITY OF ALPENA

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
LOCAL STREET				
Revenues				
State revenue	\$ 312,080	\$ 341,373	\$ 342,754	\$ 1,381
Investment income and rents	1,300	1,700	2,366	666
Other	400	200	178	(22)
Total revenues	<u>313,780</u>	<u>343,273</u>	<u>345,298</u>	<u>2,025</u>
Expenditures				
Public works	<u>787,139</u>	<u>779,692</u>	<u>597,975</u>	<u>181,717</u>
Total expenditures	<u>787,139</u>	<u>779,692</u>	<u>597,975</u>	<u>181,717</u>
Excess (deficiency) of revenues over expenditures	(473,359)	(436,419)	(252,677)	183,742
Other financing sources (uses)				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balances	(223,359)	(186,419)	(2,677)	183,742
Fund balances, beginning of the year	<u>444,199</u>	<u>617,892</u>	<u>617,892</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 220,840</u>	<u>\$ 431,473</u>	<u>\$ 615,215</u>	<u>\$ 183,742</u>
BUILDING INSPECTION				
Revenues				
Licenses and permits	\$ 185,000	\$ 207,000	\$ 205,205	\$ (1,795)
Investment income and rents	30	15	9	(6)
Other	1,700	1,705	1,705	-
Total revenues	<u>186,730</u>	<u>208,720</u>	<u>206,919</u>	<u>(1,801)</u>
Expenditures				
Public safety	<u>196,470</u>	<u>200,018</u>	<u>190,192</u>	<u>9,826</u>
Total expenditures	<u>196,470</u>	<u>200,018</u>	<u>190,192</u>	<u>9,826</u>
Excess (deficiency) of revenues over expenditures	(9,740)	8,702	16,727	8,025
Other financing sources (uses)				
Transfers in	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	30,260	8,702	16,727	8,025
Fund balances, beginning of the year	<u>10,107</u>	<u>7,004</u>	<u>7,004</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 40,367</u>	<u>\$ 15,706</u>	<u>\$ 23,731</u>	<u>\$ 8,025</u>



CITY OF ALPENA

Internal Service Funds

Description of Funds

Internal Service Funds are used to account for the financing of special activities or services performed by a designated unit within the City for other units of the City. These funds are supported entirely by the sale of goods or services to other funds.

Equipment Fund. This fund is used to account for the rental charges of City owned equipment to other City departments.

Stores Fund. This fund is used to account for the movement of stockpiled materials and supplies.

CITY OF ALPENA

Combining Statement of Net Position - Internal Service Funds

June 30, 2018

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 970,670	\$ 38,764	\$ 1,009,434
Investments, at fair value	298,716	-	298,716
Accounts receivable, net	4,717	-	4,717
Interest receivable	1,471	-	1,471
Inventories	-	226,869	226,869
Due from other funds	236,582	-	236,582
Total current assets	<u>1,512,156</u>	<u>265,633</u>	<u>1,777,789</u>
Noncurrent assets			
Capital assets being depreciated, net	814,883	-	814,883
Total noncurrent assets	<u>814,883</u>	<u>-</u>	<u>814,883</u>
Total assets	<u>2,327,039</u>	<u>265,633</u>	<u>2,592,672</u>
LIABILITIES			
Current liabilities			
Accounts payable	8,616	-	8,616
Accrued payroll	3,407	-	3,407
Total current liabilities	<u>12,023</u>	<u>-</u>	<u>12,023</u>
NET POSITION			
Net investment in capital assets	814,883	-	814,883
Unrestricted	<u>1,500,133</u>	<u>265,633</u>	<u>1,765,766</u>
Total net position	<u>\$ 2,315,016</u>	<u>\$ 265,633</u>	<u>\$ 2,580,649</u>

CITY OF ALPENA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds

Year ended June 30, 2018

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 773,408	\$ 152,799	\$ 926,207
Total operating revenues	<u>773,408</u>	<u>152,799</u>	<u>926,207</u>
OPERATING EXPENSES			
Salaries and wages	84,529	-	84,529
Employee benefits	60,105	-	60,105
Supplies and durable goods	3,928	152,210	156,138
Gas and oil	103,101	-	103,101
Professional and contractual	1,802	-	1,802
Administrative services	309,921	63,629	373,550
Insurance	26,226	-	26,226
Repairs and maintenance	107,136	-	107,136
Equipment rental	71	-	71
Miscellaneous	245	-	245
Depreciation	196,826	-	196,826
Total operating expenses	<u>893,890</u>	<u>215,839</u>	<u>1,109,729</u>
OPERATING INCOME (LOSS)	<u>(120,482)</u>	<u>(63,040)</u>	<u>(183,522)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income and rents	13,983	-	13,983
Gain (loss) on sale of assets	45	-	45
Total nonoperating revenues (expenses)	<u>14,028</u>	<u>-</u>	<u>14,028</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(106,454)</u>	<u>(63,040)</u>	<u>(169,494)</u>
TRANSFERS			
Transfers in	-	72,100	72,100
	<u>-</u>	<u>72,100</u>	<u>72,100</u>
CHANGE IN NET POSITION	(106,454)	9,060	(97,394)
NET POSITION, beginning of year	<u>2,421,470</u>	<u>256,573</u>	<u>2,678,043</u>
NET POSITION, end of year	<u>\$ 2,315,016</u>	<u>\$ 265,633</u>	<u>\$ 2,580,649</u>

CITY OF ALPENA

Combining Statement of Cash Flows Internal Service Funds

Year ended June 30, 2018

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund service provided	\$ 789,891	\$ 152,799	\$ 942,690
Payments to suppliers	(239,980)	(142,684)	(382,664)
Payments to employees	(145,001)	-	(145,001)
Payments for interfund services used	<u>(232,503)</u>	<u>(63,629)</u>	<u>(296,132)</u>
Net cash provided (used) by operating activities	<u>172,407</u>	<u>(53,514)</u>	<u>118,893</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	72,100	72,100
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>72,100</u>	<u>72,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of capital assets	45	-	45
Acquisition of capital assets	<u>(123,896)</u>	<u>-</u>	<u>(123,896)</u>
Net cash provided (used) by capital and related financing activities	<u>(123,851)</u>	<u>-</u>	<u>(123,851)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of investment securities	-	-	-
Interest and dividends received	<u>15,434</u>	<u>-</u>	<u>15,434</u>
Net cash provided (used) by investing activities	<u>15,434</u>	<u>-</u>	<u>15,434</u>
Net increase (decrease) in cash and cash equivalents	63,990	18,586	82,576
CASH AND CASH EQUIVALENTS, beginning of year	<u>906,680</u>	<u>20,178</u>	<u>926,858</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 970,670</u></u>	<u><u>\$ 38,764</u></u>	<u><u>\$ 1,009,434</u></u>

continued

CITY OF ALPENa

Combining Statement of Cash Flows
Internal Service Funds (continued)

Year Ended June 30, 2018

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (120,482)	\$ (63,040)	\$ (183,522)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	196,826	-	196,826
(Increase) decrease in receivables	16,483	-	16,483
(Increase) decrease in due from other funds	77,418	-	77,418
(Increase) decrease in inventories	-	11,493	11,493
Increase (decrease) in accounts payable	2,529	(1,967)	562
Increase (decrease) in accrued payroll	<u>(367)</u>	<u>-</u>	<u>(367)</u>
Net cash provided (used) by operating activities	<u>\$ 172,407</u>	<u>\$ (53,514)</u>	<u>\$ 118,893</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Increase (decrease) in fair value of investments	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 45</u>



CITY OF ALPENA

General Fund

Description of Fund

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues, and by revenues from various municipal activities and services, are recorded in this fund. Costs for City administration are accounted for in this fund. Other operating funds make contributions to the general fund for overhead or administrative costs which are allocated to each fund.

CITY OF ALPENA

General Fund

Comparative Balance Sheet

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,150,803	\$ 1,833,878
Investments, at fair value	856,373	610,169
Accounts receivable, net	635,019	386,345
Taxes receivable	138,797	98,005
Interest receivable	9,501	6,890
Due from other governmental units	639,208	779,675
Due from other funds	115	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,429,816</u>	<u>\$ 3,714,962</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 338,413	\$ 319,988
Accrued payroll	196,790	191,636
Due to component units	12,862	25,997
Due to other funds	220,267	316,786
	<u> </u>	<u> </u>
Total liabilities	<u>768,332</u>	<u>854,407</u>
Deferred inflows of resources		
Unavailable revenue, property taxes	138,797	98,005
	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>138,797</u>	<u>98,005</u>
Fund balances		
Committed for:		
Capital outlay	102,604	127,093
Unassigned	2,420,083	2,635,457
	<u> </u>	<u> </u>
Total fund balances	<u>2,522,687</u>	<u>2,762,550</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,429,816</u>	<u>\$ 3,714,962</u>

CITY OF ALPENA

General Fund

Comparative Schedule of Revenues, Expenditures, and Fund Balances -
Budget and Actual

	Year Ended June 30, 2018			
	Budgeted Amounts		Actual	2017
	Original	Final	Amounts	Actual
REVENUES				
TAXES:				
Current property	\$ 3,750,750	\$ 3,610,246	\$ 3,642,877	\$ 3,619,466
Other	72,500	77,200	77,282	106,223
	<u>3,823,250</u>	<u>3,687,446</u>	<u>3,720,159</u>	<u>3,725,689</u>
LICENSES AND PERMITS	<u>60,188</u>	<u>65,586</u>	<u>54,110</u>	<u>65,732</u>
STATE REVENUE:				
State shared revenue	1,535,607	1,712,231	1,689,708	1,682,923
Grants	488,300	221,998	182,335	158,689
	<u>2,023,907</u>	<u>1,934,229</u>	<u>1,872,043</u>	<u>1,841,612</u>
FEDERAL REVENUE	<u>544,995</u>	<u>987,253</u>	<u>229,977</u>	<u>807,701</u>
LOCAL GRANT REVENUE	<u>869,601</u>	<u>861,601</u>	<u>852,771</u>	<u>856,464</u>
CHARGES FOR SERVICES:				
Ambulance	1,650,000	1,600,000	1,649,311	1,567,655
Cemetery	49,000	60,300	43,202	58,194
Sidewalks and trees	16,000	5,500	5,361	14,473
Other	50,100	40,350	40,308	49,842
Administrative-equipment fund	309,921	309,921	309,921	303,193
Administrative-water fund	210,127	210,127	210,127	204,007
Administrative-sewage fund	210,127	210,127	210,127	204,007
Administrative-stores fund	63,629	63,629	63,629	61,776
Administrative-perpetual lot care fund	2,700	5,500	5,966	2,052
Administrative-retirement fund	34,239	34,239	34,239	33,242
Administrative-other	30,637	8,414	8,414	30,622
	<u>2,626,480</u>	<u>2,548,107</u>	<u>2,580,605</u>	<u>2,529,063</u>
INVESTMENT INCOME AND RENTS	<u>88,836</u>	<u>76,665</u>	<u>80,594</u>	<u>76,765</u>
FINES AND FORFEITURES	<u>18,500</u>	<u>20,500</u>	<u>22,151</u>	<u>20,748</u>
OTHER:				
Sale of assets	1,100	-	-	5,197
Scrap and salvage sales	100	299	328	-
Donations	221,000	228,617	330,882	37,987
Reimbursements and refunds	26,800	78,958	78,619	35,304
Miscellaneous	25,702	40,500	41,150	44,386
	<u>274,702</u>	<u>348,374</u>	<u>450,979</u>	<u>122,874</u>
Total revenues	10,330,459	10,529,761	9,863,389	10,046,648

continued

CITY OF ALPENA

General Fund

Comparative Schedule of Revenues, Expenditures, and Fund Balances -
Budget and Actual (continued)

	Year Ended June 30, 2018			
	Budgeted Amounts		Actual	2017
	Original	Final	Amounts	Actual
EXPENDITURES				
GENERAL GOVERNMENT				
GENERAL GOVERNMENT:				
Salaries and wages	\$ 892,777	\$ 880,000	\$ 846,504	\$ 849,882
Employee benefits	386,433	411,663	400,296	401,045
Supplies and durable goods	43,600	43,514	42,840	40,493
Professional and contractual	173,820	183,186	189,330	132,623
Administrative services	2,760	479	479	2,756
Continuing education	15,000	12,000	12,895	12,549
Community promotion	71,500	54,500	54,156	52,620
Insurance and bonds	13,000	1,000	939	3,100
Utilities	38,110	41,000	39,441	38,604
Repairs and maintenance	23,000	12,000	10,638	11,111
Equipment rental	4,600	3,500	4,170	3,761
Miscellaneous	798,395	395,858	226,445	758,792
Capital outlay	17,500	167,000	-	-
Debt service	12,000	12,000	2,000	2,500
	<u>2,492,495</u>	<u>2,217,700</u>	<u>1,830,133</u>	<u>2,309,836</u>
INFORMATION TECHNOLOGY:				
Salaries and wages	23,461	22,050	22,066	21,731
Employee benefits	7,435	6,470	6,473	7,406
Supplies and durable goods	37,000	26,300	19,306	26,749
Professional and contractual	93,500	93,500	92,448	95,396
Insurance and bonds	6,600	5,377	5,377	6,062
Utilities	2,100	2,100	2,354	2,251
Repairs and maintenance	65,100	60,000	58,601	55,987
Miscellaneous	755	755	17	755
Capital outlay	28,400	37,705	32,466	53,801
Other operating	2,484	2,484	2,484	2,484
	<u>266,835</u>	<u>256,741</u>	<u>241,592</u>	<u>272,622</u>
CEMETERY:				
Salaries and wages	63,674	65,000	64,828	67,849
Employee benefits	28,712	28,826	28,899	26,806
Supplies and durable goods	3,000	2,900	2,544	3,226
Professional and contractual	200	200	225	125
Continuing education	350	-	-	-
Insurance and bonds	5,165	4,162	4,162	4,498
Utilities	12,360	11,500	13,449	11,984
Repairs and maintenance	2,800	11,650	11,053	5,676
Equipment rental	22,245	18,945	19,373	20,155
Miscellaneous	200	-	-	1
Capital outlay	70,000	76,000	68,778	-
	<u>208,706</u>	<u>219,183</u>	<u>213,311</u>	<u>140,320</u>
Total general government	2,968,036	2,693,624	2,285,036	2,722,778

CITY OF ALPENA

General Fund

Comparative Schedule of Revenues, Expenditures, and Fund Balances
- Budget and Actual (continued)

	Year Ended June 30, 2018			
	Budgeted Amounts		Actual	2017
	Original	Final	Amounts	Actual
EXPENDITURES				
PUBLIC SAFETY				
POLICE:				
Salaries and wages	\$ 1,212,600	\$ 1,150,000	\$ 1,171,328	\$ 1,151,623
Employee benefits	443,532	442,974	443,261	465,476
Supplies and durable goods	10,000	11,085	10,608	12,229
Professional and contractual	24,500	18,500	17,135	15,215
Continuing education	11,000	9,100	6,857	8,267
Insurance and bonds	58,372	49,378	49,378	56,727
Utilities	38,110	38,110	41,976	36,472
Repairs and maintenance	50,500	49,811	44,464	42,037
Equipment rental	900	900	1,671	394
Miscellaneous	5,000	5,600	4,621	4,601
Capital outlay	76,350	73,735	72,296	96,167
	<u>1,930,864</u>	<u>1,849,193</u>	<u>1,863,595</u>	<u>1,889,208</u>
FIRE:				
Salaries and wages	940,272	952,700	948,127	911,802
Employee benefits	393,214	399,935	408,322	442,209
Supplies and durable goods	19,500	18,398	18,334	60,162
Professional and contractual	4,500	6,381	6,931	6,994
Continuing education	6,000	5,419	5,418	5,404
Insurance and bonds	50,454	42,130	42,130	46,954
Utilities	17,765	18,965	20,579	17,449
Repairs and maintenance	20,350	27,300	25,030	21,865
Equipment rental	164,000	162,167	162,071	161,052
Miscellaneous	3,100	2,000	2,036	2,472
Capital outlay	19,750	11,468	11,468	34,159
	<u>1,638,905</u>	<u>1,646,863</u>	<u>1,650,446</u>	<u>1,710,522</u>
AMBULANCE:				
Salaries and wages	950,272	946,200	980,286	943,908
Employee benefits	398,121	400,541	401,338	436,992
Supplies and durable goods	88,800	69,095	69,251	56,737
Professional and contractual	100,500	102,189	99,703	105,546
Continuing education	11,000	11,000	11,113	12,252
Insurance and bonds	59,197	48,228	48,228	54,197
Utilities	22,000	26,000	27,806	27,608
Repairs and maintenance	72,300	82,004	84,282	58,371
Equipment rental	6,200	6,000	6,415	5,861
Miscellaneous	3,800	1,770	2,015	3,424
Capital outlay	13,750	33,605	122,151	369,971
Debt service	75,520	75,520	7,520	6,240
	<u>1,801,460</u>	<u>1,802,152</u>	<u>1,860,108</u>	<u>2,081,107</u>
Total public safety	5,371,229	5,298,208	5,374,149	5,680,837

CITY OF ALPENA

General Fund

Comparative Schedule of Revenues, Expenditures, and Fund Balances
- Budget and Actual (continued)

	Year Ended June 30, 2018			
	Budgeted Amounts		Actual	2017
	Original	Final	Amounts	Actual
EXPENDITURES				
PUBLIC WORKS				
PUBLIC WORKS:				
Salaries and wages	\$ 168,958	\$ 172,845	\$ 166,052	\$ 169,783
Employee benefits	91,257	110,647	79,147	66,431
Supplies and durable goods	29,000	28,500	27,586	25,799
Professional and contractual	44,525	44,425	44,880	33,543
Continuing education	1,800	1,800	1,608	901
Insurance and bonds	13,905	13,905	5,579	10,285
Utilities	41,000	39,000	40,781	37,229
Repairs and maintenance	27,300	30,500	28,910	24,558
Equipment rental	72,000	72,000	85,989	80,762
Miscellaneous	-	600	(154)	(1,628)
Capital outlay	28,000	26,592	15,442	90,871
	<u>517,745</u>	<u>540,814</u>	<u>495,820</u>	<u>538,534</u>
HIGHWAYS, STREETS AND LIGHTS:				
Salaries and wages	16,800	13,000	11,889	15,542
Employee benefits	14,653	8,203	6,783	12,593
Supplies and durable goods	5,000	3,575	3,575	4,803
Professional and contractual	13,000	16,312	19,409	14,941
Insurance and bonds	495	519	519	470
Utilities	112,300	104,500	104,387	101,030
Repairs and maintenance	35,000	99,250	97,026	27,742
Equipment rental	10,000	6,900	6,702	9,810
Miscellaneous	-	-	-	10
Capital outlay	15,000	29,414	29,414	-
	<u>222,248</u>	<u>281,673</u>	<u>279,704</u>	<u>186,941</u>
Total public works	<u>739,993</u>	<u>822,487</u>	<u>775,524</u>	<u>725,475</u>
RECREATION AND CULTURE				
PARKS AND RECREATION:				
Salaries and wages	135,660	137,660	139,070	140,535
Employee benefits	57,042	61,271	61,555	77,453
Supplies and durable goods	8,000	10,000	7,463	15,996
Professional and contractual	200	450	445	243
Insurance and bonds	18,821	16,769	16,769	18,442
Utilities	41,928	37,100	37,321	39,366
Repairs and maintenance	31,000	252,471	105,663	48,643
Equipment rental	74,000	68,000	78,958	72,090
Miscellaneous	20,500	20,500	20,250	20,388
Capital outlay	534,000	482,229	582,306	277,157
Debt service	27,560	27,040	1,560	2,600
	<u>948,711</u>	<u>1,113,490</u>	<u>1,051,360</u>	<u>712,913</u>
Total recreation and culture	948,711	1,113,490	1,051,360	712,913

CITY OF ALPENA

General Fund

Comparative Schedule of Revenues, Expenditures, and Fund Balances
- Budget and Actual (continued)

	Year Ended June 30, 2018			
	Budgeted Amounts		Actual	2017
	Original	Final	Amounts	Actual
EXPENDITURES (continued)				
Total expenditures	\$ 10,027,969	\$ 9,927,809	\$ 9,486,069	\$ 9,842,003
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	302,490	601,952	377,320	204,645
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Tree/Park improvement fund	21,000	16,000	-	-
Construction fund	-	-	-	4,097
Transfers out:				
Local street fund	(250,000)	(250,000)	(250,000)	(300,000)
Major street fund	-	-	-	(50,000)
Building inspection fund	(40,000)	-	-	(50,000)
Capital improvement fund	-	(69,568)	(69,971)	-
Marina fund	(85,000)	(95,000)	(95,000)	(80,000)
Building authority debt fund	(123,108)	(123,108)	(123,108)	(129,218)
Stores fund	(72,100)	(72,100)	(72,100)	(70,000)
	(549,208)	(593,776)	(610,179)	(675,121)
NET CHANGE IN FUND BALANCE	(246,718)	8,176	(232,859)	(470,476)
FUND BALANCES, beginning of year	3,364,025	2,755,546	2,755,546	3,226,022
FUND BALANCES, end of year	\$ 3,117,307	\$ 2,763,722	\$ 2,522,687	\$ 2,755,546



CITY OF ALPENA

Enterprise Funds

Description of Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewage Fund. This fund is used to account for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers.

Water Fund. The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage.

CITY OF ALPENA

Sewage Fund

Comparative Schedule of Net Position

	June 30,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,860,987	\$ 4,217,421
Accounts receivable, net	979,322	270,931
Total current assets	<u>2,840,309</u>	<u>4,488,352</u>
Noncurrent assets		
Capital assets not being depreciated	98,976	25,145
Capital assets being depreciated, net	15,801,259	15,401,948
Total noncurrent assets	<u>15,900,235</u>	<u>15,427,093</u>
Total assets	<u>18,740,544</u>	<u>19,915,445</u>
LIABILITIES		
Current liabilities		
Accounts payable	33,636	52,153
Accrued payroll	76,284	1,884
Accrued interest payable	12,218	13,750
Unearned revenue	-	414,516
Bonds and notes payable - current portion	312,500	312,500
Total current liabilities	<u>434,638</u>	<u>794,803</u>
Noncurrent liabilities		
Bonds and notes payable	<u>2,165,659</u>	<u>2,478,159</u>
Total liabilities	<u>2,600,297</u>	<u>3,272,962</u>
NET POSITION		
Net investment in capital assets	13,422,076	12,636,435
Restricted for:		
Debt retirement	180,523	113,525
Unrestricted	<u>2,537,648</u>	<u>3,892,523</u>
Total net position	<u>\$ 16,140,247</u>	<u>\$ 16,642,483</u>

CITY OF ALPENA

Sewage Fund

Comparative Schedule of Revenues, Expenses and Changes in Net Position

	Years Ended June 30,	
	2018	2017
OPERATING REVENUES		
Charges for services	\$ 3,069,901	\$ 3,129,328
Other services	7,239	4,665
Total operating revenues	<u>3,077,140</u>	<u>3,133,993</u>
OPERATING EXPENSES		
Treatment plant:		
Salaries and wages	70,000	-
Employee benefits	5,365	11
Supplies and durable goods	32,453	37,528
Professional and contractual	683,975	659,795
Administrative services	210,127	204,007
Insurance	19,280	22,518
Utilities	258,508	232,204
Repairs and maintenance	5,525	293
Equipment rental	3,848	3,848
Miscellaneous	173,567	31,556
Depreciation	232,113	230,343
	<u>1,694,761</u>	<u>1,422,103</u>
Collection system:		
Salaries and wages	28,356	25,521
Employee benefits	7,924	11,386
Professional and contractual	305,290	302,336
Administrative services	1,676	9,647
Utilities	17,915	15,443
Repairs and maintenance	7,067	9,544
Equipment rental	42,276	42,250
Miscellaneous	4,496	21,405
Other operating expenses	-	4,560
Depreciation	365,393	356,098
	<u>780,393</u>	<u>798,190</u>
Total operating expenses	<u>2,475,154</u>	<u>2,220,293</u>
OPERATING INCOME (LOSS)	<u>601,986</u>	<u>913,700</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income and rents	15,211	13,675
Judgment interest	43,865	-
Interest expense	(50,950)	(57,092)
Total nonoperating revenues (expenses)	<u>8,126</u>	<u>(43,417)</u>
Income before special item	610,112	870,283
Special item revenue adjustment	<u>(1,112,348)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(502,236)</u>	<u>870,283</u>
NET POSITION, beginning of year	<u>16,642,483</u>	<u>15,772,200</u>
NET POSITION, end of year	<u>\$ 16,140,247</u>	<u>\$ 16,642,483</u>

CITY OF ALPENA

Sewage Fund

Comparative Schedule of Cash Flows

	Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,629,189	\$ 3,383,450
Payments to suppliers	(1,571,843)	(1,432,200)
Payments to employees	(37,245)	(35,210)
Payments for interfund services used	(211,803)	(213,654)
Net cash provided (used) by operating activities	<u>1,808,298</u>	<u>1,702,386</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in / (out)	<u>(2,743,439)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(2,743,439)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,071,522)	(410,565)
Principal paid on capital debt	(312,500)	(315,000)
Interest paid on capital debt	(52,482)	(58,637)
Net cash provided (used) by capital and related financing activities	<u>(1,436,504)</u>	<u>(784,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>15,211</u>	<u>13,675</u>
Net cash provided (used) by investing activities	<u>15,211</u>	<u>13,675</u>
Net increase (decrease) in cash and cash equivalents	(2,356,434)	931,859
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,217,421</u>	<u>3,285,562</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,860,987</u></u>	<u><u>\$ 4,217,421</u></u>

CITY OF ALPENA

Sewage Fund

Comparative Schedule of Cash Flows (continued)

	Years Ended June 30,	
	2018	2017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 601,986	\$ 913,700
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	597,506	586,441
Book value of disposed assets	874	-
(Increase) decrease in receivables	966,565	(526)
Increase (decrease) in accounts payable	(18,517)	(48,920)
Increase (decrease) in accrued payroll	74,400	1,708
Increase (decrease) in unearned revenue	(414,516)	249,983
Net cash provided (used) by operating activities	<u>\$ 1,808,298</u>	<u>\$ 1,702,386</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALPENA

Water Fund

Comparative Schedule of Net Position

	June 30,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,249,848	\$ 101,537
Accounts receivable, net	1,677,682	4,038,641
Total current assets	2,927,530	4,140,178
Noncurrent assets		
Capital assets not being depreciated	166,929	28,396
Capital assets being depreciated, net	11,360,652	10,723,302
Total noncurrent assets	11,527,581	10,751,698
Total assets	14,455,111	14,891,876
LIABILITIES		
Current liabilities		
Accounts payable	46,835	38,251
Accrued payroll	929	828
Accrued interest payable	14,257	16,004
Unearned revenue	-	414,516
Bonds and notes payable - current portion	312,500	317,500
Total current liabilities	374,521	787,099
Noncurrent liabilities		
Bonds and notes payable	2,068,160	2,380,660
Total liabilities	2,442,681	3,167,759
NET POSITION		
Net investment in capital assets	9,146,921	8,053,538
Restricted for:		
Debt retirement	170,108	113,525
Unrestricted	2,695,401	3,557,054
Total net position	\$ 12,012,430	\$ 11,724,117

CITY OF ALPENA

Water Fund

Comparative Schedule of Revenues, Expenses
and Changes in Net Position

	Years Ended June 30,	
	2018	2017
OPERATING REVENUES		
Charges for services	\$ 3,102,646	\$ 3,125,504
Other services	27,650	79,550
Total operating revenues	<u>3,130,296</u>	<u>3,205,054</u>
OPERATING EXPENSES		
Production:		
Supplies and durable goods	138,431	117,659
Professional and contractual	618,061	613,043
Utilities	114,943	110,418
Miscellaneous	181,243	92,295
Depreciation	104,843	99,252
	<u>1,157,521</u>	<u>1,032,667</u>
Distribution:		
Salaries and wages	37,004	29,751
Employee benefits	2,644	2,114
Professional and contractual	273,553	253,352
Administrative services	1,676	9,647
Repairs and maintenance	136,121	86,238
Equipment rental	15,014	10,848
Miscellaneous	776	842
Loss on disposal of assets	79,461	2,334
Depreciation	254,218	240,139
	<u>800,467</u>	<u>635,265</u>
Commercial and general:		
Employee benefits	8,153	10,374
Professional and contractual	44,626	43,611
Administrative services	210,127	204,007
Insurance	17,349	19,169
	<u>280,255</u>	<u>277,161</u>
Total operating expenses	<u>2,238,243</u>	<u>1,945,093</u>
OPERATING INCOME (LOSS)	<u>892,053</u>	<u>1,259,961</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income and rents	40	1,769
Judgment interest	120,239	-
Interest expense	(59,321)	(66,319)
Total nonoperating revenues (expenses)	<u>60,958</u>	<u>(64,550)</u>
Income before special item	953,011	1,195,411
Special item revenue adjustment	<u>(664,698)</u>	<u>-</u>
CHANGE IN NET POSITION	288,313	1,195,411
NET POSITION, beginning of year	<u>11,724,117</u>	<u>10,528,706</u>
NET POSITION, end of year	<u>\$ 12,012,430</u>	<u>\$ 11,724,117</u>

CITY OF ALPENA

Water Fund

Comparative Schedule of Cash Flows

	Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,788,841	\$ 2,007,861
Payments to suppliers	(1,531,533)	(1,394,504)
Payments to employees	(47,700)	(41,526)
Payments for interfund services used	(211,803)	(213,654)
Net cash provided (used) by operating activities	(2,195)	358,177
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	2,743,439	-
Net cash provided (used) by noncapital financing activities	2,743,439	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,214,405)	(912,918)
Principal paid on capital debt	(317,500)	(320,000)
Interest paid on capital debt	(61,068)	(68,077)
Net cash provided (used) by capital and related financing activities	(1,592,973)	(1,300,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	40	1,769
Net cash provided (used) by investing activities	40	1,769
Net increase (decrease) in cash and cash equivalents	1,148,311	(941,049)
CASH AND CASH EQUIVALENTS, beginning of year	101,537	1,042,586
CASH AND CASH EQUIVALENTS, end of year	\$ 1,249,848	\$ 101,537

continued

CITY OF ALPENA

Water Fund

Comparative Schedule of Cash Flows (continued)

	Years Ended June 30,	
	2018	2017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 892,053	\$ 1,259,961
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	359,061	339,391
Book value of disposed assets	79,461	-
(Increase) decrease in receivables	(926,939)	(1,447,176)
Increase (decrease) in accounts payable	8,584	(44,695)
Increase (decrease) in accrued payroll	101	713
Increase (decrease) in unearned revenue	(414,516)	249,983
Net cash provided (used) by operating activities	<u>\$ (2,195)</u>	<u>\$ 358,177</u>
 NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>



CITY OF ALPENA

Fiduciary Funds

Description of Funds

Pension Trust Funds

Pension Trust Fund. This fund is a trust fund used to record the activity of the City's pension plan. It was created and is operated under guidance of the Charter of the City of Alpena. The pension plan is financed by contributions from both the employees and the City.

Employee Health Care Fund. This fund is a trust fund used to record employee health care costs. The fund is financed by contributions from the City.

Agency Funds

General Trust. This fund is used to account for taxes collected on behalf of other governmental units.

Special Trust. This fund is used to account for all other trust activity.

CITY OF ALPENA

Combining Statement of Net Position - Fiduciary Funds

June 30, 2018

	Pension (and Other Employee Benefit) Trust Funds		Totals
	Pension Trust Fund	Employee Health Care Fund	
ASSETS			
Investments, at fair value:			
Short-term investment funds	\$ 247,646	\$ 629,014	\$ 876,660
Brokerage certificates	-	488,885	488,885
Treasury securities	574,600	-	574,600
Corporate bonds	7,611,300	-	7,611,300
Equity securities	18,879,722	-	18,879,722
Interest receivable	70,610	141	70,751
	<u>27,383,878</u>	<u>1,118,040</u>	<u>28,501,918</u>
LIABILITIES			
Accounts payable	29,396	-	29,396
	<u>29,396</u>	<u>-</u>	<u>29,396</u>
NET POSITION			
Net position restricted for pensions	<u>27,354,482</u>	<u>1,118,040</u>	<u>28,472,522</u>
	<u>\$ 27,354,482</u>	<u>\$ 1,118,040</u>	<u>\$ 28,472,522</u>

CITY OF ALPENA

Combining Statement of Changes in Net Position - Fiduciary Funds

Year Ended June 30, 2018

	Pension (and other employee benefit) Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	Totals
ADDITIONS			
Contributions:			
Employer	\$ 796,584	\$ 91,828	\$ 888,412
Employees	216,055	-	216,055
Total contributions	1,012,639	91,828	1,104,467
Investment income:			
Net increase (decrease) in fair value of investments	1,979,159	(6,810)	1,972,349
Gain (loss) on securities sold	357,281	-	357,281
Interest and dividends	346,175	6,623	352,798
	2,682,615	(187)	2,682,428
Less investment expense	67,529	-	67,529
Net investment income	2,615,086	(187)	2,614,899
Total additions	3,627,725	91,641	3,719,366
DEDUCTIONS			
Benefits	1,820,610	120,960	1,941,570
Lump-sum retirement payments	100,648	-	100,648
Administrative expense	40,024	17,000	57,024
Miscellaneous	12,200	68	12,268
Total deductions	1,973,482	138,028	2,111,510
CHANGE IN NET POSITION	1,654,243	(46,387)	1,607,856
NET POSITION , beginning of year	25,700,239	1,164,427	26,864,666
NET POSITION , end of year	\$ 27,354,482	\$ 1,118,040	\$ 28,472,522

CITY OF ALPENA

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

Year Ended June 30, 2018

	Balances, June 30, 2017	Additions	Deductions	Balances, June 30, 2018
GENERAL TRUST FUND				
ASSETS				
Cash and cash equivalents	\$ 25,283	\$ 6,498,481	\$ 6,501,879	\$ 21,885
Taxes receivable	102,965	85,137	47,337	140,765
	<u>\$ 128,248</u>	<u>\$ 6,583,618</u>	<u>\$ 6,549,216</u>	<u>\$ 162,650</u>
LIABILITIES				
Accounts payable	\$ 25,283	\$ 5,034	\$ 8,432	\$ 21,885
Due to other governmental units	102,965	6,535,107	6,497,307	140,765
	<u>\$ 128,248</u>	<u>\$ 6,540,141</u>	<u>\$ 6,505,739</u>	<u>\$ 162,650</u>
SPECIAL TRUST FUND				
ASSETS				
Cash and cash equivalents	\$ 88,665	\$ 519,989	\$ 516,344	\$ 92,310
	<u>\$ 88,665</u>	<u>\$ 519,989</u>	<u>\$ 516,344</u>	<u>\$ 92,310</u>
LIABILITIES				
Accounts payable	\$ 88,665	\$ 519,989	\$ 516,344	\$ 92,310
	<u>\$ 88,665</u>	<u>\$ 519,989</u>	<u>\$ 516,344</u>	<u>\$ 92,310</u>
TOTALS, ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 113,948	\$ 7,018,470	\$ 7,018,223	\$ 114,195
Taxes receivable	102,965	85,137	47,337	140,765
	<u>\$ 216,913</u>	<u>\$ 7,103,607</u>	<u>\$ 7,065,560</u>	<u>\$ 254,960</u>
LIABILITIES				
Accounts payable	\$ 113,948	\$ 525,023	\$ 524,776	\$ 114,195
Due to other governmental units	102,965	6,535,107	6,497,307	140,765
	<u>\$ 216,913</u>	<u>\$ 7,060,130</u>	<u>\$ 7,022,083</u>	<u>\$ 254,960</u>

CITY OF ALPENA

Component Units

Description of Funds

Discretely presented Component Unit Funds are entities for which the City is considered to be financially accountable. These funds are reported in a separate column to emphasize that they are legally separate from the City. They do not issue a separate financial report. These statements reconcile modified accrual fund financial statements to the full accrual presentation financial section of the report.

Downtown Development Authority No. 2 and No. 5. Organized to promote and rehabilitate the downtown area. The Authorities also sponsor downtown events.

Brownfield Redevelopment Authority Fund. This fund accounts for the administration and redevelopment of contaminated, blighted and functionally obsolete properties within the City of Alpena.

Economic Development Corporation. This fund was created to encourage business development and job creation within the City.

CITY OF ALPENA

Component Units - Fund Based Statements
Balance Sheet / Statement of Net Position

June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
DOWNTOWN DEVELOPMENT AUTHORITY NO. 2			
ASSETS			
Cash and cash equivalents	\$ 293,784	\$ -	\$ 293,784
Loan receivable	6,572	-	6,572
Due from primary government	12,862	-	12,862
Capital assets not being depreciated	-	94,423	94,423
Capital assets being depreciated, net	-	134,924	134,924
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 313,218</u>	<u>229,347</u>	<u>542,565</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 7,425	-	7,425
Accrued payroll	1,406	-	1,406
Unearned revenue	6,572	-	6,572
Long-term liabilities:			
Due within one year			
Bonds and loans	-	2,904	2,904
Due in more than one year			
Bonds and loans	-	48,205	48,205
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>15,403</u>	<u>51,109</u>	<u>66,512</u>
Fund Balance			
Unassigned	<u>297,815</u>	<u>(297,815)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>297,815</u>	<u>(297,815)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 313,218</u>		
NET POSITION			
Net investment in capital assets		178,238	178,238
Unrestricted		297,815	297,815
		<u> </u>	<u> </u>
Total net position		<u>\$ 476,053</u>	<u>\$ 476,053</u>

CITY OF ALPENA

Component Units - Fund Based Statements
Statement of Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities

Year Ended June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
DOWNTOWN DEVELOPMENT AUTHORITY NO. 2			
REVENUES			
Property taxes	\$ 117,979	\$ -	\$ 117,979
State shared revenue	15,103	-	15,103
Investment income and rents	3,918	-	3,918
Other	<u>14,696</u>	<u>-</u>	<u>14,696</u>
Total revenues	<u>151,696</u>	<u>-</u>	<u>151,696</u>
EXPENDITURES			
Current operations			
Community and economic development	<u>103,722</u>	<u>(14,055)</u>	<u>89,667</u>
Total expenditures	<u>103,722</u>	<u>(14,055)</u>	<u>89,667</u>
CHANGE IN NET POSITION	47,974	14,055	62,029
NET POSITION , beginning of year	<u>249,841</u>	<u>164,183</u>	<u>414,024</u>
NET POSITION , end of year	<u>\$ 297,815</u>	<u>\$ 178,238</u>	<u>\$ 476,053</u>

CITY OF ALPENA

Component Units - Fund Based Statements (continued)
Balance Sheet / Statement of Net Position

June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
DOWNTOWN DEVELOPMENT AUTHORITY NO. 5			
ASSETS			
Cash and cash equivalents	\$ 40,324	\$ -	\$ 40,324
Taxes receivable	<u>367</u>	<u>-</u>	<u>367</u>
Total assets	<u><u>\$ 40,691</u></u>	<u>-</u>	<u>40,691</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 63	-	63
Accrued payroll	1,583	-	1,583
Unavailable revenue - property taxes	<u>366</u>	<u>(366)</u>	<u>-</u>
Total liabilities	<u>2,012</u>	<u>(366)</u>	<u>1,646</u>
Fund Balance			
Unassigned	<u>38,679</u>	<u>(38,679)</u>	<u>-</u>
Total fund balance	<u>38,679</u>	<u>(38,679)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 40,691</u></u>		
NET POSITION			
Unrestricted		<u>39,045</u>	<u>39,045</u>
Total net position		<u><u>\$ 39,045</u></u>	<u><u>\$ 39,045</u></u>

CITY OF ALPENA

Component Units - Fund Based Statements (continued)
Statement of Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities

Year Ended June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
DOWNTOWN DEVELOPMENT AUTHORITY NO. 5			
REVENUES			
Property taxes	\$ 19,200	\$ (49)	\$ 19,151
Investment income and rents	<u>12,707</u>	<u>-</u>	<u>12,707</u>
Total revenues	<u>31,907</u>	<u>(49)</u>	<u>31,858</u>
EXPENDITURES			
Current operations			
Community and economic development	<u>29,754</u>	<u>-</u>	<u>29,754</u>
Total expenditures	<u>29,754</u>	<u>-</u>	<u>29,754</u>
CHANGE IN NET POSITION	2,153	(49)	2,104
NET POSITION , beginning of year	<u>36,526</u>	<u>415</u>	<u>36,941</u>
NET POSITION , end of year	<u>\$ 38,679</u>	<u>\$ 366</u>	<u>\$ 39,045</u>

CITY OF ALPENA

Component Units - Fund Based Statements (continued)
Balance Sheet / Statement of Net Position

June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
BROWNFIELD REDEVELOPMENT AUTHORITY			
ASSETS			
Cash and cash equivalents	\$ 209,709	\$ -	\$ 209,709
Loan receivable	<u>12,100</u>	<u>-</u>	<u>12,100</u>
Total assets	<u><u>\$ 221,809</u></u>	<u>-</u>	<u>221,809</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Unearned revenue	<u>\$ 12,100</u>	<u>-</u>	<u>12,100</u>
Total liabilities	<u>12,100</u>	<u>-</u>	<u>12,100</u>
Fund Balance			
Unassigned	<u>209,709</u>	<u>(209,709)</u>	<u>-</u>
Total fund balance	<u>209,709</u>	<u>(209,709)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 221,809</u></u>		
NET POSITION			
Unrestricted		<u>209,709</u>	<u>209,709</u>
Total net position		<u><u>\$ 209,709</u></u>	<u><u>\$ 209,709</u></u>

CITY OF ALPENA

Component Units - Fund Based Statements (continued)
Statement of Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities

Year Ended June 30, 2018

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
BROWNFIELD REDEVELOPMENT AUTHORITY			
REVENUES			
Taxes	\$ 64,795	\$ -	\$ 64,795
Investment income and rents	488	-	488
Other	23,449	-	23,449
Total revenues	88,732	-	88,732
EXPENDITURES			
Current operations			
Community and economic development	87,033	-	87,033
Total expenditures	87,033	-	87,033
CHANGE IN NET POSITION	1,699	-	1,699
NET POSITION , beginning of year	208,010	-	208,010
NET POSITION , end of year	\$ 209,709	\$ -	\$ 209,709

CITY OF ALPENAComponent Units - Fund Based Statements (continued)
Balance Sheet / Statement of Net Position

June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
ECONOMIC DEVELOPMENT CORPORATION			
ASSETS			
Cash and cash equivalents	<u>\$ 3,707</u>	<u>\$ -</u>	<u>\$ 3,707</u>
Total assets	<u><u>\$ 3,707</u></u>	<u>-</u>	<u>3,707</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Unassigned	<u>3,707</u>	<u>(3,707)</u>	<u>-</u>
Total fund balance	<u>3,707</u>	<u>(3,707)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 3,707</u></u>		
NET POSITION			
Unrestricted		<u>3,707</u>	<u>3,707</u>
Total net position		<u><u>\$ 3,707</u></u>	<u><u>\$ 3,707</u></u>

CITY OF ALPENA

Component Units - Fund Based Statements
Statement of Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities

Year Ended June 30, 2018

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
ECONOMIC DEVELOPMENT CORPORATION			
REVENUES			
Investment income and rents	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
Total revenues	<u>1</u>	<u>-</u>	<u>1</u>
EXPENDITURES			
Current operations			
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	1	-	1
NET POSITION, beginning of year	<u>3,706</u>	<u>-</u>	<u>3,706</u>
NET POSITION, end of year	<u><u>\$ 3,707</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,707</u></u>



III. STATISTICAL SECTION

This part of the City of Alpena's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	172
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<i>Revenue Capacity</i>	
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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	182
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<i>Debt Capacity</i>	
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	188
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<i>Demographic and Economic Information</i>	
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	193
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<i>Operating Information.</i>	
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	196
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Sources. Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ALPENA

Net Position by Component (accrual basis of accounting)

Last Ten Fiscal Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities:				
Net investment in capital assets	\$ 29,130,937	\$ 26,846,092	\$ 26,865,755	\$ 22,427,381
Restricted	3,035,026	2,508,760	3,011,227	3,235,956
Unrestricted (deficit)	<u>(7,206,268)</u>	<u>(4,711,433)</u>	<u>(2,759,674)</u>	<u>(1,883,488)</u>
Total governmental activities net position	<u>\$ 24,959,695</u>	<u>\$ 24,643,419</u>	<u>\$ 27,117,308</u>	<u>\$ 23,779,849</u>
Business-type activities:				
Net investment in capital assets	\$ 22,568,997	\$ 20,689,973	\$ 19,657,320	\$ 19,769,556
Restricted	350,631	227,050	227,050	236,932
Unrestricted	<u>5,233,049</u>	<u>7,449,577</u>	<u>6,416,536</u>	<u>4,187,213</u>
Total business-type activities net position	<u>\$ 28,152,677</u>	<u>\$ 28,366,600</u>	<u>\$ 26,300,906</u>	<u>\$ 24,193,701</u>
Primary government:				
Net investment in capital assets	\$ 51,699,934	\$ 47,536,065	\$ 46,523,075	\$ 42,196,937
Restricted	3,385,657	2,735,810	3,238,277	3,472,888
Unrestricted	<u>(1,973,219)</u>	<u>2,738,144</u>	<u>3,656,862</u>	<u>2,303,725</u>
Total primary government net position	<u>\$ 53,112,372</u>	<u>\$ 53,010,019</u>	<u>\$ 53,418,214</u>	<u>\$ 47,973,550</u>

Source: City of Alpena's annual financial statements.

- (1) Discretely presented component units are not reflected.
- (2) GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015. This resulted in the presentation of the City's net pension liability on the statement of net position. Prior years were not restated.
- (3) GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018. This resulted in the presentation of the City's net OPEB liability on the statement of net position. Prior years were not restated.

Table 1

2014	2013	2012	2011	2010	2009
\$ 22,654,358	\$ 22,941,089	\$ 24,422,397	\$ 25,785,814	\$ 25,934,441	\$ 26,712,692
3,220,811	3,318,030	3,359,648	2,945,213	3,210,477	2,772,492
2,746,139	3,181,073	3,408,727	3,512,184	3,984,586	4,704,920
<u>\$ 28,621,308</u>	<u>\$ 29,440,192</u>	<u>\$ 31,190,772</u>	<u>\$ 32,243,211</u>	<u>\$ 33,129,504</u>	<u>\$ 34,190,104</u>
\$ 19,524,442	\$ 19,185,172	\$ 18,985,864	\$ 18,681,182	\$ 17,675,374	\$ 18,080,544
281,374	1,081,374	1,246,586	1,546,586	1,284,250	1,413,754
2,756,908	2,116,301	1,980,723	2,104,069	3,664,265	3,268,356
<u>\$ 22,562,724</u>	<u>\$ 22,382,847</u>	<u>\$ 22,213,173</u>	<u>\$ 22,331,837</u>	<u>\$ 22,623,889</u>	<u>\$ 22,762,654</u>
\$ 42,178,800	\$ 42,126,261	\$ 43,408,261	\$ 44,466,996	\$ 43,609,815	\$ 44,793,236
3,502,185	4,399,404	4,606,234	4,491,799	4,494,727	4,186,246
5,503,047	5,297,374	5,389,450	5,616,253	7,648,851	7,973,276
<u>\$ 51,184,032</u>	<u>\$ 51,823,039</u>	<u>\$ 53,403,945</u>	<u>\$ 54,575,048</u>	<u>\$ 55,753,393</u>	<u>\$ 56,952,758</u>

CITY OF ALPENA

Changes in Net Position (accrual basis of accounting)

Last Ten Fiscal Years Ended June 30,

	2018	2017	2016	2015
Expenses:				
Governmental activities:				
General government	\$ 3,357,377	\$ 4,069,620	\$ 3,838,100	\$ 3,351,040
Public safety	6,533,086	6,766,066	6,415,452	5,954,321
Public works	3,338,349	3,410,282	2,512,624	2,801,754
Recreation and culture	990,632	779,257	772,420	554,321
Interest on long-term debt	34,090	35,029	42,702	41,405
Total governmental activities	<u>14,253,534</u>	<u>15,060,254</u>	<u>13,581,298</u>	<u>12,702,841</u>
Business-type activities:				
Sewage	2,526,104	2,277,385	2,245,516	2,236,402
Water	2,297,564	2,011,412	1,941,631	1,986,621
Total business-type activities	<u>4,823,668</u>	<u>4,288,797</u>	<u>4,187,147</u>	<u>4,223,023</u>
Total primary government expenses	<u>19,077,202</u>	<u>19,349,051</u>	<u>17,768,445</u>	<u>16,925,864</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	1,738,227	1,805,609	1,945,973	1,819,769
Public safety	2,058,064	1,860,565	1,958,438	1,839,835
Public works	342,806	354,552	276,385	493,200
Recreation and culture	283,775	53,280	50,803	56,286
Operating grants and contributions	2,758,757	2,971,115	3,028,615	2,021,808
Capital grants and contributions	191,778	13,661	7,835	21,243
Total governmental activities	<u>7,373,407</u>	<u>7,058,782</u>	<u>7,268,049</u>	<u>6,252,141</u>
Business-type activities:				
Charges for services:				
Sewage	3,077,140	3,133,993	3,237,582	2,897,812
Water	3,130,296	3,205,054	3,046,528	2,949,849
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>6,207,436</u>	<u>6,339,047</u>	<u>6,284,110</u>	<u>5,847,661</u>
Total primary government program revenues	<u>13,580,843</u>	<u>13,397,829</u>	<u>13,552,159</u>	<u>12,099,802</u>
Net (Expense) Revenue:				
Governmental activities	(6,880,127)	(8,001,472)	(6,313,249)	(6,450,700)
Business-type activities	1,383,768	2,050,250	2,096,963	1,624,638
Total net expense	<u>(5,496,359)</u>	<u>(5,951,222)</u>	<u>(4,216,286)</u>	<u>(4,826,062)</u>

Source: City of Alpena's annual financial statements.

Table 2

2014	2013	2012	2011	2010	2009
\$ 3,776,182	\$ 3,497,482	\$ 3,230,508	\$ 3,908,791	\$ 3,455,571	\$ 3,641,930
5,300,599	5,101,481	4,792,773	4,897,726	4,398,793	4,263,605
2,875,197	2,806,364	2,785,725	2,925,851	3,112,959	3,527,075
652,101	727,117	968,657	548,128	713,890	811,797
42,394	164,734	87,962	105,588	117,094	137,912
12,646,473	12,297,178	11,865,625	12,386,084	11,798,307	12,382,319
2,293,358	2,197,641	2,156,398	2,124,986	2,127,417	2,083,178
1,961,415	2,058,101	2,042,470	2,042,856	1,734,845	1,700,190
4,254,773	4,255,742	4,198,868	4,167,842	3,862,262	3,783,368
16,901,246	16,552,920	16,064,493	16,553,926	15,660,569	16,165,687
1,788,728	1,651,058	1,869,049	1,748,453	1,536,270	2,075,452
1,611,281	1,801,501	1,519,167	1,484,685	850,739	925,396
316,994	14,516	44,027	68,801	291,753	375,205
226,079	37,623	41,808	161,079	55,071	57,448
2,353,912	2,048,395	1,750,608	2,265,840	932,920	2,443,088
531,882	6,770	160,529	163,923	1,320,297	74,277
6,828,876	5,559,863	5,385,188	5,892,781	4,987,050	5,950,866
2,305,112	2,374,420	2,209,450	2,118,334	2,042,229	2,190,344
2,119,726	2,025,051	1,860,186	1,741,591	1,649,436	1,657,457
-	-	-	-	-	-
-	-	-	-	-	-
4,424,838	4,399,471	4,069,636	3,859,925	3,691,665	3,847,801
11,253,714	9,959,334	9,454,824	9,752,706	8,678,715	9,798,667
(5,817,597)	(6,737,315)	(6,480,437)	(6,493,303)	(6,811,257)	(6,431,453)
170,065	143,729	(129,232)	(307,917)	(170,597)	64,433
(5,647,532)	(6,593,586)	(6,609,669)	(6,801,220)	(6,981,854)	(6,367,020)

continued

CITY OF ALPENA

Changes in Net Position (accrual basis of accounting) - continued

Last Ten Fiscal Years Ended June 30,

	2018	2017	2016	2015
General Revenues:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 3,760,951	\$ 3,811,792	\$ 3,917,618	\$ 3,808,509
Property taxes, levied for debt service	-	-	-	-
State sales tax	1,689,706	1,682,923	1,239,267	1,157,360
Investment earnings	43,855	32,068	39,115	42,524
Miscellaneous	-	-	-	-
Gain on sale of capital assets	45	800	8,300	-
Transfers (in/out)	-	-	-	-
Total Governmental Activities	<u>5,494,557</u>	<u>5,527,583</u>	<u>5,204,300</u>	<u>5,008,393</u>
Business-type Activities:				
Property taxes, levied for general purposes	-	-	-	-
Investment earnings	179,355	15,444	10,242	6,339
Gain on sale of capital assets	-	-	-	-
Transfers (in/out)	-	-	-	-
Special item - revenue adjustment	(1,777,046)	-	-	-
Total Business-type Activities	<u>(1,597,691)</u>	<u>15,444</u>	<u>10,242</u>	<u>6,339</u>
Total primary government	<u>3,896,866</u>	<u>5,543,027</u>	<u>5,214,542</u>	<u>5,014,732</u>
Change in Net Position				
Governmental activities	(1,385,570)	(2,473,889)	(1,108,949)	(1,442,307)
Business-type activities	(213,923)	2,065,694	2,107,205	1,630,977
Total primary government	<u>\$ (1,599,493)</u>	<u>\$ (408,195)</u>	<u>\$ 998,256</u>	<u>\$ 188,670</u>

Source: City of Alpena's annual financial statements.

Table 2

2014	2013	2012	2011	2010	2009
\$ 3,830,486	\$ 3,837,297	\$ 4,103,798	\$ 4,270,183	\$ 4,373,032	\$ 4,360,716
-	-	123,312	133,634	123,384	339,680
1,126,128	1,090,489	1,153,459	1,138,191	1,160,848	1,376,314
38,055	42,368	47,429	65,002	93,393	176,368
4,044	16,581	-	-	-	-
-	-	-	-	-	218,805
-	-	-	-	-	-
4,998,713	4,986,735	5,427,998	5,607,010	5,750,657	6,471,883
-	-	-	-	-	-
9,812	25,945	10,568	15,865	31,832	65,776
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,812	25,945	10,568	15,865	31,832	65,776
5,008,525	5,012,680	5,438,566	5,622,875	5,782,489	6,537,659
(818,884)	(1,750,580)	(1,052,439)	(886,293)	(1,060,600)	40,430
179,877	169,674	(118,664)	(292,052)	(138,765)	130,209
\$ (639,007)	\$ (1,580,906)	\$ (1,171,103)	\$ (1,178,345)	\$ (1,199,365)	\$ 170,639

CITY OF ALPENA

Fund Balances of Governmental Funds (modified accrual basis of accounting)

For the Last Ten Years June 30,

	2018	2017	2016	2015
General fund:				
Committed	\$ 127,604	\$ 147,093	\$ 172,270	\$ 216,330
Unassigned	2,395,083	2,615,457	3,043,593	2,715,810
Total general fund	2,522,687	2,762,550	3,215,863	2,932,140
All other governmental funds:				
Non-spendable-permanent fund	950,282	933,179	918,495	910,113
Restricted-special revenue funds	1,431,788	894,144	1,309,190	1,264,876
Restricted-debt service	14,235	14,855	15,597	18,641
Committed-capital projects	354,420	519,489	595,675	825,996
Committed-special revenue funds	156,697	-	-	-
Total all other governmental funds	2,907,422	2,361,667	2,838,957	3,019,626
Total governmental funds	\$ 5,430,109	\$ 5,124,217	\$ 6,054,820	\$ 5,951,766

Source: City of Alpena's annual financial statements.

Table 3

2014	2013	2012	2011	2010	2009
\$ 300,090	\$ 393,337	\$ 414,980	\$ 398,433	\$ 492,009	\$ -
2,684,308	2,738,391	2,680,758	2,076,532	2,071,127	2,089,139
2,984,398	3,131,728	3,095,738	2,474,965	2,563,136	2,089,139
900,625	889,577	887,971	881,694	874,791	858,508
723,645	989,664	713,490	812,600	945,963	759,140
19,348	20,430	17,653	20,024	22,296	24,193
777,002	774,762	767,520	616,782	595,809	655,576
500,000	250,000	291,805	-	-	-
2,920,620	2,924,433	2,678,439	2,331,100	2,438,859	2,297,417
\$ 5,905,018	\$ 6,056,161	\$ 5,774,177	\$ 4,806,065	\$ 5,001,995	\$ 4,386,556

CITY OF ALPENA

Changes in Fund Balances, Governmental Funds (modified accrual basis of accounting)

For the Last Ten Years June 30,

	2018	2017	2016	2015
REVENUES				
Property taxes	\$ 3,720,159	\$ 3,725,689	\$ 3,915,140	\$ 3,809,318
Licenses and permits	263,315	235,823	168,531	147,919
State revenue	3,557,495	3,003,534	2,712,098	2,183,325
Federal revenue	229,977	807,701	495,317	2,825
Local grant revenue	852,771	856,464	1,068,302	1,014,261
Charges for services	2,628,470	2,623,058	2,668,974	2,551,843
Investment income and rents	120,414	237,685	282,313	264,180
Fines and forfeitures	22,151	20,748	20,755	24,272
Other	492,187	144,863	181,835	627,213
Total revenues	<u>11,886,939</u>	<u>11,655,565</u>	<u>11,513,265</u>	<u>10,625,156</u>
EXPENDITURES				
Current:				
General government	2,291,002	2,854,048	2,474,655	2,017,603
Public safety	5,812,048	5,965,724	5,815,908	5,454,878
Public works	2,297,586	2,688,806	2,093,688	2,342,653
Recreation and culture	1,179,900	877,618	750,763	548,908
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	90,000	95,000	179,923	121,582
Interest and fees	33,798	34,972	43,874	42,784
Total expenditures	<u>11,704,334</u>	<u>12,516,168</u>	<u>11,358,811</u>	<u>10,528,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>182,605</u>	<u>(860,603)</u>	<u>154,454</u>	<u>96,748</u>
OTHER FINANCING SOURCES (USES)				
Bond and loan proceeds	-	-	13,600	-
Payment to escrow agent	-	-	-	-
Transfers from other funds	538,079	534,097	480,000	312,254
Transfers to other funds	(610,179)	(604,097)	(545,000)	(362,254)
Total other financing sources (uses)	<u>(72,100)</u>	<u>(70,000)</u>	<u>(51,400)</u>	<u>(50,000)</u>
Net Change in Fund Balances	<u>\$ 110,505</u>	<u>\$ (930,603)</u>	<u>\$ 103,054</u>	<u>\$ 46,748</u>
Debt service as a percentage of noncapital expenditures	<u>1.24%</u>	<u>1.23%</u>	<u>2.34%</u>	<u>1.81%</u>
Debt service expenditures	<u>123,798</u>	<u>129,972</u>	<u>223,797</u>	<u>164,366</u>
Total expenditures	11,704,334	12,516,168	11,358,811	10,528,408
Capital Outlay (Reconciliation)	<u>(1,730,395)</u>	<u>(1,920,693)</u>	<u>(1,793,165)</u>	<u>(1,460,977)</u>
	<u>9,973,939</u>	<u>10,595,475</u>	<u>9,565,646</u>	<u>9,067,431</u>

Source: City of Alpena's annual financial statements.

Table 4

2014	2013	2012	2011	2010	2009
\$ 3,836,046	\$ 3,837,569	\$ 4,225,091	\$ 4,405,734	\$ 4,494,373	\$ 4,700,505
174,175	198,329	166,285	127,927	138,223	99,826
2,702,127	2,149,179	2,262,436	2,693,659	2,517,881	3,023,059
451,233	50,291	23,813	131,894	103,853	20,448
858,562	946,183	778,347	742,401	758,989	847,422
2,302,485	2,333,103	2,184,978	2,064,428	1,625,283	1,549,174
246,302	249,398	122,903	156,699	188,051	217,027
16,581	16,589	20,251	21,255	29,720	25,621
378,764	124,669	446,244	297,179	78,500	222,240
10,966,275	9,905,310	10,230,348	10,641,176	9,934,873	10,705,322
2,351,816	2,250,956	1,947,995	2,456,152	2,162,103	2,142,858
5,219,945	5,061,295	4,598,400	5,001,581	4,249,671	4,318,840
2,011,874	1,489,438	1,583,102	1,971,549	2,243,623	2,858,099
1,326,553	569,142	725,109	986,986	648,551	664,415
-	-	-	-	-	-
125,185	81,290	370,914	370,563	350,811	536,079
41,541	175,755	92,048	109,330	121,747	139,951
11,076,914	9,627,876	9,317,568	10,896,161	9,776,506	10,660,242
(110,639)	277,434	912,780	(254,985)	158,367	45,080
-	1,525,000	-	-	-	-
-	(1,425,000)	-	-	-	-
324,500	287,616	710,955	704,074	1,414,565	1,137,185
(365,004)	(383,066)	(655,623)	(645,019)	(851,880)	(1,025,863)
(40,504)	4,550	55,332	59,055	562,685	111,322
\$ (151,143)	\$ 281,984	\$ 968,112	\$ (195,930)	\$ 721,052	\$ 156,402
1.76%	2.74%	5.20%	5.21%	5.31%	7.35%
166,726	257,045	462,962	479,893	472,558	676,030
11,076,914	9,627,876	9,317,568	10,896,161	10,062,445	11,004,360
(1,597,199)	(260,737)	(413,334)	(1,682,284)	(1,171,261)	(1,805,563)
9,479,715	9,367,139	8,904,234	9,213,877	8,891,184	9,198,797

CITY OF ALPENA

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	Real Property		Personal Property	
		Taxable Value	Estimated True Cash Value	Taxable Value	Estimated True Cash Value
06/30/09	2008	232,329,270	510,515,400	51,585,000	103,170,000
06/30/10	2009	236,386,806	501,156,000	47,294,900	94,589,800
06/30/11	2010	227,622,617	472,682,800	47,565,000	95,130,000
06/30/12	2011	219,073,355	441,318,800	47,605,300	95,210,600
06/30/13	2012	201,196,355	407,699,000	48,527,800	97,055,600
06/30/14	2013	199,934,022	404,689,400	47,592,400	95,184,800
06/30/15	2014	201,389,451	410,242,000	44,655,300	89,330,600
06/30/16	2015	204,757,450	422,850,000	49,834,600	99,669,200
06/30/17	2016	205,853,419	430,580,600	30,081,000	60,162,000
06/30/18	2017	209,249,826	449,021,400	28,542,800	57,085,600

(1) Includes industrial and commercial facilities tax and renaissance zones.

Source: City Assessor's office

Property Tax Levies and Collections

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Levy	
06/30/09	2008	4,608,832	4,369,820	94.81%	191,140
06/30/10	2009	4,430,076	4,237,662	95.66%	7,677
06/30/11	2010	4,336,901	4,143,981	95.55%	2,503
06/30/12	2011	4,160,752	3,999,835	96.13%	3,847
06/30/13	2012	3,764,802	3,656,369	97.12%	5,292
06/30/14	2013	3,877,367	3,657,860	94.34%	5,376
06/30/15	2014	3,854,962	3,653,521	94.77%	3,488
06/30/16	2015	3,950,378	3,744,587	94.79%	10,850
06/30/17	2016	3,770,926	3,514,446	93.20%	34,395
06/30/18	2017	3,758,013	3,522,943	93.74%	407

Source: City Clerk/Treasurer/Finance Director's office from recap sheet

Table 5

Total		Taxable Value To Estimated Actual Value	Total Direct Tax Rate
Taxable Value	Estimated True Cash Value		
283,914,270	613,685,400	46.26%	18.1316
283,681,706	595,745,800	47.62%	17.3316
275,187,617	567,812,800	48.46%	17.3816
266,678,655	536,529,400	49.70%	17.3616
249,724,155	504,754,600	49.47%	16.8816
247,526,422	499,874,200	49.52%	16.8816
246,044,751	499,572,600	49.25%	16.8816
254,592,050	522,519,200	48.72%	16.8816
235,934,419	490,742,600	48.08%	16.8816
237,792,626	506,107,000	46.98%	16.7516

Table 6

Total Collections to Date	
Amount	Percentage of Levy
4,560,960	98.96%
4,245,339	95.83%
4,146,484	95.61%
4,003,682	96.22%
3,661,661	97.26%
3,663,236	94.48%
3,657,009	94.87%
3,755,437	95.07%
3,548,841	94.11%
3,523,350	93.76%

CITY OF ALPENA

Direct and Overlapping Property Tax Millage Rates (1) (per \$1,000 of assessed value)

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	General Fund	Dial-a-Ride Fund	Debt Service	Total City Tax Rate	Alpena Public Schools
06/30/09	2008 (A)	16.2316	0.6500	1.2500	18.1316	1.8500
06/30/09	2008 (B)	16.2316	0.6500	1.2500	18.1316	19.7500
06/30/10	2009 (A)	16.2316	0.6500	0.4500	17.3316	1.7500
06/30/10	2009 (B)	16.2316	0.6500	0.4500	17.3316	19.7500
06/30/11	2010 (A)	16.2316	0.6500	0.5000	17.3816	1.7500
06/30/11	2010 (B)	16.2316	0.6500	0.5000	17.3816	19.7500
06/30/12	2011 (A)	16.2316	0.6500	0.4800	17.3616	1.7500
06/30/12	2011 (B)	16.2316	0.6500	0.4800	17.3616	19.7500
06/30/13	2012 (A)	16.2316	0.6500	-	16.8816	1.7500
06/30/13	2012 (B)	16.2316	0.6500	-	16.8816	19.7500
06/30/14	2013 (A)	16.2316	0.6500	-	16.8816	1.7500
06/30/14	2013 (B)	16.2316	0.6500	-	16.8816	19.7500
06/30/15	2014 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/15	2014 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/16	2015 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/16	2015 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/17	2016 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/17	2016 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/18	2017 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/18	2017 (B)	16.1066	0.6450	-	16.7516	19.8000

(1) In addition, the Downtown Development Authority No. 5 levies 1.99 mills in the Downtown District.

(A) Homestead Property

(B) Non-Homestead Property

Source: City Treasurer

Table 7

Alpena Community College	Educational Service District	Alpena County	State Education Tax	Total Millage Rate
2.4358	2.1882	8.0681	6.0000	38.6737
2.4358	2.1882	8.0681	6.0000	56.5737
2.5000	2.1882	8.0481	6.0000	37.8179
2.5000	2.1882	8.0481	6.0000	55.8179
2.5000	2.1882	8.6911	6.0000	38.5109
2.5000	2.1882	8.6911	6.0000	56.5109
2.5000	2.1882	8.6931	6.0000	38.4929
2.5000	2.1882	8.6931	6.0000	56.4929
2.5000	2.1882	8.6931	6.0000	38.0129
2.5000	2.1882	8.6931	6.0000	56.0129
2.5000	2.1882	8.6931	6.0000	38.0129
2.5000	2.1882	8.6931	6.0000	56.0129
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	7.9474	6.0000	37.3172
2.5000	2.1882	7.9474	6.0000	55.3172
2.5000	2.1882	7.9474	6.0000	37.1872
2.5000	2.1882	7.9474	6.0000	55.1872

CITY OF ALPENA

Principal Taxpayers - Top Ten

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>
Lafarge North America / Midwest, Inc.	Cement production
Alpena Power Company	Electric power utility
American Process Inc.	Biorefinery
Decorative Panels International	Hardboard manufacturing
Sabra Alpena, LLC	Elderly Assisted Living Facility
Besser Company	Concrete block making machines
Vista Properties Corp.	Conveyor manufacturer
Dyna Fab. Inc.	Conveyor manufacturer
Rachee Lodging, Inc.	Motel and restaurant
ATI Casting Services, LLC	Machine shop and foundry
Panel Processing, Inc.	Hardboard processing plant
Alpena Marc, LLC	Commercial rental
Alpena Wholesale Grocery	Wholesale groceries
Alpena Hotel, LLC	Motel and restaurant
Conveyor Systems, Inc.	Conveyor manufacturer
Ten largest taxpayers	
Other taxpayers	

- (1) The taxable values indicated above were established as of April 4, 2017 to be used in computing the tax levy for the fiscal year July 1, 2017 through June 30, 2018.

Source: City Assessor's office.

Table 8

June 30, 2018			June 30, 2009		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 17,529,577	1	7.54%	\$ 42,331,809	1	14.91%
6,662,008	2	2.87%	4,956,823	3	1.75%
5,383,100	3	2.32%	-	-	-
5,029,326	4	2.16%	4,832,323	4	1.70%
2,475,023	5	1.06%	-	-	-
2,279,358	6	0.98%	7,391,330	2	2.60%
2,153,500	7	0.93%	-	-	-
1,888,611	8	0.81%	-	-	-
1,843,800	9	0.79%	-	-	-
1,816,500	10	0.78%	2,792,000	6	0.98%
-	0	-	3,526,099	5	1.24%
-	-	-	2,040,247	10	0.72%
-	-	-	2,289,332	8	0.81%
-	-	-	2,239,700	9	0.79%
-	-	-	2,305,857	7	0.81%
47,060,803		20.25%	74,705,520		26.31%
185,391,955		79.75%	209,208,750		73.69%
<u>\$ 232,452,758</u>		<u>100.00%</u>	<u>\$ 283,914,270</u>		<u>100.00%</u>

CITY OF ALPENA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Land Purchase Loans	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds
06/30/09	2,650,000	216,812	576	975,000	8,266,716
06/30/10	2,485,000	171,577	-	950,000	8,878,819
06/30/11	2,020,000	126,014	-	925,000	8,338,819
06/30/12	1,695,000	80,100	-	900,000	7,723,819
06/30/13	1,610,000	33,810	-	850,000	7,158,819
06/30/14	1,720,000	13,625	-	800,000	6,613,819
06/30/15	1,540,000	7,043	53,090	750,000	6,018,819
06/30/16	1,395,000	-	38,810	700,000	5,423,819
06/30/17	1,300,000	-	9,700	650,000	4,838,819
06/30/18	1,210,000	-	5,800	600,000	4,258,819

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Governmental Activities			Amounts Available in Debt Service Funds	Business-type Activities
	Unlimited Tax Refunding	Building Authority	Other Debt		General Obligation Bonds
06/30/09	715,000	1,935,000	217,388	(24,193)	975,000
06/30/10	490,000	1,855,000	155,178	(22,296)	950,000
06/30/11	245,000	1,775,000	126,014	(20,024)	925,000
06/30/12	-	1,695,000	80,100	(17,653)	900,000
06/30/13	-	1,610,000	33,810	(20,430)	850,000
06/30/14	-	1,720,000	13,625	(19,348)	800,000
06/30/15	-	1,540,000	7,043	(18,641)	750,000
06/30/16	-	1,395,000	-	(15,597)	700,000
06/30/17	-	1,300,000	-	(14,855)	650,000
06/30/18	-	1,210,000	-	(14,235)	600,000

(1) - Per Table 13

(2) - Per Table 5

Table 9

Total Primary Government	(1) Personal Income (In Thousands)	Percentage of Personal Income	(1) Population	Per Capita
12,109,104	303,683	3.99%	10,645	1,138
12,485,396	303,683	4.11%	10,364	1,205
11,409,833	195,167	5.85%	10,483	1,088
10,398,919	196,822	5.28%	10,410	999
9,652,629	197,701	4.88%	10,340	934
9,147,444	204,675	4.47%	10,295	889
8,368,952	205,975	4.06%	10,247	817
7,557,629	197,736	3.82%	10,175	743
6,798,519	207,380	3.28%	10,122	671
6,074,619	215,035	2.82%	9,997	608

Table 10

Total Primary Government	Taxable Value (2)	Percentage of Actual Taxable Value of Property	(1) Population	Per Capita
3,818,195	283,914,270	1.34%	10,645	359
3,427,882	283,681,706	1.21%	10,364	331
3,050,990	275,187,617	1.11%	10,483	291
2,657,447	266,678,655	1.00%	10,410	255
2,473,380	249,724,155	0.99%	10,340	239
2,514,277	247,526,422	1.02%	10,295	244
2,278,402	246,044,751	0.93%	10,247	222
2,079,403	254,592,050	0.82%	10,175	204
1,935,145	235,934,419	0.82%	10,122	191
1,795,765	232,452,758	0.77%	9,997	180

CITY OF ALPENA

Legal Debt Margin Information

Last Ten Fiscal Years Ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt limit	\$ 23,245,276	\$ 23,593,442	\$ 25,459,205	\$ 24,604,475
Total net debt applicable to limit	<u>6,060,384</u>	<u>6,783,664</u>	<u>7,542,032</u>	<u>8,350,311</u>
Legal debt margin	<u>\$ 17,184,892</u>	<u>\$ 16,809,778</u>	<u>\$ 17,917,173</u>	<u>\$ 16,254,164</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>26.07%</u>	<u>28.75%</u>	<u>29.62%</u>	<u>33.94%</u>

Table 11

2014	2013	2012	2011	2010	2009
\$ 24,752,642	\$ 24,972,416	\$ 26,356,336	\$ 27,518,762	\$ 28,368,171	\$ 28,391,427
9,128,096	9,632,199	10,381,266	11,389,809	12,323,100	12,084,911
<u>\$ 15,624,546</u>	<u>\$ 15,340,217</u>	<u>\$ 15,975,070</u>	<u>\$ 16,128,953</u>	<u>\$ 16,045,071</u>	<u>\$ 16,306,516</u>
<u>36.88%</u>	<u>38.57%</u>	<u>39.39%</u>	<u>41.39%</u>	<u>43.44%</u>	<u>42.57%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2018

Total taxable assessed valuation		\$ 232,452,758
Charter debt limit - 10% of total taxable value		23,245,276
Total debt applicable to the limit	\$ 6,074,619	
Less: amount available in debt funds	<u>14,235</u>	
Total net debt applicable to limit		<u>6,060,384</u>
Legal debt margin		<u>\$ 17,184,892</u>

CITY OF ALPENA

Computation of Direct and Overlapping Governmental Activities Debt

June 30, 2018

Table 12

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>(1) Percentage Applicable to City of Alpena</u>	<u>Amount Applicable to City of Alpena</u>
Direct Debt			
City of Alpena			
Building authority bonds	\$ 1,210,000	100.00%	\$ 1,210,000
Installment loans	5,800	100.00%	5,800
			<u>1,215,800</u>
Overlapping Debt			
Alpena County	\$ 1,295,000	25.29%	327,506
Alpena Public Schools	5,835,000	22.10%	1,289,535
Alpena Community College	1,075,000	22.10%	237,575
			<u>1,854,616</u>
Total direct and overlapping debt			<u>\$ 3,070,416</u>

- (1) Percentage of overlapping debt applicable to the City of Alpena is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the City's boundaries and dividing it by overlapping government's total taxable assessed value.

Source: City Treasurer and Assessor's offices.

CITY OF ALPENA

Demographic and Economic Statistics

Last Ten Fiscal Years Ended June 30

Table 13

Fiscal Year Ended	(1) Population	(2) Personal Income (In Thousands)	(3) Per Capita Income	(4) Median Age	(5) Education Attainment High School or Above	(6) School Enrollment	(7) Unemployment Rate
06/30/09	10,645	303,683	28,528	39.6	89.6%	1,522	14.4%
06/30/10	10,364	303,683	29,302	39.6	89.6%	1,500	13.3%
06/30/11	10,483	195,167	18,617	42.5	89.6%	1,627	13.0%
06/30/12	10,410	196,822	18,907	42.5	89.3%	1,415	9.9%
06/30/13	10,340	197,701	19,120	42.5	89.3%	1,232	8.8%
06/30/14	10,295	204,675	19,881	42.5	89.3%	1,373	8.5%
06/30/15	10,247	205,975	20,101	45.6	88.6%	1,443	6.1%
06/30/16	10,175	197,736	19,434	46.2	89.9%	1,476	5.5%
06/30/17	10,122	207,380	20,488	41.6	90.9%	1,474	5.6%
06/30/18	9,997	215,035	21,510	42.1	91.9%	1,406	4.1%

Northeast Michigan Community Service Agency compiled with data from the following:

(1) (2) (3) (5) 2016 Estimate People QuickFacts Alpena (city), MI,
quickfacts.census.gov/qfd/states/26/2601749.html

(4) 2012-16 American Community Survey 5-yr Estimate; factfinder2.census.gov

(6) Alpena Public Schools

(7) MILMI.org Michigan Labor Market Information-Alpena County. Not seasonally adjusted.

CITY OF ALPENA

Principal Employers

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>
MidMichigan Medical Center	Hospital
Northeast Michigan Community Mental Health	Multi-county authority
Alpena Public Schools	Education
Alpena Community College	Community college
Lafarge North America / Midwest, Inc.	Cement production
Decorative Panels, Intl.	Hardboard manufacturing
Besser Company	Concrete block making machines
Tendercare Michigan Inc.	Long term care facility
County of Alpena, Michigan	Local government
Omni Metalcraft, Inc.	Manufacturing
Inland Lakes Management Inc.	Shipping contractor
Largest employers	
Other employers	
Total employment	

Source: Direct phone call to companies

Table 14

June 30, 2018			June 30, 2009		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of County of Alpena Employment
905	1	6.87%	956	1	7.16%
416	2	3.16%	520	3	3.89%
365	3	2.77%	600	2	4.49%
313	4	2.38%	266	4	1.99%
211	5	1.60%	228	5	1.71%
188	6	1.43%	186	6	1.39%
177	7	1.34%	87	9	0.65%
167	8	1.27%	161	8	1.21%
147	9	1.12%	180	7	1.35%
100	10	0.76%	N/A	-	-
-		-	37	10	0.28%
2,989		22.70%	3,221		24.12%
10,179		77.30%	10,134		75.88%
13,168		100.00%	13,355		100.00%

CITY OF ALPENA

Full-Time Equivalent City Government Employees by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General government	19	20	17	17
Police protection				
Officers	16	16	17	17
Civilians	2	2	2	2
Crossing Guard	1	1	1	1
Fire protection				
Firefighters and officers	28	28	29	29
DPW	15	15	15	15
Total	<u>81</u>	<u>82</u>	<u>81</u>	<u>81</u>

Source: City Manager's Office

Operating Indicators by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Police protection				
Physical arrests	541	613	605	592
Traffic violations	633	625	566	574
Traffic violations - O.W.I.	50	39	55	30
Parking violations	1,276	1,179	1,485	1,184
Fire protection				
Calls answered (City EMS & Fire)	1,987	1,309	1,227	1,076
Inspections conducted	182	200	200	200
Ambulance runs	5,020	4,926	5,183	5,213
Sewage system				
Number of service connections	4,574	4,659	4,798	4,798
Average daily treatment-in gallons	2,980,000	2,000,000	2,895,082	2,914,166
Water system				
Number of service connections	4,578	4,665	4,798	4,798
Average daily treatment-in gallons	1,536,000	1,530,000	2,020,000	2,169,166

Sources: Various City departments

Note: Indicators are not available for the general government function.

Table 15

2014	2013	2012	2011	2010	2009
17	21	20	23	22	23
17	16	16	15	16	16
2	-	-	-	-	-
1	-	-	-	-	-
29	26	25	24	23	23
15	13	12	13	13	13
81	76	73	75	74	75

Table 16

2014	2013	2012	2011	2010	2009
620	580	575	507	572	579
494	459	477	455	547	524
45	49	47	44	45	60
690	326	428	862	923	886
1,067	1,197	1,225	1,178	1,260	1,325
219	250	292	307	269	291
5,216	5,195	5,071	4,470	3,459	3,351
4,774	4,774	4,774	4,774	4,774	4,774
2,590,000	2,590,000	2,590,000	2,590,000	2,590,000	2,590,000
4,770	4,770	4,770	4,770	4,770	4,770
2,190,000	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000

CITY OF ALPENA

Capital Assets Statistics by Function

For the Last Ten Years June 30

Function	2018	2017	2016	2015
Public works				
Major streets (miles)	25.80	25.80	25.80	25.80
Local streets (miles)	44.04	44.04	44.04	44.04
Streetlights	1210	1210	1210	1210
Culture and recreation				
Community centers	1	1	1	1
Parks	16	16	16	16
Tennis courts	6	6	6	6
Volleyball courts	6	6	6	6
Marina	1	1	1	1
Playgrounds	4	4	4	4
Park shelter buildings	2	2	2	2
Ballfields	7	7	7	7
Horseshoe courts	5	5	5	5
Beaches	4	4	4	4
Boat Launches	3	3	3	3
Nature preserve	1	1	1	1
Civic Theatre	1	1	1	1
Skateboard parks	1	1	1	1
Bi-Path (miles)	18.53	18.53	18.53	18.53
Fish cleaning stations	1	1	1	1
Public restrooms	3	3	2	2
Public squares	1	1	1	1
DDA parks	2	2	2	2
Fire stations	1	1	1	1
Police protection				
Stations	1	1	1	1
Marked patrol units	8	7	6	6
Unmarked patrol units	4	3	7	3
Sewage system				
Sanitary sewers (miles)	82.60	82.60	82.60	82.60
Storm sewers (miles)	35.90	35.90	35.90	35.90
Treatment capacity (gallons)	15,200,000	15,200,000	15,200,000	15,200,000
Water				
Water mains (miles)	81.32	81.31	81.31	81.31
Fire hydrants	610	610	610	610
Treatment capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000

Sources: Various City of Alpena departments

Table 17

2014	2013	2012	2011	2010	2009
25.80	25.80	25.80	25.80	25.80	25.80
44.04	44.04	44.04	44.04	44.04	44.04
1210	1210	1210	1210	1210	1210
1	1	1	1	1	1
16	16	16	16	16	16
6	6	6	6	6	6
6	6	6	6	6	6
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
7	7	7	7	7	7
5	5	5	5	5	5
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
18.53	18.53	18.53	16.45	16.45	16.45
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
7	7	7	7	6	6
3	3	3	3	4	4
82.60	82.60	82.60	82.60	82.60	82.60
35.90	35.90	35.90	35.90	35.90	35.90
15,200,000	15,200,000	15,200,000	15,200,000	15,200,000	15,200,000
81.31	81.31	81.31	81.31	81.31	81.31
610	610	610	610	610	608
6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000

CITY OF ALPENA

Miscellaneous Statistics

June 30, 2018

Table 18

Date of Incorporation: 1871
Form of Government: Council/Manager
Area in square miles: 8.8

Facilities and Services Not Included in the Reporting Entity

Education

Number of Elementary Schools

School District: 6

City: 3

Number of Elementary School Instructors

School District: 113

City: 73

Number of Secondary Schools

School District: 3

City: 1

Number of Secondary School Instructors

School District: 119

City: 65

Number of Community Colleges: 1

Number of Universities: 0

Hospitals

Number of Hospitals: 1

Number of Patient Beds: 139

Source: Various City of Alpena Departments