



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended
June 30, 2021

CITY OF ALPENA, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2021

City Council

Matt Waligora, Mayor

Cindy Johnson, Mayor Pro-Term

Mike Nowak, Council Member

Amber Hess, Council Member

Danny Mitchell, Council Member

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Prepared by:

City Clerk/Treasurer/Finance Director's Office

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For the Fiscal Year Ended June 30, 2021

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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
208 North First Avenue
Alpena, Michigan 49707
www.alpena.mi.us

Clerk/Treasurer

December 28, 2021

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, 2021. 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, 2021.

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, 2021. 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 LafargeHolcim, Besser Company and Decorative Panels International all make the City of Alpena their headquarters.

For 2020, the U.S. Census Bureau reports a population of 10,197 for the City of Alpena. That is 286 people less than the 2010 census. The City is the largest political entity within the County and comprised of over one-third of the total County population. The City is completely surrounded by the Charter Township of Alpena which comprises another one-third of the County population.

Most recent data show the median age is 42.4 years old and the average income per capita is \$23,446. The average income per capita has increased steadily since 2016.

At the end of October 2021, the unemployment level for Alpena County was 4.7%, which is a decrease from the previous year of 6.4%.

School enrollment has been decreasing since 2016. In 2021, enrollment decreased to 1,138.

There are 2,873 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 LafargeHolcim.

The taxable value of real property in the City for tax year 2020 was \$222,448,288 and personal property was \$27,863,800 for a total taxable value of \$250,312,088. The real property values increased from the tax year 2019 value of \$219,681,787, and the personal property increased from the taxable value of \$23,533,800. The total taxable value for tax year 2020 resulted in an increase of \$7,096,501 over 2019.

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 has 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

Since its early years, the economic base for the City rested on its proximity to abundant natural resources. Strategically sited at the mouth of the Thunder Bay River and along the shores of Lake Huron, it was the optimum location to process raw materials into a marketable product and then ship the product off to distant markets. Resource based industries, starting in the late 1800's, were the driving force of economic growth. Starting around 1980, large employment-based heavy industry underwent a manpower reduction as modern automated systems displaced the workforce.

The 1990's saw the community focus on new efforts to diversify the local economy. Today, Alpena serves as the commercial and healthcare hub for a four-county area. National retailers and service providers have opened and created employment. Healthcare services have produced the largest growth. In 2016, the Alpena Regional Medical Center joined MidMichigan Health and changed its name to MidMichigan Medical Center – Alpena. The facility has grown from a local primary care county-based hospital into a regional secondary healthcare center. The Medical Center has an annual operating revenue of over \$125 million, providing well-paid and stable jobs. Total annual operating expenses (including salaries, wages, benefits, medical supplies, and other fees) total over \$119 million. In 2017, the Medical Center was recognized as a Top Rural Community Hospital and received Michigan's Quality Improvement Organization Governor's Award for Excellence.

Education, small-specialized industries, and tourism are other sources of new jobs and economic development. Alpena Community College's spring 2021 enrollment was 2,568. Fairly steady enrollment has allowed the college to create more jobs and train many people to take advantage of new technology, healthcare, marketing, and new industrial applications. Likewise, organizations like the Alpena Area Convention and Visitors Bureau, the Alpena Downtown Development Authority, and the Alpena Area Chamber of Commerce have created and promoted many successful events that include the Michigan Brown Trout Festival, Great Lakes Lighthouse Festival, Maritime Festival, and other similar events that attract tourism dollars to the community's motels, eateries, and specialty shops. Efforts are being made to attract new technology and specialized industries to new industrial and commercial parks in the City and at the Alpena County Regional Airport.

Local Property Taxes and State Revenue Sharing Funds are the primary source of local government revenue. The City of Alpena will collect 16.1066 mils for operations in fiscal year 2022, which is the same as fiscal year 2021. This tax revenue funds a budget of \$10.7 million for fiscal year 2021-2022, with a fund balance of \$3.3 million. The City also will levy 1.0000 mil for Dial-A-Ride operations and an additional 1.9812 mils in the Downtown Development District area. The County currently levies 4.7936 mils, which have been rolled back from 5.4000 mils allowed under State Law by the Headlee Amendment. This has limited County government by restricting expansion of non-mandated services, unless provided by voter approval (EMS millage, 911 surcharge, Senior Citizen millages, etc.). The County also levies 0.9985 mils for library services, 0.9986 mils for jail operations, 1.4979 mils for ambulance services, 0.5491 mils for senior services, 0.2097 mils for veterans' services and 0.4993 mils for recreation.

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 Community was completed in early 2020 and includes 48 assisted living units.

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.

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 another business enterprise park for light manufacturing and commercial ventures.

The City continues in its effort to sell and develop the 100-acre US 23 North property across from North Industrial Park. 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 constructed an access road and utilities from US 23 North across wetlands located on the front of the property to the dry developable land in the rear and stands ready for development.

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 many new residential rental units, primarily in underutilized second floors of downtown commercial buildings. This program was reinitiated recently 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.

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. A fourteenth service agreement between the City and Target Alpena has been executed and went into effect July 1, 2021. 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.

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 utilized the remediation fund for two smaller sites, including 120 Washington Avenue and 1222 Ford Avenue to allow those sites to be sold for future development. In 2019, the Alpena Authority for Brownfield Redevelopment received a \$300,000 brownfield grant from the U.S. Environmental Protection Agency to allow for the environmental assessment of properties within the City of Alpena and that process is underway for several properties.

There have been significant investments within the City in both the public and private sectors. These investments range from significant hospital improvements completed and a new patient wing currently under construction, to private investment in the area (Holiday Inn, Mangos, WMCR HQ and Austin Brothers) to grant assisted projects (Mangos, Alpena Furniture, Red Brick Tap and Barrel and soon 310 N Second Ave) to public projects like the Dog Park and Splash Pad. With nearly \$30 million in investments and \$78 million in future investment, all signs indicate that this trend will continue.

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 an 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 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 sculptures located at ACC, the Duck Park and the Dog Park and are continuing their sculpture development program throughout the City.

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.

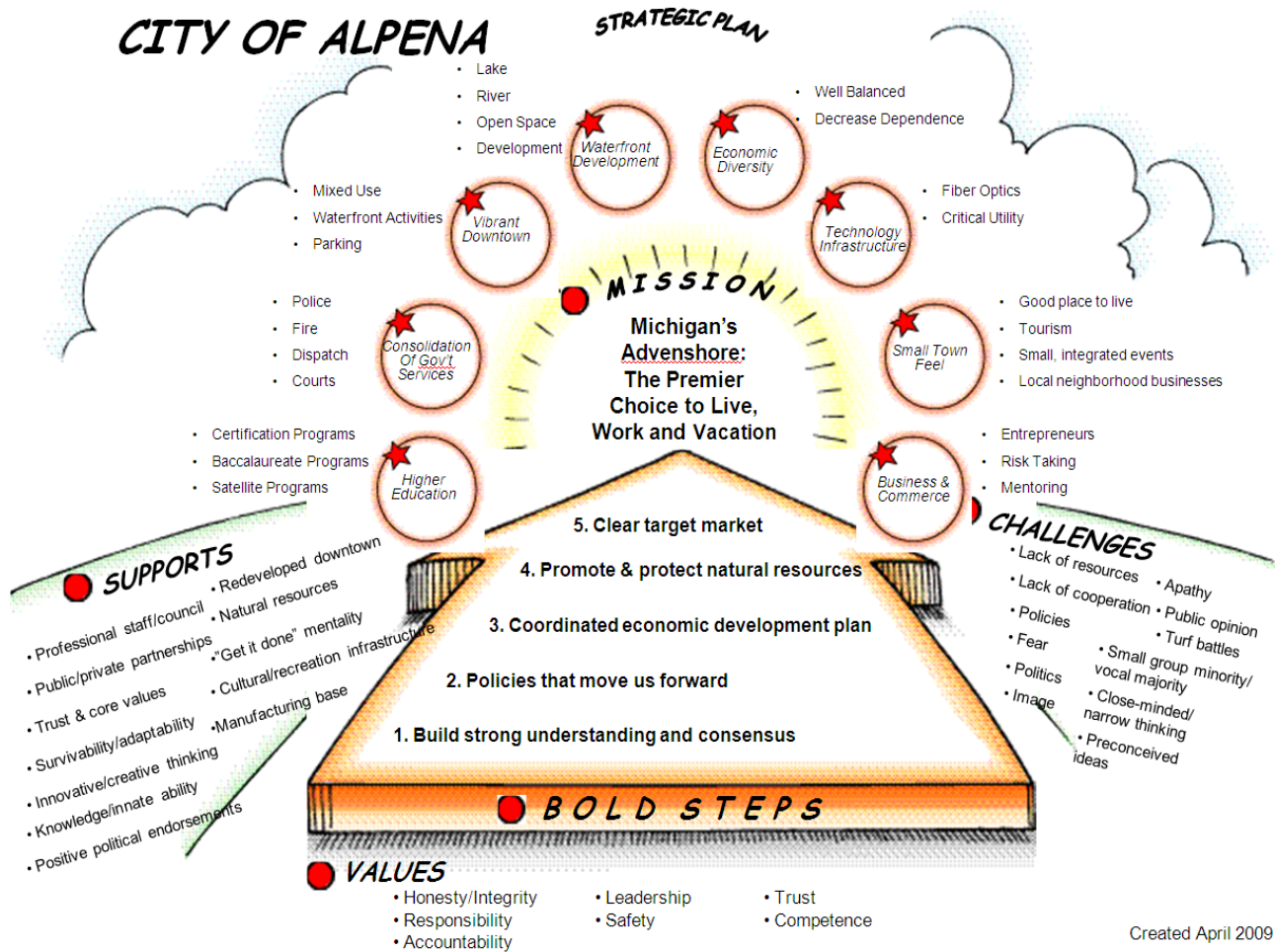
Northland Area Federal Credit Union's new corporate headquarters began construction in 2018 in the City of Alpena. The building is a four (4) story, 58,000 square foot structure, located at 1161 N. Bagley Street and was completed in 2020.



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.

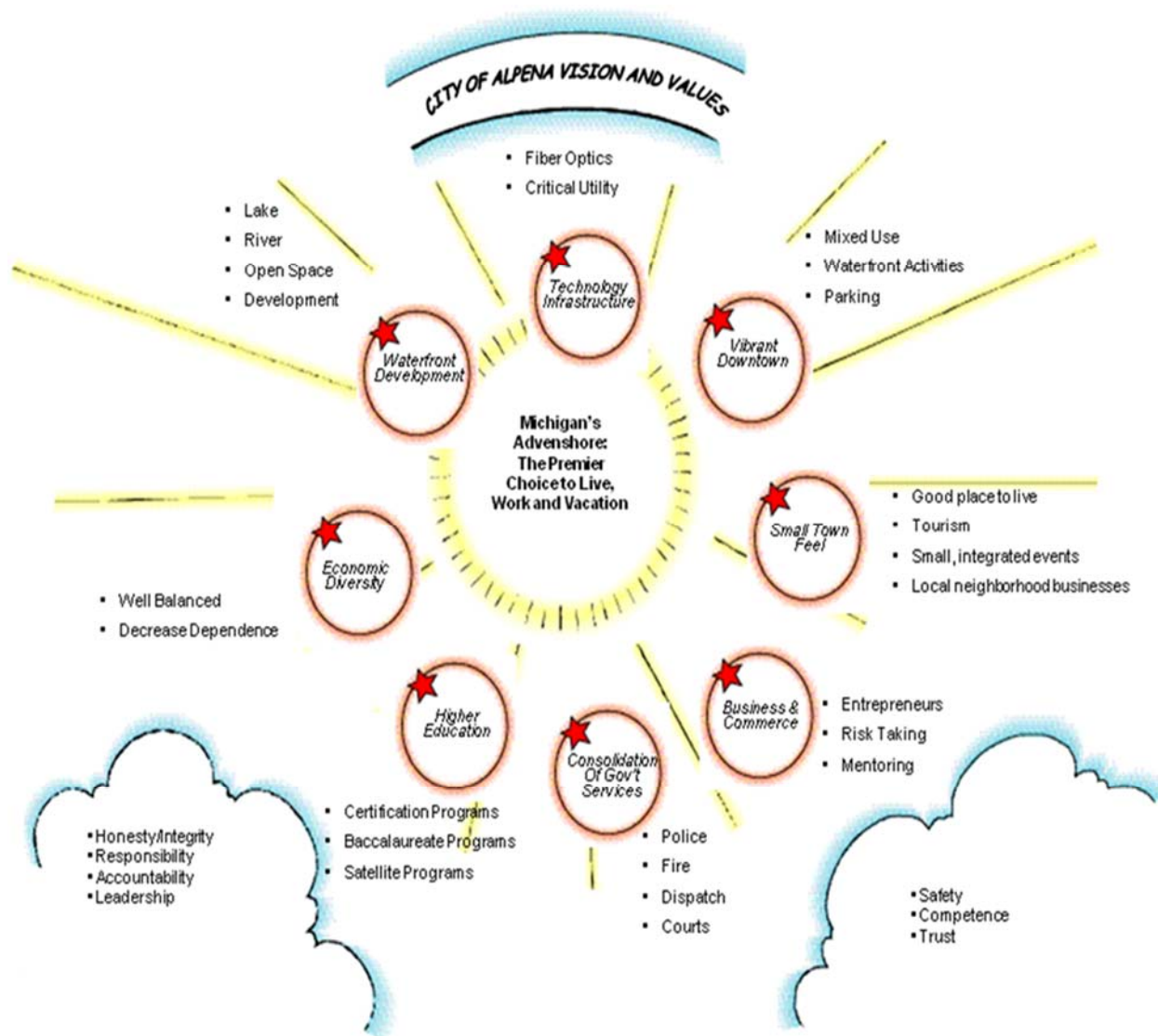
As a City ...

- 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

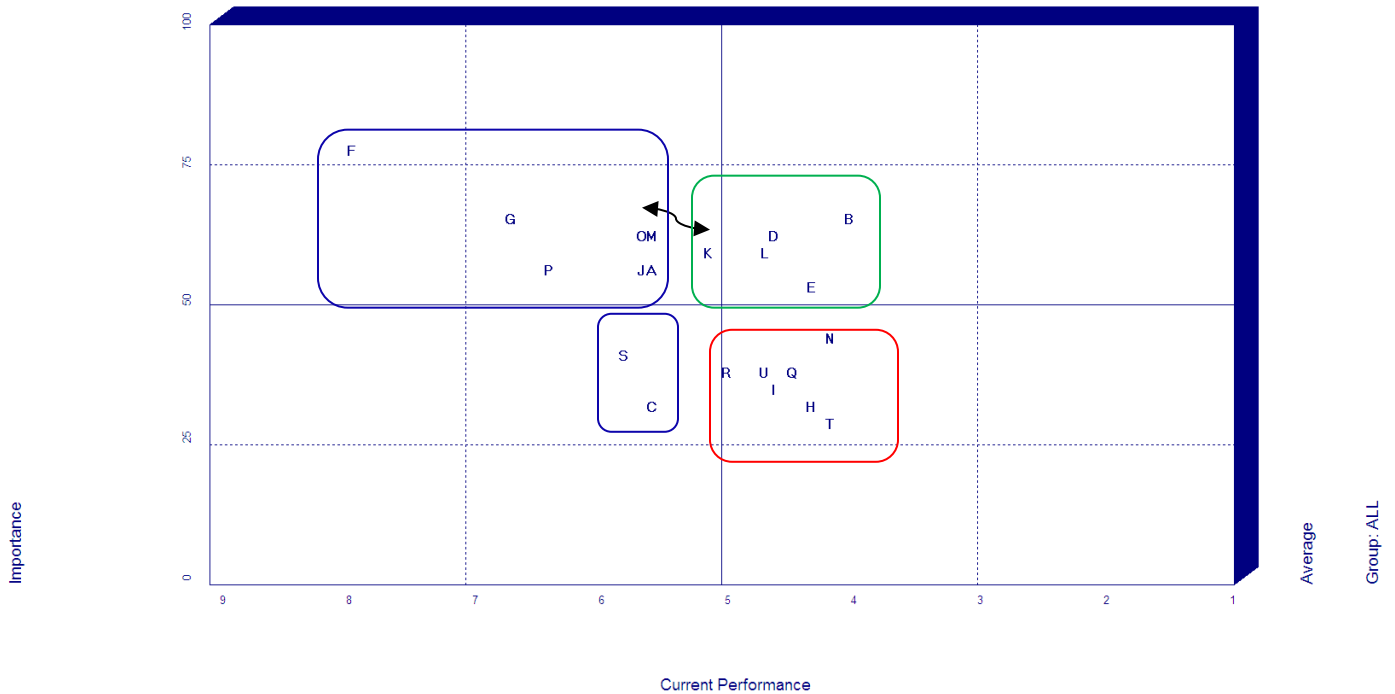
Strategic Rankings

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)

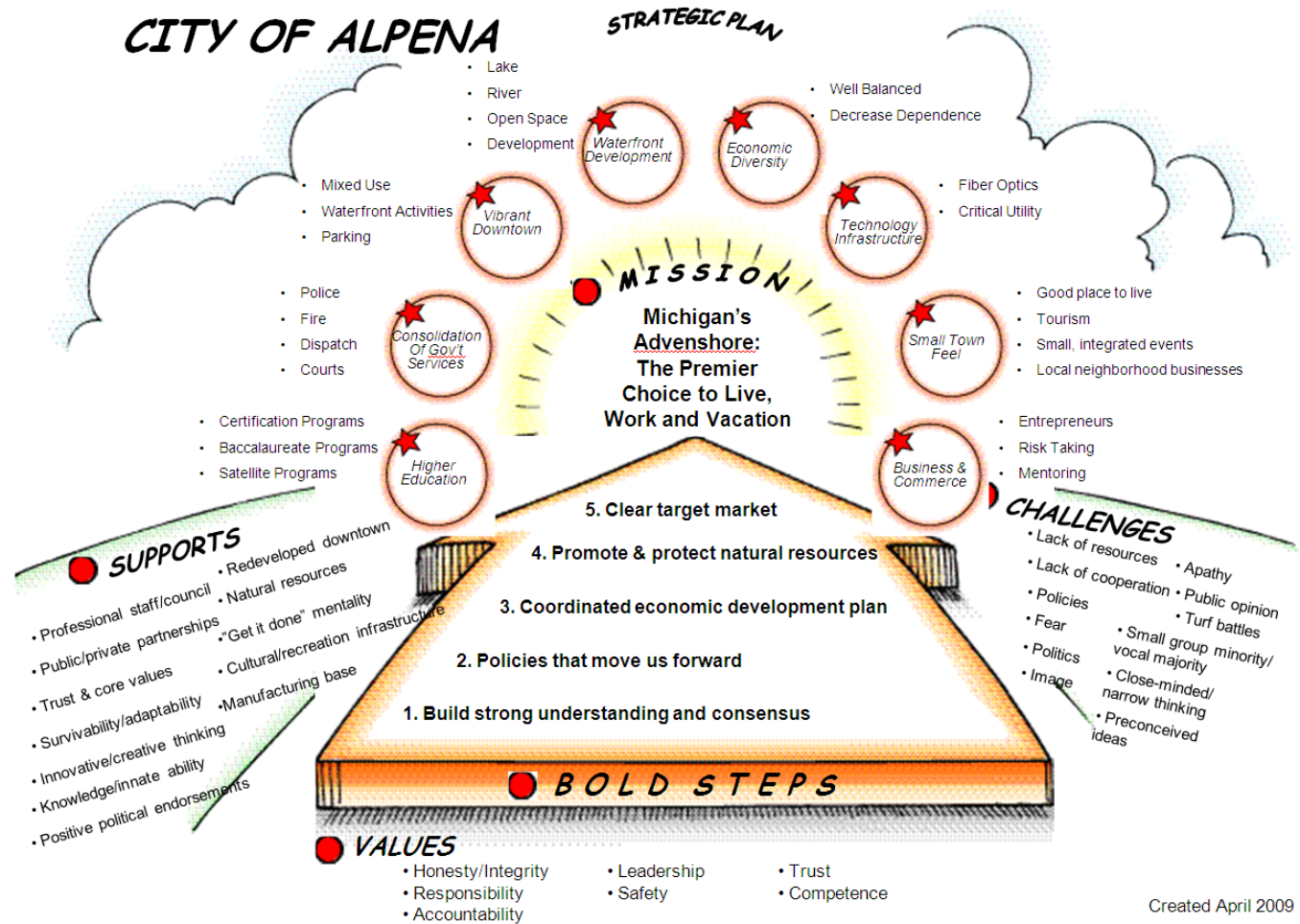
Mid-Term Opportunities (24-36 months)

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
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:	Co-champions <ul style="list-style-type: none">• Staff, elected• 30 days Create / invite / organize the “Kings & Queens” meeting in a workshop type session. Outside facilitator. <ul style="list-style-type: none">• Review recent plans• Brainstorm what we want Alpena to be – 120 days Identify opportunities for target market – create public input forum
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, 2020. 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 27 consecutive years (fiscal years ended June 30, 1994 through 2020). 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,


Rachel Smolinski
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

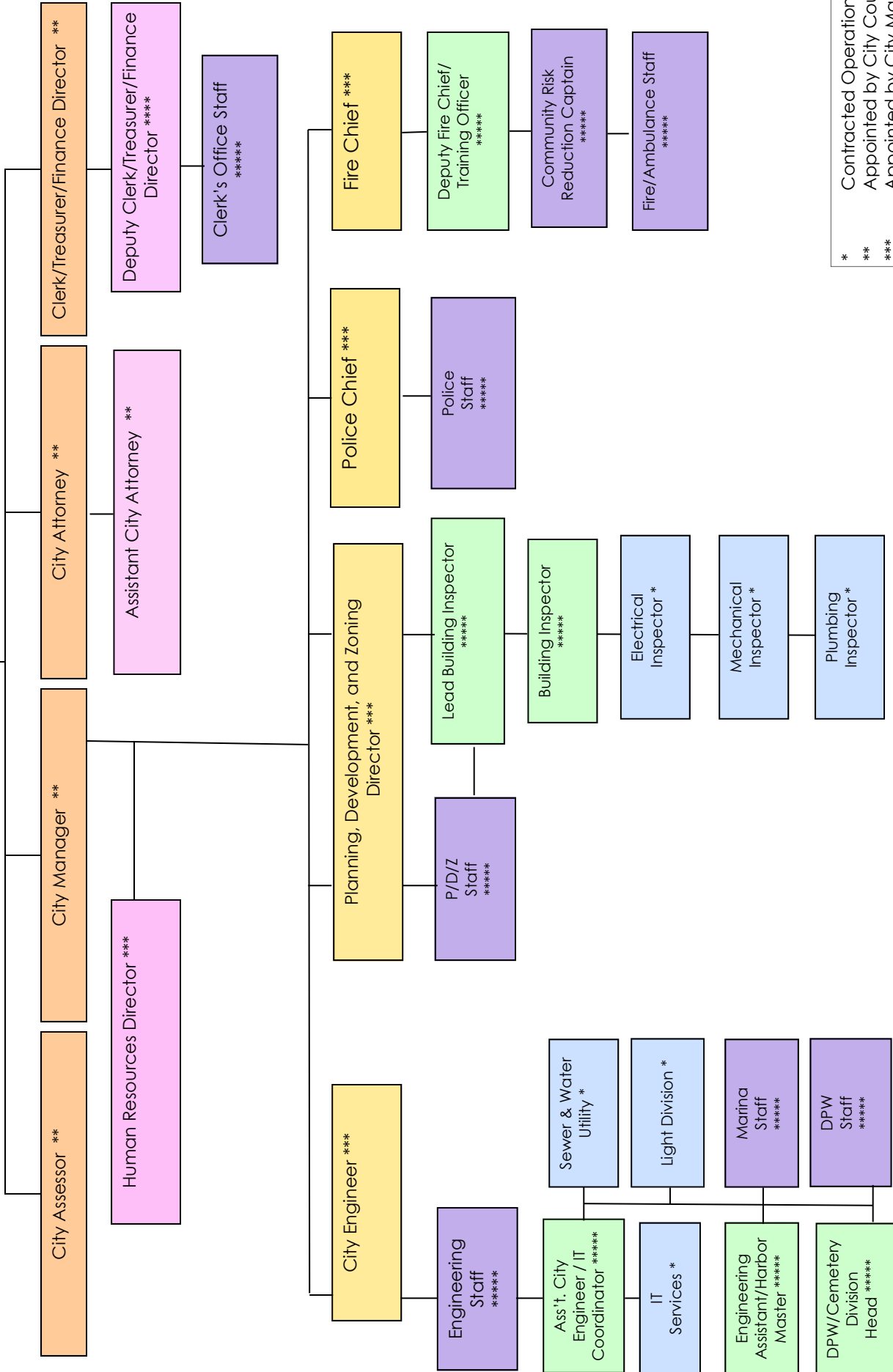
June 30, 2020

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
 ***** Approved by City Manager

ADMINISTRATIVE STAFF

City Council Appointees

City Manager	Rachel Smolinski
City Clerk/Treasurer/Finance Director	Anna Soik
City Assessor	Berg Assessing and Consulting, Inc.
City Attorney	William Pfeifer

City Manager Appointees

City Planning & Development Director	Vacant
City Engineer	Stephen Shultz
Assistant City Engineer	Charles Kendziorski
Police Chief	Joel Jett
Fire Chief	William Forbush
Deputy Fire Chief	Robert Edmonds
Deputy Clerk/Treasurer/Finance Director	Leilan Bruning
Human Resources Administrator	Kathy Himes
City Building Official	Anthony Dawson

Division Head

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, 2021, 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, 2021, 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.

Other Matters

Implementation of GASB Statement No. 84

As described in Note 20, the City implemented the provisions of GASB Statement No. 84, Fiduciary Activities, in the current year. Accordingly, beginning net position of governmental activities has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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 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 28, 2021, on our consideration of the City of Alpena, Michigan'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 solely 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 Kamp & Kraenzlein P.C.

December 28, 2021

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, 2021. 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 3-24 of this report.

Financial Highlights

- The total assets of the City of Alpena are \$75,632,792, composed of \$58,601,634 in capital assets and \$17,031,158 in other assets. The total deferred outflows of resources are \$1,015,733. Total liabilities are \$11,031,680, composed of \$9,856,350 in long-term liabilities and \$1,175,330 in current liabilities. Total deferred inflows of resources for the City are \$6,414,088.
- The total net position for the City is \$59,202,757 (*net position*). Of this amount, \$2,437,631 is unrestricted, of which \$(4,599,584) relates to governmental activities and \$7,037,215 relates to business-type activities.
- The City of Alpena's primary government total net position increased by \$2,665,744. This was the result of positive net changes in position of \$665,334 in the governmental activities and positive net changes in position of \$2,000,410 in business-type activities.
- The City of Alpena provided services of \$12,503,134 in governmental activities and \$4,822,071 of business-type activities for expenses totaling \$17,325,205 during the year ended June 30, 2021.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$7,038,039, an increase of \$985,739 in comparison with the prior year. Approximately 52.4% 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 \$3,684,718, or 38.5% of total General Fund expenditures and transfers to other funds, in comparison to \$3,131,381 at the close of the prior year, an increase of \$553,337.
- The City's total outstanding long-term debt obligations decreased by \$6,379,868 from the prior year, primarily due to a decrease in the net pension liability. Total debt obligations at June 30, 2021 were \$10,395,789 consisted of bonds and loans of \$4,447,544, compensated absences of \$288,734, a net pension obligation of \$4,389,236; and a net OPEB obligation of \$1,270,275.

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.

City of Alpena

Management's Discussion and Analysis

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 governmental activities of the City of Alpena include general government, public safety, public works, community and economic development, 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's 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 47-49 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 and 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 and Major Street Funds. A budgetary comparison schedule has been provided for these major funds to demonstrate compliance with this budget as part of the required supplemental information.

City of Alpena

Management's Discussion and Analysis

The basic governmental fund financial statements can be found on pages 50-57 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 58-65 of this report.

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 66-67 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 72-119 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 121-129 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 132-179 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 181-210 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,202,757 at the close of the most recent fiscal year.

City of Alpena

Management's Discussion and Analysis

City of Alpena's, Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 9,868,807	\$ 8,604,170	\$ 7,162,351	\$ 6,358,135	\$ 17,031,158	\$ 14,962,305
Capital assets	28,408,064	30,013,986	30,193,570	29,368,429	58,601,634	59,382,415
Total assets	38,276,871	38,618,156	37,355,921	35,726,564	75,632,792	74,344,720
Deferred outflows of resources	1,015,733	1,943,243	-	-	1,015,733	1,943,243
Liabilities						
Current liabilities	735,038	670,287	440,292	436,345	1,175,330	1,106,632
Noncurrent liabilities	6,732,531	12,733,954	3,123,819	3,498,819	9,856,350	16,232,773
Total liabilities	7,467,569	13,404,241	3,564,111	3,935,164	11,031,680	17,339,405
Deferred inflows of resources	6,414,088	2,553,478	-	-	6,414,088	2,553,478
Net position						
Net investment in capital assets	27,459,339	28,975,295	26,694,751	25,499,610	54,154,090	54,474,905
Restricted	2,551,192	2,013,295	59,844	60,938	2,611,036	2,074,233
Unrestricted (deficit)	(4,599,584)	(6,384,910)	7,037,215	6,230,852	2,437,631	(154,058)
Total net position	\$ 25,410,947	\$ 24,603,680	\$ 33,791,810	\$ 31,791,400	\$ 59,202,757	\$ 56,395,080

By far the largest portion of the City of Alpena's net position \$54,154,090 (91.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is 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 \$2,611,036 (4.4%) represents resources that have restrictions on how they may be used, (e.g. bond payments, perpetual lot care). The remaining portion of net position of \$2,437,631 (4.1%) represents the unrestricted net position.

City of Alpena

Management's Discussion and Analysis

City of Alpena's, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 4,394,558	\$ 4,819,207	\$ 6,801,594	\$ 6,306,395	\$ 11,196,152	\$ 11,125,602
Operating grants and contributions	2,869,365	2,587,738	-	-	2,869,365	2,587,738
Capital grants and contributions	3,310	205,692	-	-	3,310	205,692
General revenues:						
Property taxes	3,929,252	3,835,745	-	-	3,929,252	3,835,745
Unrestricted state revenue	1,959,744	1,967,759	-	-	1,959,744	1,967,759
Investment earnings	12,239	160,105	20,887	19,370	33,126	179,475
Miscellaneous	-	8,765	-	-	-	8,765
Total revenues	13,168,468	13,585,011	6,822,481	6,325,765	19,990,949	19,910,776
Expenses						
General government	3,293,492	3,333,847	-	-	3,293,492	3,333,847
Public safety	5,554,734	6,574,287	-	-	5,554,734	6,574,287
Public works	3,146,029	3,439,234	-	-	3,146,029	3,439,234
Recreation and culture	479,251	765,937	-	-	479,251	765,937
Interest on long-term debt	29,628	30,164	-	-	29,628	30,164
Sewage	-	-	2,328,230	2,429,060	2,328,230	2,429,060
Water	-	-	2,493,841	2,223,962	2,493,841	2,223,962
Total expenses	12,503,134	14,143,469	4,822,071	4,653,022	17,325,205	18,796,491
Change in net position	665,334	(558,458)	2,000,410	1,672,743	2,665,744	1,114,285
Net position - beginning, restated	24,745,613	25,162,138	31,791,400	30,118,657	56,537,013	55,280,795
Net position - ending	\$ 25,410,947	\$ 24,603,680	\$ 33,791,810	\$ 31,791,400	\$ 59,202,757	\$ 56,395,080

The City of Alpena's net position increased \$2,665,744 during the current fiscal year. Key elements of this increase are as follows:

Governmental activities experienced an increase in net position during the current fiscal year of \$665,334 while business-type activities had a positive change of \$2,000,410.

The revenues of governmental activities decreased by \$416,543 for the current fiscal year. Revenue for charges for services was the primary reason for the decrease in revenue, decreasing by \$424,649, due to there being a decrease in ambulance revenue. In addition, capital grants and contributions decreased by \$202,382, investment earnings decreased by \$147,866 and miscellaneous revenue decreased by \$8,765. The decrease in capital grants was due to a decrease in public safety revenue for a new ambulance vehicle and equipment that was received in 2020 and not 2021. The remaining revenue categories increased, with the largest increase in operating grants and contributions of \$281,627. The increase in operating grants and contributions was primarily due to an increase in federal grants received through legislature stemming from the coronavirus. The City, Village, and Township Revenue Sharing, CVTRS, has increased the last 8 out of 9 fiscal years. The City received an increase in revenue sharing of \$97,335 in 2021 than 2020.

City of Alpena

Management's Discussion and Analysis

Governmental activities expenses decreased by \$1,640,335 in 2021 from the previous year. All departments experienced a decrease with the most significant being the public safety department, \$1,019,553, followed by a decrease of \$293,205 in public works and a decrease of \$286,686 in recreation and culture. The two main reasons for the overall decrease in expenses was due to the pension and other post-employment benefits (OPEB), which decreased by \$1,170,624 and \$241,272, respectively.

Across all departments the cost of the post-retirement health insurance paid into the fund was 6% of budgeted payroll.

The net cost of services for governmental activities decreased \$1,294,931 from the 2019-20 fiscal year's net cost of \$6,530,832. Revenue decreased from 2019-20 by \$345,404 primarily due to public safety, which was due to a decrease in charges for service over the 2019-20 fiscal year. Expenses decreased \$1,640,335, which was discussed previously.

Cost of Services – Governmental Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
Functions/Programs:						
General government	\$ 3,293,492	\$ 3,333,847	\$ 1,691,657	\$ 2,157,205	\$ 1,601,835	\$ 1,176,642
Public safety	5,554,734	6,574,287	3,051,545	3,520,700	2,503,189	3,053,587
Public works	3,146,029	3,439,234	2,465,631	1,823,486	680,398	1,615,748
Recreation and culture	479,251	765,937	50,133	111,246	429,118	654,691
Community and economic development	-	-	8,267	-	(8,267)	-
Interest on long-term debt	29,628	30,164	-	-	29,628	30,164
Total expenses	\$ 12,503,134	\$ 14,143,469	\$ 7,267,233	\$ 7,612,637	\$ 5,235,901	\$ 6,530,832

The City's taxable value increased in 2020 by \$7,096,501. The real property taxable values increased by \$2,766,501, while personal property taxable values increased by \$4,330,000 for the 2020-21 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 \$1,400,091 in 2020-21 and \$1,302,756 in 2019-20. A number of documents are required to be submitted annually to the State in order to receive the CVTRS.

Labor and benefit costs are approximately 76% of the final budget. The City has worked hard to keep health insurance costs from rising. Employees have paid 20% of their premiums for several years.

The City's pension system includes 97 retirees, 4 deferred retirees, and 60 active employees. The City has made pension contributions of \$942,781 for fiscal year 2019-20, \$983,398 for fiscal year 2020-21, and \$1,072,812 will be paid for 2021-22. 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 88.2%.

City of Alpena

Management's Discussion and Analysis

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.

Revenues

Property taxes continue to be one of the largest sources of revenue. The City received \$3,858,960 during fiscal year 2020-21. For 2020, the total City taxable valuation increased to \$250,312,088 from \$243,215,587 in 2019. Valuations are increasing, however at a slow rate. For 2020, the total taxable valuation of \$250,312,088, is an increase of \$7,096,501 from 2019. The 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 2020-21 total millage for the City of Alpena homestead property was 37.3552 mills and non-homestead property was 55.3552 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 \$644,932 in 2019-20 to \$299,745 in 2020-21, primarily due to services provided for the expansion of the local hospital that occurred in 2019-20 leading to the revenue to be higher than normal in the prior year.

State Revenue Sharing increased from \$1,302,756 in 2019-20 to \$1,400,091 in 2020-21. The revenue tends to fluctuate every few years between increases and decreases.

State and Federal Grants were used in 2020-21 for projects in the City. Federal grant revenue was higher in 2020-21 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.

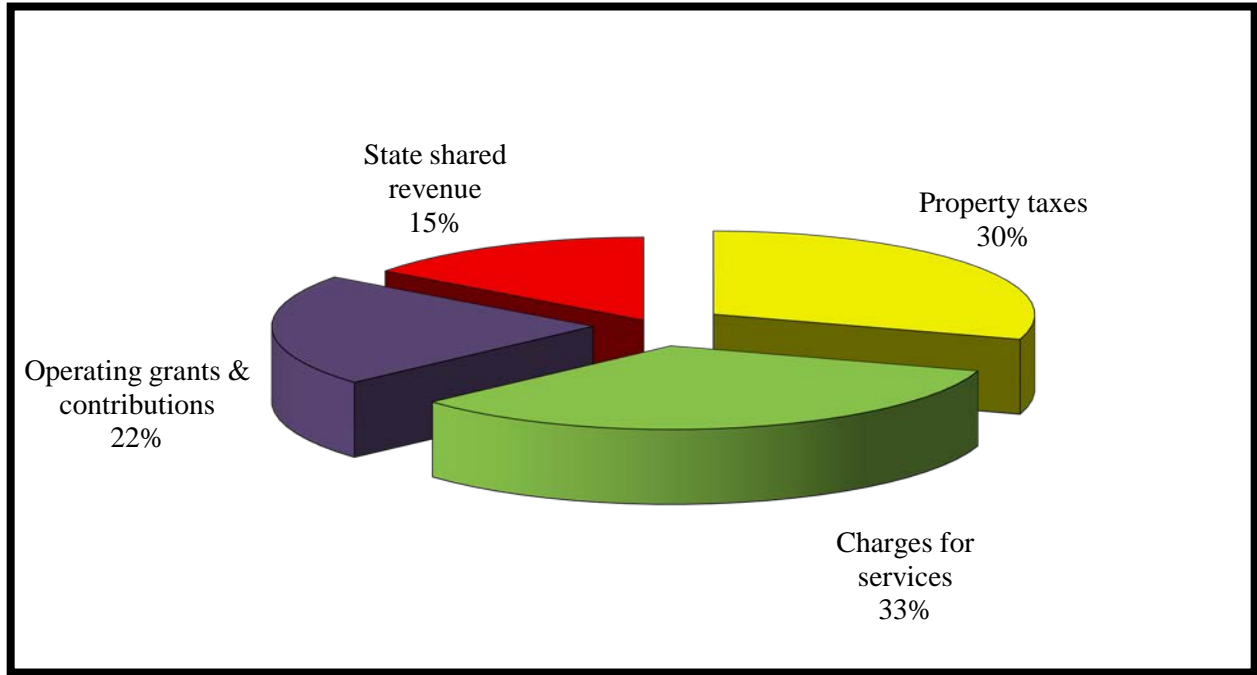
All administrative charges for services are increased by 3.0% annually. Revenue for ambulance charges for services decreased in 2020-21. The City's contract with the Presque Isle Fire Department to provide service and transition them into an independent fire service provider ended in March 2021. The City also has a partnership with surrounding townships for EMS service at their locations five days per week.

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 (the Water and Sewage Funds) are operated under contract by an outside private contractor, SUEZ, formerly known as United Water NACO, LLC. The operations agreement with SUEZ was renewed for a 4-year period ending on June 30, 2024.

The net cost of services in the business-type activities increased for both sewer and water. The sewage program had a decrease in expenses and the water program had an increase in expenses for 2021 as compared to 2020. Both programs had increased revenue for 2021 as compared to 2020.

Cost of Services – Business-type Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
Functions/Programs:						
Sewage	\$ 2,291,311	\$ 2,388,469	\$ 3,071,242	\$ 3,031,720	\$ (779,931)	\$ (643,251)
Water	2,451,021	2,176,650	3,730,352	3,274,675	(1,279,331)	(1,098,025)
Total expenses	\$ 4,742,332	\$ 4,565,119	\$ 6,801,594	\$ 6,306,395	\$ (2,059,262)	\$ (1,741,276)

The Sewage Fund’s total operating revenue increased by \$39,522. The two main areas of revenue were sales and septage treatment. The operating expenses in the Sewage Fund decreased by \$97,158. The net non-operating revenues increased by \$25,819.

The Water Fund’s total operating revenue increased by \$455,677 from fiscal year 2019-20 to 2020-21. The operating expenses in the Water Fund increased \$274,371. The net non-operating revenues increased by \$1,102.

The revenues in the Sewage and Water Funds are primarily derived from charges for services, 99.7%, while non-operating revenues derive the remaining .3%.

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 2020-21, the City of Alpena's governmental funds reported combined ending fund balances of \$7,038,039 an increase of \$985,739 in comparison with the prior year. Approximately 52.4% of this total amount constitutes unassigned fund balance, \$3,684,718, which is available for spending at the government's discretion. The remainder of fund balance falls into three categories: nonspendable, restricted, and committed.

The General Fund is the chief operating fund of the City of Alpena. At the end of the fiscal year 2020-21, the fund balance of the General Fund was \$3,909,550, of which \$3,684,718 was unassigned, \$158,042 was committed for specific purposes, \$10,000 was restricted for specific purposes, and \$56,790 was nonspendable. 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 38.5% 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 uncertainties related to the COVID-19 pandemic.

The fund balance of the City of Alpena's General Fund increased by \$434,964 during the 2020-21 fiscal year. This was an increase of fund balance of about 12.5%. Property tax revenues increased \$91,604 over fiscal year 2019-20 due to an increase in taxable valuations. In addition public safety department expenditures decreased \$934,268 compared to the prior fiscal year.

The Major Street Fund has a fund balance of \$859,789, which is an increase from last year's fund balance by \$416,952. This was an increase of fund balance of about 94.2%. The main factor for the increase was due to a decrease in expenditures of \$583,879, primarily due to a decrease in maintenance and construction expenditures. The fund balance of the Major Street Fund represents funds restricted for streets and highways.

The Debt Service Fund has a total fund balance of \$10,784, 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 \$1,408.

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 \$3,756,546 and \$3,280,669, respectively. The change in net position for the Sewage and Water funds was an increase of \$760,781 and \$1,239,629, 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.

City of Alpena

Management's Discussion and Analysis

General Fund Budgetary Highlights

At year-end the revenue was \$147,104 less than the final budget and \$84,033 less than received last fiscal year. The two largest contributing factors for the slight decrease were local and investment income revenue. Local and investment income revenue decreased by \$165,408 and \$97,037, respectively, over the last fiscal year. Property tax, state, and federal revenue all increased by \$91,604, \$27,616, and \$61,964, respectively over fiscal year 2019-20.

There was a net decrease of about \$29,000 between the original and final amended budget for expenditures, including transfers to other funds. The largest change in expenditures by function was general government, which had budget amendments increasing the expenditure by almost \$190,000 between the original and final budget. In addition, the state revenue budget was amended with an increase of about \$208,000.

The City's General Fund actual expenditure amounts came in under the final budget by \$432,149. The largest variance from the final budget was for public safety, which accounts for \$269,335 of the difference.

Capital Asset and Debt Administration

City of Alpena's, Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Historical cost:						
Land	\$ 3,237,864	\$ 3,237,864	\$ 12	\$ 12	\$ 3,237,876	\$ 3,237,876
Construction in progress	117,610	134,951	1,304,000	93,068	1,421,610	228,019
Land improvements	6,747,561	6,711,603	566,355	566,355	7,313,916	7,277,958
Buildings and improvements	10,316,465	10,242,500	7,423,162	7,305,767	17,739,627	17,548,267
Machinery and equipment	9,081,738	8,811,481	3,075,462	2,880,823	12,157,200	11,692,304
Infrastructure	51,285,305	51,192,562	44,198,857	43,864,153	95,484,162	95,056,715
	80,786,543	80,330,961	56,567,848	54,710,178	137,354,391	135,041,139
Accumulated depreciation:						
Land improvements	(3,797,679)	(3,614,577)	(314,907)	(300,267)	(4,112,586)	(3,914,844)
Buildings and improvements	(5,224,571)	(5,013,597)	(3,533,773)	(3,387,182)	(8,758,344)	(8,400,779)
Machinery and equipment	(7,633,182)	(7,141,411)	(2,101,977)	(2,020,844)	(9,735,159)	(9,162,255)
Infrastructure	(35,723,047)	(34,547,390)	(20,423,621)	(19,633,456)	(56,146,668)	(54,180,846)
	(52,378,479)	(50,316,975)	(26,374,278)	(25,341,749)	(78,752,757)	(75,658,724)
Net capital assets	\$ 28,408,064	\$ 30,013,986	\$ 30,193,570	\$ 29,368,429	\$ 58,601,634	\$ 59,382,415

Capital assets. The City of Alpena's net investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$58,601,634. 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, 2021 the City of Alpena had an overall decrease of \$1,605,922 to its governmental activities capital assets as a result of capital asset depreciation exceeding additions. Business-type activities capital assets increased by \$825,141, which was the result of capital asset additions exceeding depreciation charges.

Additional information on the City of Alpena's capital assets can be found in the footnote disclosure in Note 6 on pages 89-91 of this report.

City of Alpena

Management's Discussion and Analysis

City of Alpena's Outstanding Debt

City of Alpena's, Outstanding Debt Bonds and Loans

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 450,000	\$ 500,000	\$ 450,000	\$ 500,000
Building authority bonds	945,000	1,030,000	-	-	945,000	1,030,000
Installment contracts	3,725	8,691	-	-	3,725	8,691
State of MI Revolving Fund	-	-	3,048,819	3,368,819	3,048,819	3,368,819
	\$ 948,725	\$1,038,691	\$3,498,819	\$3,868,819	\$4,447,544	\$4,907,510

At the end of the current fiscal year, the City of Alpena (primary government) had total debt from bonds and loans outstanding of \$4,447,544. Of this amount, there was \$945,000 of building authority bonds and installment contracts of \$3,725. The remainder of the City of Alpena's debt of \$3,498,819 represents the long-term obligations of the Sewage and Water Funds. Of this amount, \$450,000 comprises general obligation bonds and \$3,048,819 is a direct borrowing through the State of Michigan revolving fund.

The City of Alpena decreased its total debt from bonds and loans by \$459,966 during the current fiscal year.

Additional information on the City of Alpena's long-term debt can be found in Note 7 on pages 91-95 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue makes up 40% of the 2020-21 budget. The 2020-21 budgeted revenue increased by \$108,992 to \$3,985,365 from the 2019-20 level of \$3,876,373. The 2021-22 budget projects property tax revenues of \$3,983,400 which includes \$114,000 for the property tax administration fee that was assessed beginning in tax year 2019.
- The taxable value increased from \$243,215,587 for 2019 to \$250,312,088 in 2020.
- 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

- In 2016, the Alpena Regional Trailhead located off Woodward Avenue was completed. In 2018, a splash park was constructed at Starlite Beach along with several other improvements to the walkability of the park. Both projects utilized MDNR Trust Fund grants and were supported by various community groups including the Alpena Rotary Club who contributed \$200,000 of matching funds for the splash park.
- Interest in Alpena continues to bring new businesses and activities to the area. We have seen new office buildings erected, several public art installations around the City, and the renovation of numerous buildings as well. Several businesses now have tables and chairs outside in the summer months. The City upgraded the downtown pocket park and opened a dog park in North Riverfront Park.
- The Thunder Bay National Marine Sanctuary and Underwater Preserve operated by NOAA attracts approximately 90,000 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 Sanctuary hosts the Maritime Festival in July.
- The Sanctuary also periodically hosts 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 parks during the summer season.
- A covered bridge and water tower at the Wildlife Sanctuary was completed by a local businessman. 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 2020-21 is \$3,909,550. The unassigned portion is \$3,684,718. The unassigned fund balance represents 38.5% 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 dropped to 76.5% as of the June 30, 2020 valuation date. The 2020-21 contribution to the retirement system was \$983,398. The 2021-22 contribution will be \$1,072,812. The City 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%. In December 2018, the City hired a new investment advisor to manage the pension assets.

The June 30, 2021, Actuarial Valuation Report of the City's Post-Retirement Health Care Fund reported our unfunded accrued liability at \$1,270,275. The City budgeted 6% of fiscal year 2021-22 payroll to be put into the 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.

City of Alpena

Management's Discussion and Analysis

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



City of Alpena

Statement of Net Position

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,488,448	\$ 3,626,892	\$ 9,115,340	\$ 488,482
Investments, at fair value	2,754,211	-	2,754,211	-
Receivables, net	1,236,637	3,537,497	4,774,134	7,356
Internal balances	3,004	(3,004)	-	-
Due from primary government	-	-	-	20,599
Due from component units	-	-	-	1,925
Inventories	321,914	-	321,914	-
Prepaid expense	64,593	966	65,559	285
Capital assets not being depreciated	3,355,474	1,304,012	4,659,486	93,756
Capital assets being depreciated, net	25,052,590	28,889,558	53,942,148	151,854
Total assets	38,276,871	37,355,921	75,632,792	764,257
Deferred Outflows of Resources				
Deferred outflows related to pension	591,225	-	591,225	-
Deferred outflows related to OPEB	424,508	-	424,508	-
Total deferred outflows of resources	1,015,733	-	1,015,733	-
Liabilities				
Accounts payable	241,182	37,937	279,119	67
Deposits payable	30,175	2,875	33,050	-
Accrued payroll	271,743	5,331	277,074	5,733
Accrued interest payable	6,900	19,149	26,049	-
Due to component units	20,599	-	20,599	1,925
Unearned revenue	-	-	-	9,195
Compensated absences	77,648	-	77,648	-
Bonds and loans	86,791	375,000	461,791	3,636
Long-term liabilities:				
Due in more than one year				
Compensated absences	211,086	-	211,086	-
Bonds and loans	861,934	3,123,819	3,985,753	39,150
Net OPEB liability	1,270,275	-	1,270,275	-
Net pension liability	4,389,236	-	4,389,236	-
Total liabilities	7,467,569	3,564,111	11,031,680	59,706
Deferred Inflows of Resources				
Deferred inflows related to pension	3,577,041	-	3,577,041	-
Deferred inflows related to OPEB	2,837,047	-	2,837,047	-
Total deferred inflows of resources	6,414,088	-	6,414,088	-
Net Position				
Net investment in capital assets	27,459,339	26,694,751	54,154,090	202,824
Restricted for:				
Cemetery care				
Nonexpendable	996,068	-	996,068	-
Expendable	3,233	-	3,233	-
Streets and highways	1,485,664	-	1,485,664	-
Building inspection	24,554	-	24,554	-
Tree/park improvement	20,889	-	20,889	-
Debt service	10,784	59,844	70,628	-
Donor imposed	10,000	-	10,000	-
Unrestricted	(4,599,584)	7,037,215	2,437,631	501,727
Total net position	\$ 25,410,947	\$ 33,791,810	\$ 59,202,757	\$ 704,551

See accompanying notes to financial statements.

City of Alpena

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 3,293,492	\$ 1,591,418	\$ 100,239	\$ -
Public safety	5,554,734	1,972,501	1,075,734	3,310
Public works	3,146,029	772,239	1,693,392	-
Recreation and culture	479,251	50,133	-	-
Community and economic development	-	8,267	-	-
Interest on long-term debt	29,628	-	-	-
Total governmental activities	<u>12,503,134</u>	<u>4,394,558</u>	<u>2,869,365</u>	<u>3,310</u>
Business-type activities:				
Sewage	2,328,230	3,071,242	-	-
Water	2,493,841	3,730,352	-	-
Total business-type activities	<u>4,822,071</u>	<u>6,801,594</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,325,205</u>	<u>\$ 11,196,152</u>	<u>\$ 2,869,365</u>	<u>\$ 3,310</u>
Component Units				
Downtown Development Authority No.2	\$ 180,775	\$ 3,530	\$ -	\$ -
Downtown Development Authority No.5	43,951	9,325	-	-
Brownfield Redevelopment Authority	148,207	-	79,114	-
Economic Development Corporation	-	-	-	-
	<u>\$ 372,933</u>	<u>\$ 12,855</u>	<u>\$ 79,114</u>	<u>\$ -</u>

General revenues:
Property taxes
Unrestricted state revenue
Investment earnings
Total general revenues

Change in Net Position

Net Position, beginning of year, restated (Note 20)

Net Position, end of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,601,835)	\$ -	\$ (1,601,835)	\$ -
(2,503,189)	-	(2,503,189)	-
(680,398)	-	(680,398)	-
(429,118)	-	(429,118)	-
8,267	-	8,267	-
(29,628)	-	(29,628)	-
<u>(5,235,901)</u>	<u>-</u>	<u>(5,235,901)</u>	<u>-</u>
-	743,012	743,012	-
-	1,236,511	1,236,511	-
-	<u>1,979,523</u>	<u>1,979,523</u>	-
<u>(5,235,901)</u>	<u>1,979,523</u>	<u>(3,256,378)</u>	-
-	-	-	(177,245)
-	-	-	(34,626)
-	-	-	(69,093)
-	-	-	-
-	-	-	<u>(280,964)</u>
3,929,252	-	3,929,252	260,794
1,959,744	-	1,959,744	4,627
12,239	20,887	33,126	12,683
<u>5,901,235</u>	<u>20,887</u>	<u>5,922,122</u>	<u>278,104</u>
665,334	2,000,410	2,665,744	(2,860)
<u>24,745,613</u>	<u>31,791,400</u>	<u>56,537,013</u>	<u>707,411</u>
<u>\$ 25,410,947</u>	<u>\$ 33,791,810</u>	<u>\$ 59,202,757</u>	<u>\$ 704,551</u>

City of Alpena

Balance Sheet - Governmental Funds

June 30, 2021

	General	Major Street
Assets		
Cash and cash equivalents	\$ 1,944,081	\$ 685,507
Investments, at fair value	1,781,969	-
Accounts receivable, net	366,243	-
Taxes receivable	330,541	-
Interest receivable	11,948	-
Due from other governmental units	267,347	184,341
Due from other funds	5,216	-
Prepaid expenditures	56,790	1,986
Total assets	\$ 4,764,135	\$ 871,834
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 214,253	\$ 282
Deposits payable	30,175	-
Accrued payroll	245,287	6,374
Due to component units	20,599	-
Due to other funds	13,901	5,389
Total liabilities	524,215	12,045
Deferred inflows of resources:		
Unavailable revenue, property taxes	330,370	-
Total deferred inflows of resources	330,370	-
Fund balances:		
Nonspendable	56,790	1,986
Restricted	10,000	857,803
Committed	158,042	-
Unassigned	3,684,718	-
Total fund balances	3,909,550	859,789
Total liabilities, deferred inflows of resources and fund balances	\$ 4,764,135	\$ 871,834

Other Governmental Funds	Total Governmental Funds
\$ 2,028,733	\$ 4,658,321
211,843	1,993,812
7,487	373,730
-	330,541
405	12,353
63,250	514,938
-	5,216
4,705	63,481
<u>\$ 2,316,423</u>	<u>\$ 7,952,392</u>
\$ 15,183	\$ 229,718
-	30,175
16,973	268,634
-	20,599
15,567	34,857
<u>47,723</u>	<u>583,983</u>
-	330,370
<u>-</u>	<u>330,370</u>
1,000,773	1,059,549
687,321	1,555,124
580,606	738,648
-	3,684,718
<u>2,268,700</u>	<u>7,038,039</u>
<u>\$ 2,316,423</u>	<u>\$ 7,952,392</u>



City of Alpena

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

June 30, 2021

Fund balances - total governmental funds		\$ 7,038,039
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.</p>		
Capital assets not being depreciated	\$ 3,355,474	
Capital assets being depreciated, net	25,052,590	
Less capital assets accounted for in internal service funds	(630,999)	27,777,065
<p>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.</p>		
Compensated absences	(288,734)	
Bonds payable	(945,000)	
Installment purchase agreements	(3,725)	(1,237,459)
<p>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.</p>		
Net pension liability	(4,389,236)	
Deferred outflows related to the net pension liability	591,225	
Deferred inflows related to the net pension liability	(3,577,041)	(7,375,052)
Net OPEB liability	(1,270,275)	
Deferred outflows related to the net OPEB liability	424,508	
Deferred inflows related to the net OPEB liability	(2,837,047)	(3,682,814)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(6,900)
Deferred inflows of resources in the governmental funds is susceptible to full accrual on the government-wide statements.		330,370
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.		2,567,698
Net position of governmental activities		\$ 25,410,947

City of Alpena

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

For the Year Ended June 30, 2021

	General	Major Street
Revenues		
Property taxes	\$ 3,858,960	\$ -
Licenses and permits	30,547	-
State revenue	2,028,618	1,282,296
Federal revenue	143,239	-
Local grant revenue	967,170	-
Charges for services	2,794,733	-
Investment income and rents	59,684	2,884
Fines and forfeitures	13,127	-
Other	115,689	5,617
Total revenues	10,011,767	1,290,797
Expenditures		
Current operations:		
General government	1,861,164	-
Public safety	5,171,133	-
Public works	842,070	698,845
Recreation and culture	1,340,833	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	9,215,200	698,845
Excess (Deficiency) of Revenues Over Expenditures	796,567	591,952
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(361,603)	(175,000)
Total other financing sources (uses)	(361,603)	(175,000)
Net Change in Fund Balances	434,964	416,952
Fund Balances, beginning of year, restated (Note 20)	3,474,586	442,837
Fund Balances, end of year	\$ 3,909,550	\$ 859,789

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,858,960
269,198	299,745
411,096	3,722,010
-	143,239
-	967,170
63,424	2,858,157
34,974	97,542
-	13,127
19,752	141,058
<u>798,444</u>	<u>12,101,008</u>
1,629	1,862,793
427,459	5,598,592
460,272	2,001,187
122,849	1,463,682
85,000	85,000
29,263	29,263
<u>1,126,472</u>	<u>11,040,517</u>
<u>(328,028)</u>	<u>1,060,491</u>
461,851	461,851
-	(536,603)
<u>461,851</u>	<u>(74,752)</u>
133,823	985,739
<u>2,134,877</u>	<u>6,052,300</u>
<u>\$ 2,268,700</u>	<u>\$ 7,038,039</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

For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$	985,739
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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	\$ 272,695	
Depreciation expense	<u>(1,846,849)</u>	(1,574,154)

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	85,000	
Installment contract payments	4,966	
Installment purchase agreement payment change in accrual	<u>(2,116)</u>	87,850

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	70,292
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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	361	
Change in long-term compensated absences	54,536	
Change in net pension liability	544,314	
Change in long-term OPEB obligations	<u>532,932</u>	1,132,143

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.	<u>(36,536)</u>
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Change in net position of governmental activities	\$	<u>665,334</u>
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City of Alpena

Statement of Net Position - Proprietary Funds

June 30, 2021

	Business-type Activities - Enterprise Funds	
	Sewage	Water
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,800,634	\$ 826,258
Investments, at fair value	-	-
Accounts receivable, net	1,018,677	2,518,820
Interest receivable	-	-
Due from other funds	-	-
Inventories	-	-
Prepaid expenditures	553	413
Total current assets	3,819,864	3,345,491
Noncurrent assets:		
Capital assets not being depreciated	592,610	711,402
Capital assets being depreciated, net	15,688,436	13,201,122
Total noncurrent assets	16,281,046	13,912,524
Total assets	20,100,910	17,258,015
Liabilities		
Current liabilities:		
Accounts payable	17,375	20,562
Deposits payable	-	2,875
Accrued payroll	4,155	1,176
Accrued interest payable	8,862	10,287
Due to other funds	3,004	-
Bonds and notes payable, current portion	190,000	185,000
Total current liabilities	223,396	219,900
Noncurrent liabilities:		
Bonds and notes payable	1,610,659	1,513,160
Total liabilities	1,834,055	1,733,060
Net Position		
Net investment in capital assets	14,480,387	12,214,364
Restricted for:		
Debt service	29,922	29,922
Unrestricted	3,756,546	3,280,669
Total net position	\$ 18,266,855	\$ 15,524,955

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 3,626,892	\$ 830,127
-	760,399
3,537,497	2,694
-	2,381
-	32,645
-	321,914
966	1,112
<u>7,165,355</u>	<u>1,951,272</u>
1,304,012	-
<u>28,889,558</u>	<u>630,999</u>
<u>30,193,570</u>	<u>630,999</u>
<u>37,358,925</u>	<u>2,582,271</u>
37,937	11,464
2,875	-
5,331	3,109
19,149	-
3,004	-
375,000	-
<u>443,296</u>	<u>14,573</u>
<u>3,123,819</u>	-
<u>3,567,115</u>	<u>14,573</u>
26,694,751	630,999
59,844	-
<u>7,037,215</u>	<u>1,936,699</u>
<u>\$ 33,791,810</u>	<u>\$ 2,567,698</u>

See accompanying notes to financial statements.

City of Alpena

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

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds	
	Sewage	Water
Operating Revenues		
Charges for services	\$ 3,061,888	\$ 3,470,307
Other services	9,354	260,045
Total operating revenues	3,071,242	3,730,352
Operating Expenses		
Salaries and wages	38,905	34,425
Employee benefits	23,197	16,496
Supplies and durable goods	26,374	144,865
Gas and oil	-	-
Professional and contractual	973,032	879,651
Administrative services	231,574	231,574
Insurance	21,317	20,621
Utilities	286,866	134,513
Repairs and maintenance	14,558	498,662
Equipment rental	64,856	16,452
Miscellaneous	373	27,261
Other operating expenses	-	-
Depreciation	610,259	446,501
Total operating expenses	2,291,311	2,451,021
Operating Income (Loss)	779,931	1,279,331
Nonoperating Revenues (Expenses)		
Investment income and rents	17,769	3,118
Interest expense	(36,919)	(42,820)
Total nonoperating revenues (expenses)	(19,150)	(39,702)
Net income (loss) before transfers and special item	760,781	1,239,629
Transfers		
Transfers in	-	-
Change in Net Position	760,781	1,239,629
Net Position, beginning of year	17,506,074	14,285,326
Net Position, end of year	\$ 18,266,855	\$ 15,524,955

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,532,195	\$ 994,620
269,399	-
<u>6,801,594</u>	<u>994,620</u>
73,330	59,294
39,693	48,025
171,239	113,927
-	69,998
1,852,683	2,058
463,148	425,939
41,938	22,772
421,379	-
513,220	122,442
81,308	1,009
27,634	802
-	-
1,056,760	242,190
<u>4,742,332</u>	<u>1,108,456</u>
<u>2,059,262</u>	<u>(113,836)</u>
20,887	2,548
(79,739)	-
<u>(58,852)</u>	<u>2,548</u>
<u>2,000,410</u>	<u>(111,288)</u>
-	74,752
<u>2,000,410</u>	<u>(36,536)</u>
<u>31,791,400</u>	<u>2,604,234</u>
<u>\$ 33,791,810</u>	<u>\$ 2,567,698</u>

See accompanying notes to financial statements.

City of Alpena

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds	
	Sewage	Water
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,984,153	\$ 3,417,502
Receipts from interfund service provided	-	-
Payments to suppliers	(1,390,047)	(1,723,606)
Payments to employees	(59,369)	(51,033)
Payments for interfund services used	(229,262)	(231,996)
Net cash provided (used) by operating activities	1,305,475	1,410,867
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	-	-
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(879,145)	(1,002,756)
Principal paid on capital debt	(185,000)	(185,000)
Interest paid on capital debt	(37,842)	(43,943)
Net cash provided (used) by capital and related financing activities	(1,101,987)	(1,231,699)
Cash Flows from Investing Activities		
Purchase of investments	-	-
Interest and dividends received	17,769	3,118
Net cash provided (used) by investing activities	17,769	3,118
Net increase (decrease) in cash and cash equivalents	221,257	182,286
Cash and Cash Equivalents, beginning of year	2,579,377	643,972
Cash and Cash Equivalents, end of year	\$ 2,800,634	\$ 826,258

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,401,655	\$ -
-	997,579
(3,113,653)	(400,940)
(110,402)	(106,415)
(461,258)	(408,950)
<u>2,716,342</u>	<u>81,274</u>
-	74,752
<u>-</u>	<u>74,752</u>
(1,881,901)	(210,422)
(370,000)	-
(81,785)	-
<u>(2,333,686)</u>	<u>(210,422)</u>
-	(200,000)
20,887	10,575
<u>20,887</u>	<u>(189,425)</u>
403,543	(243,821)
<u>3,223,349</u>	<u>1,073,948</u>
<u>\$ 3,626,892</u>	<u>\$ 830,127</u>

City of Alpena

Statement of Cash Flows
Proprietary Funds (continued)

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds	
	Sewage	Water
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ 779,931	\$ 1,279,331
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	610,259	446,501
(Increase) decrease in accounts receivable	(87,089)	(315,725)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in advance to other funds	-	-
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid expenditures	234	17
Increase (decrease) in accounts payable	(2,905)	(1,598)
Increase (decrease) in deposits payable	-	2,875
Increase (decrease) in accrued payroll	2,733	(112)
Increase (decrease) in due to other funds	2,312	(422)
Net cash provided (used) by operating activities	<u>\$ 1,305,475</u>	<u>\$ 1,410,867</u>
Non-Cash Investing, Capital and Financing Activities		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

<u>Enterprise Funds - Current Year Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 2,059,262	\$ (113,836)
1,056,760	242,190
(402,814)	2,959
-	(11,011)
-	28,000
-	(72,656)
251	(189)
(4,503)	4,724
2,875	-
2,621	1,093
1,890	-
<u>\$ 2,716,342</u>	<u>\$ 81,274</u>
<u>\$ -</u>	<u>\$ (8,217)</u>

City of Alpena

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2021

	Trust Funds	Custodial Fund
	Pension (and Other Employee Benefit)	Trust and Agency Fund
Assets		
Cash and cash equivalents	\$ -	\$ 48,743
Investments, at fair value:		
Short-term investment funds	594,718	-
Fixed income	9,231,377	-
Equity securities	24,966,097	-
Taxes receivable	-	330,998
Interest receivable	64,405	-
	34,856,597	379,741
Total assets	34,856,597	379,741
Liabilities		
Accounts payable	28,022	12,982
Due to other governmental units	-	366,759
	28,022	379,741
Total liabilities	28,022	379,741
Net Position		
Net position restricted for:		
Pension	32,803,665	-
OPEB	2,024,910	-
	\$ 34,828,575	\$ -
	\$ 34,828,575	\$ -

City of Alpena

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2021

	Trust Funds	Custodial Fund
	Pension (and Other Employee Benefit)	Trust and Agency Fund
Additions		
Contributions:		
Employer	\$ 1,292,278	\$ -
Employees	180,880	-
Total contributions	<u>1,473,158</u>	<u>-</u>
Investment income:		
Net increase (decrease) in fair value of investments	6,532,056	-
Gain (loss) on securities sold	954,318	-
Interest and dividends	580,789	-
	<u>8,067,163</u>	<u>-</u>
Less investment expense	145,586	-
Net investment income	<u>7,921,577</u>	<u>-</u>
Property taxes collected	-	11,049,668
Fines, fees and miscellaneous	-	5,258
Total contributions	<u>-</u>	<u>11,054,926</u>
Total additions	<u>9,394,735</u>	<u>11,054,926</u>
Deductions		
Benefits	2,382,118	-
Lump-sum retirement payments	495,843	-
Administrative expense	44,769	-
Miscellaneous	(5,978)	-
Distributions to other governments	-	11,054,926
	<u>2,916,752</u>	<u>11,054,926</u>
Total deductions	<u>2,916,752</u>	<u>11,054,926</u>
Change in Net Position	6,477,983	-
Net Position, beginning of year	<u>28,350,592</u>	<u>-</u>
Net Position, end of year	<u>\$ 34,828,575</u>	<u>\$ -</u>

City of Alpena

Statement of Net Position - Component Units

June 30, 2021

	Downtown Development Authority No. 2	Downtown Development Authority No. 5
Assets		
Cash and cash equivalents	\$ 241,035	\$ (494)
Taxes receivable	-	67
Loans receivable	-	-
Due from primary government	20,599	-
Due from other component units	-	1,925
Prepaid items	242	43
Capital assets not being depreciated	93,756	-
Capital assets being depreciated, net	151,854	-
	507,486	1,541
Liabilities		
Accounts payable	-	67
Accrued payroll	4,270	1,463
Due to other component units	1,925	-
Unearned revenue	-	11
Long-term liabilities:		
Due within one year		
Bonds and loans	3,636	-
Due in more than one year		
Bonds and loans	39,150	-
	48,981	1,541
Total liabilities	48,981	1,541
Net Position		
Net investment in capital assets	202,824	-
Unrestricted	255,681	-
	458,505	-
Total net position	\$ 458,505	\$ -

Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ 244,229	\$ 3,712	\$ 488,482
-	-	67
7,289	-	7,289
-	-	20,599
-	-	1,925
-	-	285
-	-	93,756
-	-	151,854
<u>251,518</u>	<u>3,712</u>	<u>764,257</u>
-	-	67
-	-	5,733
-	-	1,925
9,184	-	9,195
-	-	3,636
-	-	39,150
<u>9,184</u>	<u>-</u>	<u>59,706</u>
-	-	202,824
242,334	3,712	501,727
<u>\$ 242,334</u>	<u>\$ 3,712</u>	<u>\$ 704,551</u>

See accompanying notes to financial statements.

City of Alpena

Statement of Activities - Component Units

For the Year Ended June 30, 2021

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Downtown Development Authority No.2	\$ 180,775	\$ 3,530	\$ -	\$ -
Downtown Development Authority No.5	43,951	9,325	-	-
Brownfield Redevelopment Authority	148,207	-	79,114	-
Economic Development Corporation	-	-	-	-
	<u>\$ 372,933</u>	<u>\$ 12,855</u>	<u>\$ 79,114</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
\$ (177,245)	\$ -	\$ -	\$ -	\$ (177,245)
-	(34,626)	-	-	(34,626)
-	-	(69,093)	-	(69,093)
-	-	-	-	-
<u>(177,245)</u>	<u>(34,626)</u>	<u>(69,093)</u>	<u>-</u>	<u>(280,964)</u>
143,628	21,041	96,125	-	260,794
4,627	-	-	-	4,627
3,953	8,729	-	1	12,683
<u>152,208</u>	<u>29,770</u>	<u>96,125</u>	<u>1</u>	<u>278,104</u>
(25,037)	(4,856)	27,032	1	(2,860)
<u>483,542</u>	<u>4,856</u>	<u>215,302</u>	<u>3,711</u>	<u>707,411</u>
<u>\$ 458,505</u>	<u>\$ -</u>	<u>\$ 242,334</u>	<u>\$ 3,712</u>	<u>\$ 704,551</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 10,197 residents (2020 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)

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

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 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 the EDC 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 activities) 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.

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

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.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Grants with eligibility requirements imposed by the provider are also susceptible to accrual when the requirements are met. 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. This fund is deemed to be a major fund due to its importance to financial statement users.

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.

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. Cash and cash equivalents are considered to be cash on hand, demand deposits, pooled cash, certificates of deposit 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 the lower of cost or net realizable value, 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 net position and/or balance sheet 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 and OPEB 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, equipment, and 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 \$5,000 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 the estimated fair market 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 45 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 90. 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, Police Patrol, and Police Command Officers earn sick leave at the rate of eight hours for each full month of service, and Firefighters/EMS employees earn sick leave at the rate of 12 hours for each full month of service or if they regularly work 40 hours per week, then they earn sick leave at the rate of eight hours for each month of service. The caps are as follows:

	<u>Days</u>
Clerical employees	90
Public Works employees	90
Police Patrol	90
Police Command Officers	90
Firefighters/EMS employees	unlimited

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

Upon retirement, clerical 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.

Upon retirement, public works employees shall receive one-half of his or her accumulated sick leave. However, the pay is not to exceed one-half of 75 days. This payment is based on the hourly straight time rate at the time of retirement. Public works employees hired on or after July 1, 2011, shall not receive the payout of accumulated sick leave upon retirement.

Police Patrol employees hired prior to July 1, 2011, upon retirement or death, shall receive one-half of their accumulated sick leave based on the employee's average hourly straight-time rate at the time of retirement. Police patrol employees hired after July 1, 2011, upon retirement or death, shall receive their accumulated sick leave, not to exceed \$500.

Police Command Officers hired before July 1, 2011, retiring employees shall receive one-half of their accumulated sick leave based on average hourly straight-time rate at the time of retirement. Police Command Officers hired on or after July 1, 2011, will not receive a payout of any accumulated sick leave upon retirement.

Upon either retirement or death of Firefighter/EMS employees hired before July 1, 2011, shall receive one-half of accumulated sick leave up to 1,456 hours for 24-hour employees or up to 1,040 for 40-hour employees, or prorated proportionately if an employee has sick leave in the bank, at the employee's regular straight-time hourly rate of pay at the time of retirement or death. The payoff is limited to 13 weeks of pay. Firefighter/EMS employees hired on or after July 1, 2011, will not receive unused sick leave payment upon retirement or death.

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. 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 net position and/or statement of revenues, expenditures and changes in fund balances will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 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 expensed in the period incurred. 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.

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

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.

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, 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 and prepaid expenditures) 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.

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

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 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 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.

Budget Stabilization. In accordance with P.A. 30 of 1978 (MCL141.441 et seq., MSA 5.3230(1) et seq.), City Council established the Budget Stabilization Fund. The Budget Stabilization Fund is considered part of the General Fund for financial reporting purposes. By a two-thirds vote of City Council members, all or part of a surplus in the General Fund may be appropriated for budget stabilization. At June 30, 2021, the amount committed for budget stabilization was \$30,191. The City Council may appropriate the committed funds by resolution of a two-thirds vote for the following purposes:

- To cover a General Fund deficit, when the City's annual audit reveals such a deficit;
- To prevent a reduction in the level of public services or in the number of employees at any time in the fiscal year when the City's budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses;
- To prevent a reduction in the level of public services or in the number of employees when, in preparing the budget for the next fiscal year, the City's estimated revenue does not appear sufficient to cover estimated expenses;
- To cover expenses arising because of a natural disaster, including a flood, fire, or tornado, unless federal or state funds are received to cover such expenses.

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.

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.

City of Alpena

Notes to Financial Statements

Note 1--Summary of Significant Accounting Policies. (continued)

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 certain individual fund financial statements (which are considered supplementary information) 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. There were no transactions that were considered special items during the current fiscal year.

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 ("P.A.") 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 and 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.

City of Alpena

Notes to Financial Statements

Note 2--Stewardship, Compliance and Accountability. (continued)

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

<u>Budget Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
General government			
Cemetery	\$ 134,410	\$ 136,848	\$ (2,438)
Major Street Fund			
Public works			
Maintenance			
Streets	196,298	206,768	(10,470)

Accumulated Fund Deficits. The City of Alpena had no funds with an accumulated fund balance deficit at June 30, 2021.

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.

City of Alpena

Notes to Financial Statements

Note 3--Cash and Investments. (continued)

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	\$ 9,115,340	\$ 488,482	\$ 9,603,822
Investments, at fair value	2,754,211	-	2,754,211
Statement of fiduciary net position			
Cash and cash equivalents	48,743	-	48,743
Investments, at fair value	34,792,192	-	34,792,192
Total	\$ 46,710,486	\$ 488,482	\$ 47,198,968

Cash and investments as of June 30, 2021 consisted of the following:

	Primary Government	Component Units	Total
Bank deposits (demand accounts)	\$ 8,261,313	\$ 488,482	\$ 8,749,795
Certificates of deposit due within one year	900,000	-	900,000
Cash on hand	2,770	-	2,770
Investments, at fair value			
Short-term investment funds	594,718	-	594,718
Brokerage certificates	703,079	-	703,079
Municipal bonds	1,252,167	-	1,252,167
Treasury bonds	798,965	-	798,965
Fixed income:			
Corporate bonds	3,235,870	-	3,235,870
Treasury bonds	2,552,733	-	2,552,733
Agency bonds	938,928	-	938,928
ETF - fixed income	53,370	-	53,370
Mutual funds - fixed income	2,095,690	-	2,095,690
Mortgages	41,007	-	41,007
Asset backed	313,779	-	313,779
Equity securities	24,966,097	-	24,966,097
	\$ 46,710,486	\$ 488,482	\$ 47,198,968

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

City of Alpena

Notes to Financial Statements

Note 3--Cash and Investments. (continued)

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 \$9,649,795 and a bank balance of \$10,092,260. FDIC insurance provides \$250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank. From the bank balance, \$9,392,255 was covered by federal depository insurance and \$700,005 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.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Uninsured</u>
Cash and cash equivalents	\$ 8,260,819	\$ 8,696,477	\$ 8,396,472	\$ 300,005
Certificates of deposit	900,000	900,000	500,000	400,000
Downtown Development Authority No. 2	241,035	247,842	247,842	-
Brownfield Redevelopment Authority	244,229	244,229	244,229	-
Economic Development Authority	3,712	3,712	3,712	-
Totals	<u>\$ 9,649,795</u>	<u>\$ 10,092,260</u>	<u>\$ 9,392,255</u>	<u>\$ 700,005</u>

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:

City of Alpena

Notes to Financial Statements

Note 3--Cash and Investments. (continued)

Investment Type	Fair Value	Investment Maturities (Fair Value by Years)			
		<1	1-5	6-10	>10
Short-term investment funds	\$ 594,718	\$ 594,718	\$ -	\$ -	\$ -
Brokerage certificates	703,079	255,404	447,675	-	-
Municipal bonds	1,252,167	-	560,197	691,970	-
Corporate bonds	3,235,870	152,159	1,801,115	1,249,356	33,240
Treasury bonds	3,351,698	304,986	2,464,288	582,424	-
Agency bonds	938,928	-	-	184,628	754,300
ETF - fixed income	53,370	53,370	-	-	-
Mutual funds - fixed income	2,095,690	2,095,690	-	-	-
Mortgages	41,007	-	41,007	-	-
Asset backed	313,779	-	313,779	-	-
	<u>\$ 12,580,306</u>	<u>\$ 3,456,327</u>	<u>\$ 5,628,061</u>	<u>\$ 2,708,378</u>	<u>\$ 787,540</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)

<u>Investment Type</u>	<u>Fair Value of Investments</u>	<u>Rating</u>	<u>Rating Organization</u>
City investment pool:			
Municipal bonds	\$ 698,285	Aa	Moody's
Municipal bonds	113,732	Aa+	Moody's
Municipal bonds	232,862	A+	Moody's
Municipal bonds	207,288	Baa	Moody's
Treasury bonds	98,110	Aaa	Moody's
Treasury bonds	700,855	Aa+	Moody's
	<u>\$ 2,051,132</u>		
Pension trust fund:			
Fixed income:			
Corporate bonds	\$ 69,046	Aaa	Moody's
Corporate bonds	31,260	Aa1	Moody's
Corporate bonds	59,317	Aa2	Moody's
Corporate bonds	45,818	Aa3	Moody's
Corporate bonds	287,766	A1	Moody's
Corporate bonds	327,445	A2	Moody's
Corporate bonds	445,531	A3	Moody's
Corporate bonds	736,415	Baa1	Moody's
Corporate bonds	953,176	Baa2	Moody's
Corporate bonds	244,837	Baa3	Moody's
Corporate bonds	35,259	Not rated	Moody's
Treasury bonds	2,398,153	Aaa	Moody's
Treasury bonds	154,580	Not rated	Moody's
Agency bonds	20,979	Aaa	Moody's
Agency bonds	917,949	Not rated	Moody's
ETF - fixed income	53,370	Not rated	Moody's
Mutual funds - fixed income	2,095,690	Not rated	Moody's
Mortgages	-	Aaa	Moody's
Mortgages	41,007	Not rated	Moody's
Asset backed	208,511	Aaa	Moody's
Asset backed	105,268	Not rated	Moody's
	<u>\$ 9,231,377</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 Depository Receipts).

City of Alpena

Notes to Financial Statements

Note 3--Cash and Investments. (continued)

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.

	Balance at June 30, 2021	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)
General Investments:				
Debt Securities:				
Brokerage certificates	\$ 703,079	\$ -	\$ 703,079	\$ -
Treasury bonds	798,965	798,965	-	-
Municipal bonds	1,252,167	-	1,252,167	-
Total investments by fair value level	<u>\$ 2,754,211</u>	<u>\$ 798,965</u>	<u>\$ 1,955,246</u>	<u>\$ -</u>
Pension and Employee Health Care Trust Funds:				
Equity Securities:				
ETF	\$ 12,664,767	\$ 12,664,767	\$ -	\$ -
Mutual funds	12,301,330	12,301,330	-	-
Total equity securities	<u>24,966,097</u>	<u>24,966,097</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Corporate bonds	3,235,870	-	3,235,870	-
Treasury bonds	2,552,733	-	2,552,733	-
Agency bonds	938,928	-	938,928	-
ETF - fixed income	53,370	-	53,370	-
Mutual funds - fixed income	2,095,690	-	2,095,690	-
Mortgages	41,007	-	41,007	-
Asset backed	313,779	-	313,779	-
Total fixed income	<u>9,231,377</u>	<u>-</u>	<u>9,231,377</u>	<u>-</u>
Other:				
Short-term investment funds	594,718	594,718	-	-
Total investments by fair value level	<u>\$ 34,792,192</u>	<u>\$ 25,560,815</u>	<u>\$ 9,231,377</u>	<u>\$ -</u>

City of Alpena

Notes to Financial Statements

Note 3--Cash and Investments. (continued)

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 the fixed income investments at June 30, 2021 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.

Note 4--Receivables.

Receivables for the primary government and component units at June 30, 2021 are as follows:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Receivables (net of allowance for uncollectables)	\$ 376,424	\$ 3,537,497	\$ 3,913,921	\$ -
Taxes receivable	330,541	-	330,541	67
Loans receivable	-	-	-	7,289
Interest receivable	14,734	-	14,734	-
Due from governmental units	514,938	-	514,938	-
	\$ 1,236,637	\$ 3,537,497	\$ 4,774,134	\$ 7,356

City of Alpena

Notes to Financial Statements

Note 5--Interfund Receivables, Payables, and Transfers.

The composition of interfund receivable/payable balances at June 30, 2021 are as follows:

	Interfund Receivable	Interfund Payable
Governmental Activities		
General Fund	\$ 5,216	\$ 13,901
Special revenue funds:		
Major Street Fund	-	5,389
Local Street Fund	-	5,902
Marina Fund	-	4,449
Building Inspection Fund	-	90
Permanent fund:		
Perpetual Lot Care Fund	-	5,126
Internal service fund:		
Equipment Fund	32,645	-
Business-type Activities		
Enterprise funds:		
Sewage Fund	-	3,004
	\$ 37,861	\$ 37,861

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2021, interfund transfers consisted of the following:

	Transfer In	Transfer Out
Marina Fund	\$ 84,000	\$ -
General Fund	-	84,000
Local Street Fund	265,000	-
Major Street Fund	-	175,000
General Fund	-	90,000
Building Authority Debt Fund	112,851	-
General Fund	-	112,851
Stores Fund	74,752	-
General Fund	-	74,752
	\$ 536,603	\$ 536,603

The transfers from the General Fund to the Local Street Fund represents the transfer of unrestricted resources for current road projects; the transfers to the Local Street Fund from the Major Street Fund represents the transfer of restricted resources for local road projects; the transfer from the General Fund to the Building Authority Debt Fund represents the amount transferred to pay the bond payments; 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.

City of Alpena

Notes to Financial Statements

Note 6--Capital Assets.

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,237,864	\$ -	\$ -	\$ 3,237,864
Construction in progress	134,951	18,618	(35,959)	117,610
	<u>3,372,815</u>	<u>18,618</u>	<u>(35,959)</u>	<u>3,355,474</u>
Capital assets being depreciated:				
Land improvements	6,711,603	35,958	-	6,747,561
Buildings and improvements	10,242,500	74,165	(200)	10,316,465
Machinery and equipment	8,811,481	270,257	-	9,081,738
Infrastructure	51,192,562	120,078	(27,335)	51,285,305
	<u>76,958,146</u>	<u>500,458</u>	<u>(27,535)</u>	<u>77,431,069</u>
Accumulated depreciation:				
Land improvements	(3,614,577)	(183,102)	-	(3,797,679)
Buildings and improvements	(5,013,597)	(211,174)	200	(5,224,571)
Machinery and equipment	(7,141,411)	(491,771)	-	(7,633,182)
Infrastructure	(34,547,390)	(1,202,992)	27,335	(35,723,047)
	<u>(50,316,975)</u>	<u>(2,089,039)</u>	<u>27,535</u>	<u>(52,378,479)</u>
Net capital assets being depreciated	<u>26,641,171</u>	<u>(1,588,581)</u>	<u>-</u>	<u>25,052,590</u>
Net governmental capital assets	<u>\$ 30,013,986</u>	<u>\$ (1,569,963)</u>	<u>\$ (35,959)</u>	<u>\$ 28,408,064</u>

City of Alpena

Notes to Financial Statements

Note 6--Capital Assets. (continued)

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	93,068	1,219,036	(8,104)	1,304,000
	<u>93,080</u>	<u>1,219,036</u>	<u>(8,104)</u>	<u>1,304,012</u>
Capital assets being depreciated:				
Land improvements	566,355	-	-	566,355
Buildings and improvements	7,305,767	117,395	-	7,423,162
Machinery and equipment	2,880,823	218,865	(24,226)	3,075,462
Infrastructure	43,864,153	334,704	-	44,198,857
	<u>54,617,098</u>	<u>670,964</u>	<u>(24,226)</u>	<u>55,263,836</u>
Accumulated depreciation:				
Land improvements	(300,267)	(14,640)	-	(314,907)
Buildings and improvements	(3,387,182)	(146,591)	-	(3,533,773)
Machinery and equipment	(2,020,844)	(105,364)	24,231	(2,101,977)
Infrastructure	(19,633,456)	(790,165)	-	(20,423,621)
	<u>(25,341,749)</u>	<u>(1,056,760)</u>	<u>24,231</u>	<u>(26,374,278)</u>
Net capital assets being				
Depreciated	<u>29,275,349</u>	<u>(385,796)</u>	<u>5</u>	<u>28,889,558</u>
Net business-type capital assets	<u>\$ 29,368,429</u>	<u>\$ 833,240</u>	<u>\$ (8,099)</u>	<u>\$ 30,193,570</u>

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

Governmental activities:	
General government	\$ 76,141
Public safety	301,766
Public works	1,583,478
Recreation and culture	127,654
	<u>\$ 2,089,039</u>
Business-type activities:	
Sewage	\$ 610,259
Water	446,501
	<u>\$ 1,056,760</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, 2021 are as follows:

	Contract Amount	Commitment Remaining
2019 Resurfacing Project		
Everett Goodrich Trucking	\$ 430,056	\$ 145,000
Valve replacement		
Team Elmer's	85,500	10,100
LaForest and Oliver infrastructure upgrades		
MacArthur Construction	2,070,647	805,579
PVP pump replacement		
Meridian Contracting	117,900	29,400
City concrete program		
Bedrock Contracting	63,358	32,181
Water Plant piping and instrumentation diagrams		
Tempest Enterprises	19,200	10,020
Lift Station Telemetry Project		
Tempest Enterprises	163,445	163,445
Water Recycling Plant tanker trailer replacement		
Tank Truck Services	78,792	78,792
Tree Planting Program		
Prattscape LLC	18,000	18,000
Total	\$ 3,046,898	\$ 1,292,517

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:

	Balances, July 1, 2020	Additions	(Deductions)	Balances, June 30, 2021	Due Within One Year
Governmental Activities					
Direct borrowings and direct placements:					
2020 installment debt:					
Amount of issue - \$5,418					
Maturing through 2022					
Interest rate: N/A					
Principal maturity range: (\$1,806)	\$ 1,806	\$ -	\$ (1,806)	\$ -	\$ -
2019 installment debt:					
Amount of issue - \$9,004					
Maturing through 2023					
Interest rate: (8.38%)					
Principal maturity range: (\$1,515 - \$2,115)	6,885	-	(3,160)	3,725	1,791
Total direct borrowings and direct placements	8,691	-	(4,966)	3,725	1,791
Other debt - 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)	1,030,000	-	(85,000)	945,000	85,000
Accumulated compensated absences	343,270	42,191	(96,727)	288,734	77,648
Total governmental activities	\$ 1,381,961	\$ 42,191	\$ (186,693)	\$ 1,237,459	\$ 164,439

City of Alpena

Notes to Financial Statements

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

	Balances, July 1, 2020	Additions	(Deductions)	Balances, June 30, 2021	Due Within One Year
Business-type Activities					
Direct borrowings and direct placements:					
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)					
	\$ 1,735,659	\$ -	\$ (160,000)	\$ 1,575,659	\$ 165,000
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)					
	1,633,160	-	(160,000)	1,473,160	160,000
Total direct borrowings and direct placements	3,368,819	-	(320,000)	3,048,819	325,000
Other debt - revenue and other obligation bonds:					
2007 Capital improvement bonds: Amount of issue - \$995,000 Maturing through 2028 Interest rate range: (4.73%) Principal maturity range: (\$20,000 - \$100,000)					
	500,000	-	(50,000)	450,000	50,000
Total business-type activities	\$ 3,868,819	\$ -	\$ (370,000)	\$ 3,498,819	\$ 375,000

City of Alpena

Notes to Financial Statements

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

Debt service requirements. Annual debt service requirements to maturity for the above debt obligations are as follows:

Year Ended June 30,	Governmental Activities			
	Direct borrowings and direct placements		Other debt	
	Principal	Interest	Principal	Interest
2022	\$ 1,791	\$ 325	\$ 85,000	\$ 26,003
2023	1,934	169	85,000	23,878
2024	-	-	105,000	21,503
2025	-	-	105,000	18,694
2026	-	-	100,000	15,773
2027 through 2030	-	-	465,000	30,010
	\$ 3,725	\$ 494	\$ 945,000	\$ 135,861

Year Ended June 30,	Business-type Activities			
	Direct borrowings and direct placements		Other debt	
	Principal	Interest	Principal	Interest
2022	\$ 325,000	\$ 53,869	\$ 50,000	\$ 19,688
2023	325,000	47,788	50,000	17,500
2024	330,000	41,666	50,000	15,313
2025	330,000	35,503	50,000	13,125
2026	335,000	29,300	50,000	10,938
2027 through 2030	1,403,819	52,632	200,000	13,125
	\$ 3,048,819	\$ 260,758	\$ 450,000	\$ 89,689

City of Alpena

Notes to Financial Statements

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

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, 2021 that amount was \$250,312,088. As of June 30, 2021, the net total outstanding debt applicable to the limit was \$4,429,200 which is 17.69% 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 comprehensive general liability, comprehensive employee benefits, employment practices liability, law enforcement liability, commercial excess liability, commercial auto liability, public official liability, commercial property coverage (equipment, buildings and contents), commercial inland marine, electronic data processing (computers), and equipment breakdown through Tokio Marine, administrated through Lappan Agency Inc. 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	Total
Fund balances:				
Nonspendable:				
Perpetual care lot	\$ -	\$ -	\$ 996,068	\$ 996,068
Prepays	56,790	1,986	4,705	63,481
	<u>56,790</u>	<u>1,986</u>	<u>1,000,773</u>	<u>1,059,549</u>
Restricted for:				
Shoreline erosion	5,000	-	-	5,000
Mich-E-Ke-Wis Park pavilion	5,000	-	-	5,000
Building inspection	-	-	24,554	24,554
Debt service	-	-	10,784	10,784
Perpetual care lot	-	-	3,233	3,233
Streets and highway	-	857,803	627,861	1,485,664
Tree/Park improvement	-	-	20,889	20,889
	<u>10,000</u>	<u>857,803</u>	<u>687,321</u>	<u>1,555,124</u>
Committed for:				
Budget stabilization	30,191	-	-	30,191
Capital outlay	118,569	-	-	118,569
Police department	9,282	-	-	9,282
Capital projects	-	-	401,286	401,286
Marina	-	-	179,320	179,320
	<u>158,042</u>	<u>-</u>	<u>580,606</u>	<u>738,648</u>
Unassigned	<u>3,684,718</u>	<u>-</u>	<u>-</u>	<u>3,684,718</u>
Total governmental funds	<u>\$ 3,909,550</u>	<u>\$ 859,789</u>	<u>\$ 2,268,700</u>	<u>\$ 7,038,039</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 2020 ad valorem tax is levied and collectible on July 1, 2020. 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 2020 taxable valuation of the City of Alpena amounted to \$217,583,435 on real property and \$27,786,200 on personal property for a total of \$245,369,635 on which ad valorem taxes of 16.1066 mills were levied for City operating purposes.

City of Alpena

Notes to Financial Statements

Note 10--Property Taxes. (continued)

The 2020 tax levy raised \$3,859,172 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 9.5604 mills for County operations, 1.0000 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.

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 2021 amounted to \$4,945.

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 2021 of \$55,738.

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 City under this program for fiscal year 2021 amounted to \$8,899.

PA 147 (Neighborhood Enterprise Zone Act) provides property tax exemptions for properties that provide 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 \$8,413 related to PA 147 during fiscal year 2021.

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.

City of Alpena

Notes to Financial Statements

Note 12--Perpetual Lot Care Fund. (continued)

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 Retirement 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 6% of the prior calendar year gross wages. Affected employees shall participate in a defined contribution plan with a mandatory 2% employee contribution.

DPW. The City will contribute 7% (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 22 employees participating in DC plans as of June 30, 2021. The City's contributions to the plans for calendar year 2020 wages were calculated based on covered payroll of \$757,338 resulting in an employer contribution of \$45,918 and employee contributions of \$15,147.

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 "Plan"). The Plan 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 seven trustees-two members of the City municipal council, the city manager, a police officer, a firefighter, a general member, and a city retiree appointed by the municipal council.

City of Alpena

Notes to Financial Statements

Note 14--Defined Benefit Pension Plan. (continued)

The Plan's activity is accounted for in an irrevocable trust and the activity is reported in the fiduciary fund financial statements. The plan is reported within Pension (and Other Employee Benefit) Trust Funds in the accompanying financial statements on the accrual basis of accounting. The Plan is a single-employer defined benefit plan administered by the City of Alpena. The Plan does not issue a separate stand-alone financial statement. For the pension plan financial statements refer to Note 16.

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, 2021, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	97
Inactive plan members	4
Active plan members	<u>60</u>
	<u>161</u>

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. Non-union 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:

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 July 1, 2009 are not eligible for membership in this retirement system.

Police Chief - Same as non-union but mandatory retirement at age 70.

DPW Union - Age 60 with 10 years of service and effective July 1, 2009, or 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.

City of Alpena

Notes to Financial Statements

Note 14--Defined Benefit Pension Plan. (continued)

Annual Amount:

Non-Union (including City Manager) - 2.25% of final average compensation times total service through July 1, 2003 plus 2.5% times total service after July 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 July 1, 2002 plus 3.0% times total service after July 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 July 1, 2011, 2.5% of final average compensation times service to July 1, 2001 plus 3.0% of final average compensation times service after July 1, 2001. Hired on or after July 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 July 1, 2011, 2.4% (2.5% for Command) of final average compensation times total service through July 1, 2002 plus 3.0% of final average compensation times service after July 1, 2002. Hired on or after July 1, 2011, 2.25% of final average compensation times total service. Maximum benefit is 85% of final average compensation for all police members.

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.

City of Alpena

Notes to Financial Statements

Note 14--Defined Benefit Pension Plan. (continued)

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 Pension Benefit Guaranty Corporation 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 25.90% of annual payroll and the actuarially determined contribution was \$983,398. System administrative costs are financed through investment earnings.

For the year ended June 30, 2021, 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, Deputy Fire Chief and City Manager)** - 5.0% 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 Plan's target asset allocations are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	63%
Real estate	4%
Fixed income	32%
Cash	1%
	<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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 28.76% 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, 2021, 2020, 2019, and 2018, respectively were \$32,803,666, \$26,913,326, \$27,851,681, and \$27,354,482.

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,			
	2021	2020	2019	2018
Employees' contributions (Annuity Savings Fund)	\$ 3,888,420	\$ 3,458,301	\$ 3,615,834	\$ 3,689,083
Employer contributions (Pension Reserve Fund)	4,650,339	5,286,043	4,542,936	5,508,920
Retired benefit payments (Retirement Reserve Fund)	23,554,226	17,464,279	18,991,690	17,456,983
Undistributed investment income (Income Fund)	710,680	704,703	701,221	699,496
	<u>\$32,803,665</u>	<u>\$26,913,326</u>	<u>\$27,851,681</u>	<u>\$27,354,482</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, 2021 as its measurement date for the net pension liability. The June 30, 2021 total pension liability was determined by an actuarial valuation performed as of June 30, 2020. The components of the net pension liability of the City at June 30, 2021 were as follows:

Total pension liability	\$37,192,901
Plan fiduciary net position	<u>32,803,665</u>
Net pension liability	<u>\$ 4,389,236</u>
Plan fiduciary net position as a percentage of the total pension liability	88.20%
Covered payroll	\$ 3,796,931
Net pension liability as a percentage of covered payroll	115.60%

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, 2020	\$ 36,228,413	\$ 26,913,326	\$ 9,315,087
Changes for the year:			
Service cost	635,581	-	635,581
Interest on the total pension liability	2,460,957	-	2,460,957
Changes in benefit terms	-	-	-
Differences between expected and actual experience	647,305	-	647,305
Changes of assumptions	-	-	-
Contributions - employer	-	983,398	(983,398)
Contributions - employees	-	221,593	(221,593)
Net investment income	-	7,485,227	(7,485,227)
Benefit payments, including refunds	(2,779,355)	(2,779,355)	-
Pension plan administrative expense	-	(26,501)	26,501
Other	-	5,977	(5,977)
Net changes	964,488	5,890,339	(4,925,851)
Balances at June 30, 2021	\$ 37,192,901	\$ 32,803,665	\$ 4,389,236

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 and a measurement date of June 30, 2021 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 22 years and 20 years for the fire group for unfunded accrued liabilities.

Inflation	3.50%
Salary increases, (average, including inflation)	3.50% - 7.34%
Investment rate of return (net of pension plan investment expense, including inflation)	7.00%

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended June 30, 2021, the City recognized pension expense of \$439,084. At June 30, 2021, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

City of Alpena

Notes to Financial Statements

Note 14--Defined Benefit Pension Plan. (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 582,093	\$ (52,866)	\$ 529,227
Changes in assumptions	9,132	-	9,132
Net difference between projected and actual earnings on pension plan investments	-	(3,524,175)	(3,524,175)
 Total	 \$ 591,225	 \$ (3,577,041)	 \$ (2,985,816)

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
2022	\$ (704,415)
2023	(493,552)
2024	(656,426)
2025	(1,131,423)
	\$ (2,985,816)

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 Plan’s target asset allocation as of June 30, 2021 is 1.92% for municipal bonds, 0% for cash, and 7.00% for the aggregate remaining investment categories.

* The 7% long-term expected real rate of return is a composite percentage for the overall long-term expected real rate of return and not the expected rate of return per investment category. This amount was calculated by the City of Alpena’s actuary.

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	\$ 41,500,980	\$ 37,192,901	\$ 33,574,283
Plan fiduciary net position	32,803,665	32,803,665	32,803,665
Net pension liability / (asset)	<u>\$ 8,697,315</u>	<u>\$ 4,389,236</u>	<u>\$ 770,618</u>

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 biennially; the latest was an actuarial evaluation as of June 30, 2020.

Management of the Retirement System is vested in the City of Alpena Retirement and Health Care Plan Board, which consists of seven trustees—two members of the City Municipal Council, the City Manager, a police officer, a 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's activity is accounted for in an irrevocable trust and the activity is reported in the fiduciary fund financial statements. The plan is reported within Pension (and Other Employee Benefit) Trust Funds in the accompanying financial statements on the accrual basis of accounting. The Plan is a single-employer defined benefit plan administered by the City of Alpena. The Plan does not issue a separate stand-alone financial statement. For the other postemployment benefit plan financial statements refer to Note 16.

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, 2021, plan membership consisted of the following:

Plan Membership. At June 30, 2021, plan membership consisted of the following:

Retired members and beneficiaries currently receiving benefits	29
Active plan members	63
	<u>92</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.
- Administrative employees hired after July 1, 2009 are not eligible to participate in this plan.

City of Alpena

Notes to Financial Statements

Note 15--Other Post Employment Benefit Disclosures. (continued)

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 July 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, Fire Chief, and Deputy 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.

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, 2021, the City’s contribution was \$308,880.

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 brokerage certificates.

Rate of Return. For the year ended June 30, 2021, the annual money weighted rate of return on plan investments, net of investment expense, was 27.52 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 June 30, 2020 and a measurement date of June 30, 2021.

City of Alpena

Notes to Financial Statements

Note 15--Other Post Employment Benefit Disclosures. (continued)

The components of the net OPEB liability at June 30, 2021 were as follows:

Total OPEB liability	\$	3,295,185
Plan fiduciary net position		2,024,910
City's net OPEB liability	\$	1,270,275
Plan fiduciary net position as a percentage of the total OPEB liability		61.45%
Covered payroll	\$	3,888,947
Net OPEB liability as a percentage of covered-employee payroll		32.66%

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, 2020	\$ 3,647,056	\$ 1,437,267	\$ 2,209,789
Changes for the year:			
Service cost	66,929	-	66,929
Interest on the total OPEB liability	216,652	-	216,652
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(614,378)	-	(614,378)
Changes of assumptions	118,244	-	118,244
Contributions - employer	-	308,880	(308,880)
Net investment income	-	429,881	(429,881)
Administrative expense	-	(11,800)	11,800
Miscellaneous other change	-	-	-
Benefit payments, including refunds of employee contributions	(139,318)	(139,318)	-
Net changes	(351,871)	587,643	(939,514)
Balance at June 30, 2021	\$ 3,295,185	\$ 2,024,910	\$ 1,270,275

City of Alpena

Notes to Financial Statements

Note 15--Other Post Employment Benefit Disclosures. (continued)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 and a measurement date of June, 30, 2021. The valuation used the following actuarial assumptions, applied to all periods includes in the measurement, unless otherwise specified:

Inflation	3.50%
Salary increases, (average, including inflation)	3.5% - 7.34%
Investment rate of return (net of pension plan investment and administrative expenses)	6.00%
Health care trend rates	Pre-65: 7.50% - 3.50% Post-65: 6.25% - 3.50%

Changes in assumptions. The actuarial assumption for health care trend rates changed from 8.25% - 3.50% as of the June 30, 2020 measurement date to 7.50% -3.50% Pre-65 and 6.25% - 3.50% Post-65 as of the June 30, 2021 measurement date.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the year ended June 30, 2021, the City recognized OPEB expense of \$(224,051). At June 30, 2021, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,653,586	\$ (1,653,586)
Assumption changes	364,203	912,331	(548,128)
Net difference between projected and actual earnings on OPEB plan investments	60,305	271,130	(210,825)
	\$ 424,508	\$ 2,837,047	\$ (2,412,539)

City of Alpena

Notes to Financial Statements

Note 15--Other Post Employment Benefit Disclosures. (continued)

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
2022	\$ (428,465)
2023	(436,626)
2024	(440,999)
2025	(455,467)
2026	(384,608)
Thereafter	(266,374)
	<u>\$ (2,412,539)</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 6.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (5.00%) or 1-percentage-point-higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
City's net OPEB liability	\$ 1,585,556	\$ 1,270,275	\$ 995,848

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 8.25%, decreasing to 3.50%, 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 (7.25%, decreasing to 2.50%) or 1-percentage-point-higher (9.25%, decreasing to 4.50%) than the current rate:

	1% Decrease (7.25% decreasing to 2.50%)	Healthcare Cost Trend Rates (8.25% decreasing to 3.50%)	1% Increase (9.25% decreasing to 4.50%)
City's net OPEB liability	\$ 1,000,031	\$ 1,270,275	\$ 1,545,158

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00%. 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.

City of Alpena

Notes to Financial Statements

Note 15--Other Post Employment Benefit Disclosures. (continued)

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 paid life insurance policy of \$2,000 for administrative employees who retire from the City and who are hired before July 1, 2021. The City paid life insurance will not be afforded to employees who are hired after July 1, 2021. The City provides a paid life insurance policy of \$2,000 for police retirees. The City provides a paid life insurance policy of \$2,000 for DPW employees retiring on or after July 1, 2015. The City will discontinue the practice of City-paid life insurance for all retirees hired after July 1, 2020. The City provides a paid life insurance policy of \$2,000 for fire department retirees hired before July 1, 2007. For fiscal year 2020-2021, the City's share of expenditures was \$540 for retiree life insurance. Expenditures for postretirement benefits are recognized when incurred by the City.

Note 16--Trust Fund Combining Statements.

Financial statements for the individual pension and other postemployment benefit plans are as follows:

Combining Statement of Plan Net Position

	Pension (and Other Employee Benefit) Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	Totals
Assets			
Investments, at fair value:			
Short-term investment funds	\$ 564,891	\$ 29,827	\$ 594,718
Fixed income	8,665,047	566,330	9,231,377
Equity securities	23,535,992	1,430,105	24,966,097
Interest receivable	64,237	168	64,405
	32,830,167	2,026,430	34,856,597
Liabilities			
Accounts payable	26,501	1,520	28,021
	26,502	1,520	28,022
Net Position			
Net position restricted for pension/OPEB	\$ 32,803,665	\$ 2,024,910	\$ 34,828,575

City of Alpena

Notes to Financial Statements

Note 16--Trust Fund Combining Statements. (continued)

Combining Statement of changes in Plan Net Position

	Pension Trust Fund	Employee Health Care Fund	Totals
Additions			
Contributions:			
Employer	\$ 983,398	\$ 308,880	\$ 1,292,278
Employees	180,880	-	180,880
Total contributions	<u>1,164,278</u>	<u>308,880</u>	<u>1,473,158</u>
Investment income:			
Net increase (decrease) in fair value of investments	6,135,610	396,446	6,532,056
Gain (loss) on securities sold	954,318	-	954,318
Interest and dividends	540,885	39,904	580,789
	<u>7,630,813</u>	<u>436,350</u>	<u>8,067,163</u>
Less investment expense	145,586	-	145,586
Net investment income	<u>7,485,227</u>	<u>436,350</u>	<u>7,921,577</u>
Total additions	<u>8,649,505</u>	<u>745,230</u>	<u>9,394,735</u>
Deductions			
Benefits	2,242,800	139,318	2,382,118
Lump-sum retirement payments	495,843	-	495,843
Administrative expense	26,501	18,268	44,769
Miscellaneous	(5,978)	-	(5,978)
Total deductions	<u>2,759,166</u>	<u>157,586</u>	<u>2,916,752</u>
Change in Net Position	5,890,339	587,644	6,477,983
Net Position, beginning of year	<u>26,913,326</u>	<u>1,437,266</u>	<u>28,350,592</u>
Net Position, end of year	<u>\$ 32,803,665</u>	<u>\$ 2,024,910</u>	<u>\$ 34,828,575</u>

City of Alpena

Notes to Financial Statements

Note 17--Deferred Compensation Plan.

The City of Alpena offers a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. All general non-union, clerical and public works employees are eligible to enroll in the deferred compensation plan. 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 18--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 \$6,940,549 (through June 30, 2021), in addition to late charges of approximately \$6,488,871.

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 based upon a formula. 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.

On March 17, 2020, the Michigan Court of Appeals ruled that the parties had not reached a settlement, even on the rates through 2018 that the Circuit Court had previously issued, and the Court of Appeals sent the case back to the Circuit Court to continue the trial. Subsequent to the ruling, the Township requested reconsideration, which was denied on July 9, 2020. The Township has appealed the case to the Michigan Supreme Court who denied the request to hear the case. The case was sent back to the Circuit Court in Alpena where it remains through the date of the issued report.

In fiscal year 2018, the City of Alpena adjusted the receivable and revenue with the Township to the amount awarded in the judgment and has consistently estimated the revenue and receivable based on this formula through the end of fiscal year June 30, 2021.

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.

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.

City of Alpena

Notes to Financial Statements

Note 19--Component Unit Disclosures.

Loans Receivable. The Brownfield Redevelopment Authority has a loan receivable from a local business of \$7,289 that has been reflected in the accompanying fund financial statements with offsetting unearned revenue to be applied upon future collections.

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 93,756	\$ -	\$ -	\$ 93,756
Construction in progress	-	-	-	-
	93,756	-	-	93,756
Capital assets being depreciated:				
Land improvements	173,551	9,200	-	182,751
Buildings and improvements	88,030	-	-	88,030
Machinery and equipment	4,880	-	-	4,880
	266,461	9,200	-	275,661
Accumulated depreciation:				
Land improvements	(102,933)	(6,309)	-	(109,242)
Buildings and improvements	(7,924)	(1,761)	-	(9,685)
Machinery and equipment	(4,880)	-	-	(4,880)
	(115,737)	(8,070)	-	(123,807)
Net capital assets being depreciated	150,724	1,130	-	151,854
Net component unit capital assets	\$ 244,480	\$ 1,130	\$ -	\$ 245,610

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

Downtown Development Authority No. 2 \$ 8,070

The Downtown Development Authority No. 5, Brownfield Redevelopment Authority and Economic Development Corporation had no capital assets.

City of Alpena

Notes to Financial Statements

Note 19--Component Unit Disclosures. (continued)

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

	<u>Balances,</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances,</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Direct borrowings and direct placements:					
2016 Commercial real estate loan, Amount of issue - \$56,516 Maturing through 2021 Interest rate ranges: (4.75%) Principal maturity range: (\$643 - \$42,794)	\$ 45,164	\$ -	\$ (2,378)	\$ 42,786	\$ 3,636
	<u>\$ 45,164</u>	<u>\$ -</u>	<u>\$ (2,378)</u>	<u>\$ 42,786</u>	<u>\$ 3,636</u>

Debt service requirements. Annual debt service requirements to maturity for the above debt obligations are as follows:

<u>Year Ended June 30,</u>	<u>Direct borrowings and direct</u> <u>placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	3,636	2,045
2023	4,866	1,723
2024	3,767	1,504
2025	3,940	1,331
2026	26,577	1,150
	<u>\$ 42,786</u>	<u>\$ 7,753</u>

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

As of June 30, 2021, the Downtown Development Authority No. 5 had an interfund receivable due from the Downtown Development Authority No. 2.

City of Alpena

Notes to Financial Statements

Note 20--Restatement.

The City adopted Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Funds*, in the current year. This statement is required to be applied retroactively by restating financial statements for all prior periods presented. The fund financial statements and governmental activities in the statement of net position have been restated as of July 1, 2020 for the implementation of GASB Statement No. 84.

The City's fund financial statements and governmental activities in the statement of net position have been restated as of July 1, 2020 for the City's state revenue sharing amount that pertained to the fiscal year ended June 30, 2020 and was received in August of 2020. Historically, these payments have been recorded on a cash basis, however, the August state revenue sharing payment in August is related to the months of May and June.

The following schedule shows the respective changes:

	<u>Beginning, as previously stated</u>	<u>GASB No. 84 Restatement</u>	<u>Prior Period Adjustment</u>	<u>Beginning, as restated</u>
Governmental Funds				
General Fund	<u>\$ 3,332,653</u>	<u>\$ 9,782</u>	<u>\$ 132,151</u>	<u>\$ 3,474,586</u>
Statement of Net Position				
Governmental Activities	<u>\$ 24,603,680</u>	<u>\$ 9,782</u>	<u>\$ 132,151</u>	<u>\$ 24,745,613</u>

Note 21--Subsequent Events.

Management has evaluated subsequent events through December 28, 2021, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration of the spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, change in financial position, and where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

The City was awarded \$1,042,080 in federal funding through the American Rescue Plan. In November 2021, the City received \$521,040 of the funds. The funds must be spent in accordance with the restrictions stipulated in the American Rescue Plan.

Note 22--Upcoming Reporting Changes.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief as a result of the COVID-19 pandemic to governments and other stakeholders by delaying the effective dates of certain provision in Statements and Implementation Guides that would have become effective for period beginning after June 15, 2018, and later. The following upcoming reporting changes have taken GASB Statement No. 95 into account for the effective dates for the City's financial statements.

City of Alpena

Notes to Financial Statements

Note 22--Upcoming Reporting Changes. (continued)

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, 2022.

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, 2022.

In May 2019, the Governmental Accounting Standards Board issued GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. 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, 2023.

In March 2020, the Governmental Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset (such as infrastructure or other capital asset) for a period of time in exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The 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, 2023.

City of Alpena

Notes to Financial Statements

Note 22--Upcoming Reporting Changes. (continued)

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which expands on the new guidance for leases (GASB Statement No. 87) and applies it to subscription-based information technology arrangements (“SBITAs). Governments that have agreements that meet the definition of a SBITA will report a right-to-use subscription asset, with a corresponding subscription liability and be required to disclose additional information. The 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, 2023.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans*, which amends GASB Statements No. 14 and No. 84, and is a supersession of GASB Statement No. 32. The new statement amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units and how to account for Section 457 deferred compensation plans. The 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, 2022.



City of Alpena

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,877,365	\$ 3,850,909	\$ 3,858,960	\$ 8,051
Licenses and permits	21,821	30,450	30,547	97
State revenue	1,657,092	1,865,105	2,028,618	163,513
Federal revenue	-	143,239	143,239	-
Local revenue	1,083,493	972,485	967,170	(5,315)
Charges for services	3,047,307	3,027,766	2,794,733	(233,033)
Investment income and rents	83,239	68,689	59,684	(9,005)
Fines and forfeitures	17,500	13,052	13,127	75
Other	135,790	187,176	115,689	(71,487)
Total revenues	9,923,607	10,158,871	10,011,767	(147,104)
Expenditures				
General government:				
General government	1,261,072	1,399,332	1,390,547	8,785
Information technology	287,577	345,734	333,769	11,965
Cemetery	143,316	134,410	136,848	(2,438)
	<u>1,691,965</u>	<u>1,879,476</u>	<u>1,861,164</u>	<u>18,312</u>
Public safety:				
Police	2,069,584	1,889,507	1,783,727	105,780
Fire	3,402,158	3,550,961	3,387,406	163,555
	<u>5,471,742</u>	<u>5,440,468</u>	<u>5,171,133</u>	<u>269,335</u>
Public works:				
Public works	784,938	823,511	723,124	100,387
Highways, streets and lights	180,490	155,588	118,946	36,642
	<u>965,428</u>	<u>979,099</u>	<u>842,070</u>	<u>137,029</u>
Recreation and culture:				
Parks and recreation	1,389,890	1,348,306	1,340,833	7,473
Total expenditures	9,519,025	9,647,349	9,215,200	432,149
Excess (Deficiency) of Revenues Over Expenditures	404,582	511,522	796,567	285,045
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(356,381)	(492,322)	(361,603)	130,719
Total other financing sources (uses)	(356,381)	(492,322)	(361,603)	130,719
Net Change in Fund Balances	48,201	19,200	434,964	415,764
Fund Balances, beginning of year	2,688,950	3,474,586	3,474,586	-
Fund Balances, end of year	\$ 2,737,151	\$ 3,493,786	\$ 3,909,550	\$ 415,764

City of Alpena

Required Supplementary Information
Budgetary Comparison Schedule - Major Street Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
State revenue	\$ 1,294,050	\$ 1,245,496	\$ 1,282,296	\$ 36,800
Investment income and rents	3,000	3,400	2,884	(516)
Other	800	450	5,617	5,167
Total revenues	<u>1,297,850</u>	<u>1,249,346</u>	<u>1,290,797</u>	<u>41,451</u>
Expenditures				
Public works:				
Administration and engineering	53,515	53,098	52,698	400
Construction	396,880	435,745	82,447	353,298
Maintenance:				
General	-	-	-	-
Trunkline	122,186	102,359	86,774	15,585
Bridges	81,106	76,205	67,436	8,769
Traffic control	63,455	53,865	24,698	29,167
Snow and ice	170,608	206,249	178,024	28,225
Streets	239,534	196,298	206,768	(10,470)
Total expenditures	<u>1,127,284</u>	<u>1,123,819</u>	<u>698,845</u>	<u>424,974</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>170,566</u>	<u>125,527</u>	<u>591,952</u>	<u>466,425</u>
Other Financing Sources (Uses)				
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing sources (uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Net Change in Fund Balances	(4,434)	(49,473)	416,952	466,425
Fund Balances, beginning of year	<u>220,689</u>	<u>442,837</u>	<u>442,837</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 216,255</u>	<u>\$ 393,364</u>	<u>\$ 859,789</u>	<u>\$ 466,425</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 certain governmental funds, including the General Fund, special revenue funds, and the debt service fund.

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 other budgeted governmental 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 are 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

For the Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability			
Service cost	\$ 635,581	\$ 645,964	\$ 637,164
Interest on the total pension liability	2,460,957	2,411,182	2,360,340
Benefit changes	-	(5,386)	(4,644)
Difference between expected and actual experience of the total pension liability	647,305	204,361	(94,044)
Changes of assumptions	-	18,094	-
Benefit payments and refunds	<u>(2,779,355)</u>	<u>(2,336,553)</u>	<u>(2,017,258)</u>
Net change in total pension liability	964,488	937,662	881,558
Total pension liability, beginning of year	<u>36,228,413</u>	<u>35,290,751</u>	<u>34,409,193</u>
Total pension liability, end of year (a)	<u>\$ 37,192,901</u>	<u>\$ 36,228,413</u>	<u>\$ 35,290,751</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 983,398	\$ 942,781	\$ 847,999
Employee contributions	221,593	233,722	282,250
Pension plan net investment income (loss)	7,485,227	254,536	1,433,405
Benefit payments and refunds	(2,779,355)	(2,336,553)	(2,017,258)
Pension plan administrative expense	(26,501)	(36,323)	(40,872)
Other	<u>5,977</u>	<u>3,482</u>	<u>(8,325)</u>
Net change in plan fiduciary net position	5,890,339	(938,355)	497,199
Plan fiduciary net position, beginning of year	<u>26,913,326</u>	<u>27,851,681</u>	<u>27,354,482</u>
Plan fiduciary net position, end of year (b)	<u>\$ 32,803,665</u>	<u>\$ 26,913,326</u>	<u>\$ 27,851,681</u>
City's net pension liability, end of year (a) - (b)	<u>\$ 4,389,236</u>	<u>\$ 9,315,087</u>	<u>\$ 7,439,070</u>
Plan fiduciary net position as a percentage of total pension liability	88.20%	74.29%	78.92%
Covered payroll	\$ 3,796,931	\$ 3,796,811	\$ 3,945,127
Net pension liability as a percentage of covered payroll	115.60%	245.34%	188.56%

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.

2018	2017	2016	2015
\$ 666,365	\$ 643,778	\$ 639,140	\$ 681,104
2,308,694	2,245,552	2,213,262	2,146,300
-	-	-	-
(253,404)	(116,263)	(496,231)	140,728
-	-	-	-
<u>(1,921,258)</u>	<u>(1,843,385)</u>	<u>(1,951,044)</u>	<u>(2,030,031)</u>
800,397	929,682	405,127	938,101
<u>33,608,796</u>	<u>32,679,114</u>	<u>32,273,987</u>	<u>31,335,886</u>
<u>\$ 34,409,193</u>	<u>\$ 33,608,796</u>	<u>\$ 32,679,114</u>	<u>\$ 32,273,987</u>
\$ 796,584	\$ 722,318	\$ 738,836	\$ 679,715
216,055	211,925	210,403	210,742
2,615,086	1,138,147	(233,064)	(87,422)
(1,921,258)	(1,843,385)	(1,951,044)	(2,030,031)
(40,024)	(39,007)	(37,541)	(36,507)
(12,200)	(392)	-	-
<u>1,654,243</u>	<u>189,606</u>	<u>(1,272,410)</u>	<u>(1,263,503)</u>
<u>25,700,239</u>	<u>25,510,633</u>	<u>26,783,043</u>	<u>28,046,546</u>
<u>\$ 27,354,482</u>	<u>\$ 25,700,239</u>	<u>\$ 25,510,633</u>	<u>\$ 26,783,043</u>
<u>\$ 7,054,711</u>	<u>\$ 7,908,557</u>	<u>\$ 7,168,481</u>	<u>\$ 5,490,944</u>
79.50%	76.47%	78.06%	82.99%
\$ 3,847,552	\$ 3,788,940	\$ 3,940,937	\$ 3,826,833
183.36%	208.73%	181.90%	143.49%

City of Alpena

Required Supplementary Information
Defined Benefit Pension System Trust
Schedule of Contributions

June 30, 2021

<u>Fiscal Year Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2014*	\$ 659,411	\$ 659,411	\$ -	\$ 3,812,921	17.29%
2015*	679,715	679,715	-	3,826,833	17.76%
2016*	738,836	738,836	-	3,940,937	18.75%
2017*	722,318	722,318	-	3,788,940	19.06%
2018*	796,584	796,584	-	3,847,552	20.70%
2019*	847,999	847,999	-	3,945,127	21.49%
2020	942,781	942,781	-	3,796,811	24.83%
2021	983,398	983,398	-	3,796,931	25.90%

Notes to Schedule of Contributions:

Valuation date

June 30, 2020

*Actuarially determined contribution amounts are calculated as of December 31 each year, which is six months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2021:

Actuarial cost method

Individual entry age normal

Amortization method

Level percent of pay for "open" groups
Level dollar for closed groups

Remaining amortization period

22 years for the General and Police groups
20 years for the Fire group

Asset valuation method

4-year smoothed market

Price inflation

Salary increases

3.50% to 7.34%, including inflation

Investment rate of return

7.00%

Retirement age

Experience-based table of rates that are specific to the type of eligibility condition.

Mortality

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

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, 2021

Fiscal Year Ending June 30,	(1) Annual Return
2015	-0.14%
2016	-0.70%
2017	4.44%
2018	9.86%
2019	5.55%
2020	0.80%
2021	28.76%

(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

For the Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 66,929	\$ 183,976	\$ 191,628	\$ 207,582
Interest on the total OPEB liability	216,652	147,103	205,337	198,002
Difference between expected and actual experience due to benefit payments	(614,378)	(37,915)	(1,638,914)	(116,263)
Changes of assumptions	118,244	(1,185,727)	416,550	(35,336)
Benefit payments	(139,318)	(136,363)	(150,199)	(120,960)
Net change in total OPEB liability	<u>(351,871)</u>	<u>(1,028,926)</u>	<u>(975,598)</u>	<u>133,025</u>
Total OPEB liability, beginning of year	<u>3,647,056</u>	<u>4,675,982</u>	<u>5,651,580</u>	<u>5,518,555</u>
Total OPEB liability, end of year (a)	<u>\$ 3,295,185</u>	<u>\$ 3,647,056</u>	<u>\$ 4,675,982</u>	<u>\$ 5,651,580</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 308,880	\$ 371,340	\$ 277,033	\$ 91,828
Employee contributions	-	-	-	-
OPEB plan net investment income (loss)	429,881	(29,772)	20,688	(187)
Benefit payments and refunds	(139,318)	(136,363)	(150,199)	(120,960)
OPEB plan administrative expense	(11,800)	(20,726)	(12,700)	(17,000)
Other	-	(74)	-	(3,853)
Net change in plan fiduciary net position	<u>587,643</u>	<u>184,405</u>	<u>134,822</u>	<u>(50,172)</u>
Plan fiduciary net position, beginning of year	<u>1,437,267</u>	<u>1,252,862</u>	<u>1,118,040</u>	<u>1,168,212</u>
Plan fiduciary net position, end of year (b)	<u>\$ 2,024,910</u>	<u>\$ 1,437,267</u>	<u>\$ 1,252,862</u>	<u>\$ 1,118,040</u>
City's net OPEB liability, end of year (a) - (b)	<u>\$ 1,270,275</u>	<u>\$ 2,209,789</u>	<u>\$ 3,423,120</u>	<u>\$ 4,533,540</u>
Plan fiduciary net position as a percentage of total OPEB liability	61.45%	39.41%	26.79%	19.78%
Covered payroll	\$ 3,888,947	\$ 4,157,173	\$ 4,157,173	\$ 4,377,658
Net OPEB liability as a percentage of covered employee payroll	32.66%	53.16%	82.34%	103.56%

Note: Governmental Accounting Standards Board (GASB) Statement No. 74 was implemented in fiscal year 2017 and Statement No. 75 was implemented in fiscal year 2018. 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 Contributions

June 30, 2021

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage Covered Payroll
2017	\$ 470,550	\$ 271,501	\$ 199,049	\$ 4,377,658	6.20%
2018	-	91,828	(91,828)	4,377,658	2.10%
2019	365,287	277,033	88,254	4,157,173	6.66%
2020	374,520	371,340	3,180	4,157,173	8.93%
2021	206,637	308,880	(102,243)	3,888,947	7.94%

Notes to Schedule of Contributions

Valuation date June 30, 2020

Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2021:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar
Asset valuation method	Market value of assets
Price inflation	3.50%
Salary increases	3.50% to 7.34%, including inflation
Investment rate of return	6.00%
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	Pre-65: Trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 3.50%. Post-65: Trend starting at 6.25% 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 Fund

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 (D.P.W.) Construction Fund. This fund is used to record construction activity of the D.P.W.

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, 2021

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
Assets		
Cash and cash equivalents	\$ 185,132	\$ 20,889
Investments	-	-
Accounts receivable, net	5,000	-
Due from other governmental units	-	-
Interest receivable	-	-
Prepaid expenditures	807	-
	<u>190,939</u>	<u>20,889</u>
Total assets	<u>\$ 190,939</u>	<u>\$ 20,889</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 2,635	\$ -
Accrued payroll	3,728	-
Due to other funds	4,449	-
	<u>10,812</u>	<u>-</u>
Total liabilities	<u>10,812</u>	<u>-</u>
Fund balances:		
Nonspendable	807	-
Restricted	-	20,889
Committed	179,320	-
	<u>180,127</u>	<u>20,889</u>
Total fund balances	<u>180,127</u>	<u>20,889</u>
Total liabilities and fund balances	<u>\$ 190,939</u>	<u>\$ 20,889</u>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ 576,118	\$ 44,669	\$ 109	\$ 433	\$ 302,607
-	-	-	-	98,111
-	163	-	-	-
63,250	-	-	-	-
-	-	-	-	26
1,585	2,313	-	-	-
<u>\$ 640,953</u>	<u>\$ 47,145</u>	<u>\$ 109</u>	<u>\$ 433</u>	<u>\$ 400,744</u>
\$ 233	\$ 12,315	\$ -	\$ -	\$ -
5,372	7,873	-	-	-
5,902	90	-	-	-
<u>11,507</u>	<u>20,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,585	2,313	-	-	-
627,861	24,554	-	-	-
-	-	109	433	400,744
<u>629,446</u>	<u>26,867</u>	<u>109</u>	<u>433</u>	<u>400,744</u>
<u>\$ 640,953</u>	<u>\$ 47,145</u>	<u>\$ 109</u>	<u>\$ 433</u>	<u>\$ 400,744</u>

(continued)

City of Alpena

Combining Balance Sheet - Nonmajor Governmental Funds (continued)

June 30, 2021

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,784	\$ 887,992	\$ 2,028,733
Investments	-	113,732	211,843
Accounts receivable, net	-	2,324	7,487
Due from other governmental units	-	-	63,250
Interest receivable	-	379	405
Prepaid expenditures	-	-	4,705
Total assets	\$ 10,784	\$ 1,004,427	\$ 2,316,423
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 15,183
Accrued payroll	-	-	16,973
Due to other funds	-	5,126	15,567
Total liabilities	-	5,126	47,723
Fund balances:			
Nonspendable	-	996,068	1,000,773
Restricted	10,784	3,233	687,321
Committed	-	-	580,606
Total fund balances	10,784	999,301	2,268,700
Total liabilities and fund balances	\$ 10,784	\$ 1,004,427	\$ 2,316,423



City of Alpena

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

For the Year Ended June 30, 2021

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
Revenues		
Licenses and permits	\$ 4,257	\$ -
State revenue	-	-
Charges for services	-	-
Investment income and rents	29,764	132
Other	1,179	-
Total revenues	<u>35,200</u>	<u>132</u>
Expenditures		
Current operations:		
General government	-	-
Public safety	-	-
Public works	-	-
Recreation and culture	122,849	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	<u>122,849</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,649)</u>	<u>132</u>
Other Financing Sources (Uses)		
Transfers in	<u>84,000</u>	<u>-</u>
Net Changes in Fund Balance	<u>(3,649)</u>	<u>132</u>
Fund Balances, beginning of year	<u>183,776</u>	<u>20,757</u>
Fund Balances, end of year	<u>\$ 180,127</u>	<u>\$ 20,889</u>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ -	\$ 264,941	\$ -	\$ -	\$ -
411,096	-	-	-	-
-	47,460	-	-	-
2,822	420	1	-	1,300
-	5,110	-	-	13,463
<u>413,918</u>	<u>317,931</u>	<u>1</u>	<u>-</u>	<u>14,763</u>
-	-	-	-	-
-	427,459	-	-	-
460,272	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>460,272</u>	<u>427,459</u>	<u>-</u>	<u>-</u>	<u>-</u>
(46,354)	(109,528)	1	-	14,763
<u>265,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
218,646	(109,528)	1	-	14,763
<u>410,800</u>	<u>136,395</u>	<u>108</u>	<u>433</u>	<u>385,981</u>
<u>\$ 629,446</u>	<u>\$ 26,867</u>	<u>\$ 109</u>	<u>\$ 433</u>	<u>\$ 400,744</u>

(continued)

City of Alpena

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

For the Year Ended June 30, 2021

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
Revenues			
Licenses and permits	\$ -	\$ -	\$ 269,198
State revenue	-	-	411,096
Charges for services	-	15,964	63,424
Investment income and rents	4	531	34,974
Other	-	-	19,752
Total revenues	<u>4</u>	<u>16,495</u>	<u>798,444</u>
Expenditures			
Current operations:			
General government	-	1,629	1,629
Public safety	-	-	427,459
Public works	-	-	460,272
Recreation and culture	-	-	122,849
Debt service:			
Principal retirement	85,000	-	85,000
Interest and fees	29,263	-	29,263
Total expenditures	<u>114,263</u>	<u>1,629</u>	<u>1,126,472</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(114,259)</u>	<u>14,866</u>	<u>(328,028)</u>
Other Financing Sources (Uses)			
Transfers in	<u>112,851</u>	-	<u>461,851</u>
Net Changes in Fund Balance	(1,408)	14,866	133,823
Fund Balances, beginning of year	<u>12,192</u>	<u>984,435</u>	<u>2,134,877</u>
Fund Balances, end of year	<u>\$ 10,784</u>	<u>\$ 999,301</u>	<u>\$ 2,268,700</u>

(concluded)

City of Alpena

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Marina				
Revenues				
Licenses and permits	\$ 4,000	\$ 4,500	\$ 4,257	\$ (243)
State revenue	125,000	-	-	-
Investment income and rents	26,500	24,100	29,764	5,664
Donations	-	-	-	-
Other	230	1,104	1,179	75
Total revenues	<u>155,730</u>	<u>29,704</u>	<u>35,200</u>	<u>5,496</u>
Expenditures				
Recreation and culture	<u>343,677</u>	<u>192,263</u>	<u>122,849</u>	<u>69,414</u>
Total expenditures	<u>343,677</u>	<u>192,263</u>	<u>122,849</u>	<u>69,414</u>
Excess (deficiency) of revenues over expenditures	(187,947)	(162,559)	(87,649)	74,910
Other financing sources (uses)				
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Net change in fund balances	(103,947)	(78,559)	(3,649)	74,910
Fund balances, beginning of the year	<u>136,641</u>	<u>169,816</u>	<u>183,776</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 32,694</u>	<u>\$ 91,257</u>	<u>\$ 180,127</u>	<u>\$ 74,910</u>

City of Alpena

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Tree/Park Improvement				
Revenues				
Investment income and rents	\$ -	\$ 160	\$ 132	\$ (28)
Total revenues	<u>-</u>	<u>160</u>	<u>132</u>	<u>(28)</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>160</u>	<u>132</u>	<u>(28)</u>
Fund balances, beginning of the year	<u>19,516</u>	<u>20,757</u>	<u>20,757</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 19,516</u>	<u>\$ 20,917</u>	<u>\$ 20,889</u>	<u>\$ (28)</u>
Local Street				
Revenues				
State revenue	\$ 380,623	\$ 387,000	\$ 411,096	\$ 24,096
Investment income and rents	3,000	1,200	2,822	1,622
Other	-	-	-	-
Total revenues	<u>383,623</u>	<u>388,200</u>	<u>413,918</u>	<u>25,718</u>
Expenditures				
Public works	<u>695,741</u>	<u>681,892</u>	<u>460,272</u>	<u>221,620</u>
Total expenditures	<u>695,741</u>	<u>681,892</u>	<u>460,272</u>	<u>221,620</u>
Excess (deficiency) of revenues over expenditures	(312,118)	(293,692)	(46,354)	247,338
Other financing sources (uses)				
Transfers in	<u>255,000</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Net change in fund balances	(57,118)	(28,692)	218,646	247,338
Fund balances, beginning of the year	<u>380,564</u>	<u>410,800</u>	<u>410,800</u>	<u>-</u>
Fund balances, end of the year	<u>\$ 323,446</u>	<u>\$ 382,108</u>	<u>\$ 629,446</u>	<u>\$ 247,338</u>

City of Alpena

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Building Inspection				
Revenues				
Licenses and permits	\$ 235,000	\$ 244,073	\$ 264,941	\$ 20,868
Charges for services	48,000	40,000	47,460	7,460
Investment income and rents	100	450	420	(30)
Other	2,000	5,110	5,110	-
Total revenues	<u>285,100</u>	<u>289,633</u>	<u>317,931</u>	<u>28,298</u>
Expenditures				
Public safety	<u>413,543</u>	<u>414,988</u>	<u>427,459</u>	<u>(12,471)</u>
Total expenditures	<u>413,543</u>	<u>414,988</u>	<u>427,459</u>	<u>(12,471)</u>
Excess (deficiency) of revenues over expenditures	(128,443)	(125,355)	(109,528)	15,827
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>135,941</u>	<u>-</u>	<u>(135,941)</u>
Net change in fund balances	(128,443)	10,586	(109,528)	(120,114)
Fund balances, beginning of the year	<u>15,706</u>	<u>136,395</u>	<u>136,395</u>	<u>-</u>
Fund balances, end of the year	<u>\$ (112,737)</u>	<u>\$ 146,981</u>	<u>\$ 26,867</u>	<u>\$ (120,114)</u>

City of Alpena

Budgetary Comparison Schedule - Nonmajor Capital Project Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Capital Improvement				
Revenues				
Investment income and rents	\$ -	\$ -	\$ 1	\$ 1
Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1	1
Other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	1	1
Fund balances, beginning of the year	107	108	108	-
Fund balances, end of the year	\$ 107	\$ 108	\$ 109	\$ 1

City of Alpena

Budgetary Comparison Schedule - Nonmajor Debt Service Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Building Authority Debt				
Revenues				
Investment income and rents	\$ 100	\$ 5	\$ 4	\$ (1)
Expenditures				
Debt Service:				
Principal	85,000	85,000	85,000	-
Interest and fees	29,201	29,264	29,263	1
Total expenditures	114,201	114,264	114,263	1
Excess (deficiency) of revenues over expenditures	(114,101)	(114,259)	(114,259)	-
Other financing sources (uses)				
Transfers in	112,851	112,851	112,851	-
Net change in fund balances	(1,250)	(1,408)	(1,408)	-
Fund balances, beginning of the year	14,365	12,192	12,192	-
Fund balances, end of the year	\$ 13,115	\$ 10,784	\$ 10,784	\$ -



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, 2021

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 830,127	\$ -	\$ 830,127
Investments, at fair value	760,399	-	760,399
Accounts receivable, net	2,694	-	2,694
Interest receivable	2,381	-	2,381
Due from other funds	32,645	-	32,645
Inventories	-	321,914	321,914
Prepaid expenditures	1,112	-	1,112
Total current assets	<u>1,629,358</u>	<u>321,914</u>	<u>1,951,272</u>
Noncurrent assets:			
Capital assets being depreciated, net	<u>630,999</u>	-	<u>630,999</u>
Total noncurrent assets	<u>630,999</u>	-	<u>630,999</u>
Total assets	<u>2,260,357</u>	<u>321,914</u>	<u>2,582,271</u>
Liabilities			
Current liabilities:			
Accounts payable	11,464	-	11,464
Accrued payroll	3,109	-	3,109
Total current liabilities	<u>14,573</u>	-	<u>14,573</u>
Net Position			
Net investment in capital assets	630,999	-	630,999
Unrestricted	<u>1,614,785</u>	<u>321,914</u>	<u>1,936,699</u>
Total net position	<u>\$ 2,245,784</u>	<u>\$ 321,914</u>	<u>\$ 2,567,698</u>

City of Alpena

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

For the Year Ended June 30, 2021

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 823,789	\$ 170,831	\$ 994,620
Total operating revenues	<u>823,789</u>	<u>170,831</u>	<u>994,620</u>
Operating Expenses			
Salaries and wages	59,294	-	59,294
Employee benefits	48,025	-	48,025
Supplies and durable goods	605	113,322	113,927
Gas and oil	69,998	-	69,998
Professional and contractual	2,058	-	2,058
Administrative services	339,027	86,912	425,939
Insurance	22,772	-	22,772
Repairs and maintenance	122,442	-	122,442
Equipment rental	1,009	-	1,009
Miscellaneous	802	-	802
Depreciation	242,190	-	242,190
Total operating expenses	<u>908,222</u>	<u>200,234</u>	<u>1,108,456</u>
Operating Income (Loss)	<u>(84,433)</u>	<u>(29,403)</u>	<u>(113,836)</u>
Nonoperating Revenues (Expenses)			
Investment income and rents	2,548	-	2,548
Total nonoperating revenues (expenses)	<u>2,548</u>	<u>-</u>	<u>2,548</u>
Net Income (Loss) Before Transfers	<u>(81,885)</u>	<u>(29,403)</u>	<u>(111,288)</u>
Transfers			
Transfers in	-	74,752	74,752
	<u>-</u>	<u>74,752</u>	<u>74,752</u>
Change in Net Position	<u>(81,885)</u>	<u>45,349</u>	<u>(36,536)</u>
Net Position, beginning of year	<u>2,327,669</u>	<u>276,565</u>	<u>2,604,234</u>
Net Position, end of year	<u>\$ 2,245,784</u>	<u>\$ 321,914</u>	<u>\$ 2,567,698</u>

City of Alpena

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2021

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from interfund service provided	\$ 826,748	\$ 170,831	\$ 997,579
Payments to suppliers	(214,962)	(185,978)	(400,940)
Payments to employees	(106,415)	-	(106,415)
Payments for interfund services used	(322,038)	(86,912)	(408,950)
Net cash provided (used) by operating activities	<u>183,333</u>	<u>(102,059)</u>	<u>81,274</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	<u>-</u>	<u>74,752</u>	<u>74,752</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>74,752</u>	<u>74,752</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	<u>(210,422)</u>	<u>-</u>	<u>(210,422)</u>
Net cash provided (used) by capital and related financing activities	<u>(210,422)</u>	<u>-</u>	<u>(210,422)</u>
Cash Flows from Investing Activities			
Purchases of investments	(200,000)	-	(200,000)
Interest and dividends received	<u>10,575</u>	<u>-</u>	<u>10,575</u>
Net cash provided (used) by investing activities	<u>(189,425)</u>	<u>-</u>	<u>(189,425)</u>
Net increase (decrease) in cash and cash equivalents	(216,514)	(27,307)	(243,821)
Cash and Cash Equivalents, beginning of year	<u>1,046,641</u>	<u>27,307</u>	<u>1,073,948</u>
Cash and Cash Equivalents, end of year	<u>\$ 830,127</u>	<u>\$ -</u>	<u>\$ 830,127</u>

(continued)

City of Alpena

Combining Statement of Cash Flows
Internal Service Funds (continued)

For the Year Ended June 30, 2021

	Equipment	Stores	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (84,433)	\$ (29,403)	\$ (113,836)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	242,190	-	242,190
(Increase) decrease in receivables	2,959	-	2,959
(Increase) decrease in due from other funds	(11,011)	-	(11,011)
(Increase) decrease in advance to other funds	28,000	-	28,000
(Increase) decrease in inventories	-	(72,656)	(72,656)
(Increase) decrease in prepaid expenditures	(189)	-	(189)
Increase (decrease) in accounts payable	4,724	-	4,724
Increase (decrease) in accrued payroll	1,093	-	1,093
	<u>\$ 183,333</u>	<u>\$ (102,059)</u>	<u>\$ 81,274</u>
Net cash provided (used) by operating activities	<u>\$ 183,333</u>	<u>\$ (102,059)</u>	<u>\$ 81,274</u>
Non-Cash Investing, Capital and Financing Activities			
Increase (decrease) in fair value of investments	<u>\$ (8,217)</u>	<u>\$ -</u>	<u>\$ (8,217)</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,	
	2021	2020
Assets		
Cash and cash equivalents	\$ 1,944,081	\$ 1,808,040
Investments, at fair value	1,781,969	1,404,550
Accounts receivable, net	366,243	410,943
Taxes receivable	330,541	260,367
Interest receivable	11,948	18,300
Due from other governmental units	267,347	30,360
Due from other funds	5,216	229,089
Prepaid expenditures	56,790	46,358
	<u>\$ 4,764,135</u>	<u>\$ 4,208,007</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 214,253	\$ 205,471
Deposits payable	30,175	-
Accrued payroll	245,287	218,968
Due to component units	20,599	26,389
Due to other funds	13,901	10,016
Advance from other funds	-	154,432
	<u>524,215</u>	<u>615,276</u>
Deferred inflows of resources		
Unavailable revenue, property taxes	330,370	260,078
	<u>330,370</u>	<u>260,078</u>
Fund balances		
Nonspendable	56,790	46,358
Restricted by donor for:		
Shoreline erosion	5,000	-
Mich-E-Ke-Wis Park pavilion	5,000	-
Committed for:		
Capital outlay	118,569	114,914
Budget stabilization	30,191	30,000
Police department	9,282	-
Unassigned	3,684,718	3,187,739
	<u>3,909,550</u>	<u>3,332,653</u>
Total fund balances	<u>3,909,550</u>	<u>3,332,653</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,764,135</u>	<u>\$ 4,208,007</u>

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual Amounts	2020 Actual
	Original	Final		
Revenues				
Taxes:				
Current property	\$ 3,786,365	\$ 3,766,883	\$ 3,776,864	\$ 3,685,845
Other	91,000	84,026	82,096	81,511
	<u>3,877,365</u>	<u>3,850,909</u>	<u>3,858,960</u>	<u>3,767,356</u>
Licenses and Permits	<u>21,821</u>	<u>30,450</u>	<u>30,547</u>	<u>75,493</u>
State Revenue:				
State shared revenue	1,636,992	1,796,231	1,959,744	1,967,759
Grants	20,100	68,874	68,874	33,243
	<u>1,657,092</u>	<u>1,865,105</u>	<u>2,028,618</u>	<u>2,001,002</u>
Federal Revenue	<u>-</u>	<u>143,239</u>	<u>143,239</u>	<u>81,275</u>
Local Revenue	<u>1,083,493</u>	<u>972,485</u>	<u>967,170</u>	<u>1,132,578</u>
Charges for Services:				
Ambulance	1,750,000	1,600,000	1,334,869	1,621,938
Cemetery	53,560	65,840	76,091	56,250
Sidewalks and trees	2,000	4,000	3,875	5,960
Other	50,100	166,070	167,019	44,347
Administrative-equipment fund	338,661	339,026	339,027	328,798
Administrative-water fund	229,611	229,611	229,611	222,923
Administrative-sewage fund	229,611	229,611	229,611	222,924
Administrative-stores fund	69,529	69,529	86,911	67,504
Administrative-perpetual lot care fund	9,500	3,825	1,628	15,117
Administrative-retirement fund	37,412	37,412	37,412	36,323
Administrative-taxes	108,000	113,519	113,746	108,525
Administrative-other	169,323	169,323	174,933	11,435
	<u>3,047,307</u>	<u>3,027,766</u>	<u>2,794,733</u>	<u>2,742,044</u>
Investment Income and Rents	<u>83,239</u>	<u>68,689</u>	<u>59,684</u>	<u>156,721</u>
Fines and Forfeitures	<u>17,500</u>	<u>13,052</u>	<u>13,127</u>	<u>18,045</u>

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual	2020
	Original	Final	Amounts	Actual
Revenues				
Other:				
Scrap and salvage sales	\$ 250	\$ 705	\$ 465	\$ -
Donations	21,000	48,511	36,685	40,005
Reimbursements and refunds	88,080	104,041	43,385	50,720
Miscellaneous	26,460	33,919	35,154	30,561
	<u>135,790</u>	<u>187,176</u>	<u>115,689</u>	<u>121,286</u>
Total revenues	<u>9,923,607</u>	<u>10,158,871</u>	<u>10,011,767</u>	<u>10,095,800</u>
Expenditures				
General Government				
General Government:				
Salaries and wages	604,380	662,857	661,331	756,880
Employee benefits	229,265	230,893	231,153	378,923
Supplies and durable goods	35,000	62,064	67,837	39,324
Professional and contractual	208,327	208,210	207,703	156,625
Administrative services	-	-	-	714
Continuing education	14,000	10,000	6,707	10,830
Community promotion	55,000	53,000	51,064	58,184
Insurance and bonds	11,000	20,000	26,017	8,251
Utilities	30,600	36,018	35,293	31,066
Repairs and maintenance	30,000	20,000	18,197	12,127
Equipment rental	9,000	7,200	6,134	7,795
Miscellaneous	19,000	30,000	21,719	50,458
Capital outlay	5,000	48,840	56,416	50,279
Debt service	10,500	10,250	976	1,000
	<u>1,261,072</u>	<u>1,399,332</u>	<u>1,390,547</u>	<u>1,562,456</u>

(continued)

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual Amounts	2020 Actual
	Original	Final		
Expenditures (continued)				
Information Technology:				
Salaries and wages	\$ 22,509	\$ 25,630	\$ 25,494	\$ 22,240
Employee benefits	9,124	9,169	10,209	14,748
Supplies and durable goods	43,000	57,330	47,507	26,510
Professional and contractual	109,000	109,000	101,774	96,522
Insurance and bonds	4,700	4,886	4,886	4,643
Utilities	2,500	2,100	2,138	1,959
Repairs and maintenance	75,000	100,000	104,506	86,180
Miscellaneous	1,260	1,448	1,448	500
Capital outlay	18,000	33,687	33,687	2,115
Other operating	2,484	2,484	2,120	416
	<u>287,577</u>	<u>345,734</u>	<u>333,769</u>	<u>255,833</u>
Cemetery:				
Salaries and wages	69,317	72,606	73,531	60,030
Employee benefits	21,294	21,696	26,651	33,711
Supplies and durable goods	3,000	2,600	2,613	2,369
Professional and contractual	1,798	1,848	1,743	280
Continuing education	250	-	-	-
Insurance and bonds	3,805	2,608	2,608	3,804
Utilities	11,500	7,200	8,462	7,243
Repairs and maintenance	10,000	8,500	2,316	3,698
Equipment rental	22,352	17,352	18,923	17,912
Miscellaneous	-	-	1	-
Capital outlay	-	-	-	12,202
	<u>143,316</u>	<u>134,410</u>	<u>136,848</u>	<u>141,249</u>
Total general government	<u>1,691,965</u>	<u>1,879,476</u>	<u>1,861,164</u>	<u>1,959,538</u>

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual Amounts	2020 Actual
	Original	Final		
Expenditures				
Public Safety				
Police:				
Salaries and wages	\$ 1,421,475	\$ 1,232,070	\$ 1,212,445	\$ 1,208,144
Employee benefits	410,819	367,685	352,001	636,083
Supplies and durable goods	16,050	23,718	23,536	16,856
Professional and contractual	66,280	66,280	64,032	12,201
Continuing education	9,300	9,300	8,378	4,343
Insurance and bonds	45,000	49,651	39,400	43,247
Utilities	42,260	42,260	36,797	36,686
Repairs and maintenance	51,000	48,743	42,090	46,949
Equipment rental	1,900	800	567	1,309
Miscellaneous	5,500	4,000	4,481	3,562
Capital outlay	-	45,000	-	49,945
	<u>2,069,584</u>	<u>1,889,507</u>	<u>1,783,727</u>	<u>2,059,325</u>
Fire:				
Salaries and wages	2,025,000	1,990,721	2,021,964	1,985,491
Employee benefits	660,680	632,303	624,205	1,076,950
Supplies and durable goods	116,950	161,624	156,735	244,722
Professional and contractual	162,268	147,868	163,479	118,476
Continuing education	31,000	59,432	13,933	13,288
Insurance and bonds	77,000	74,564	74,564	76,279
Utilities	35,000	40,000	41,032	41,332
Repairs and maintenance	95,000	98,706	93,709	90,740
Equipment rental	172,000	170,000	166,205	169,537
Miscellaneous	6,000	8,051	8,320	5,607
Capital outlay	-	20,000	20,000	218,374
Debt service	21,260	147,692	3,260	5,280
	<u>3,402,158</u>	<u>3,550,961</u>	<u>3,387,406</u>	<u>4,046,076</u>
Total public safety	<u>5,471,742</u>	<u>5,440,468</u>	<u>5,171,133</u>	<u>6,105,401</u>

(continued)

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual	2020
	Original	Final	Amounts	Actual
Expenditures (continued)				
Public Works				
Public Works:				
Salaries and wages	\$ 211,381	\$ 272,247	\$ 266,427	\$ 228,076
Employee benefits	112,426	129,462	129,345	143,584
Supplies and durable goods	86,600	91,100	37,796	29,209
Professional and contractual	55,411	55,611	55,634	45,975
Continuing education	800	200	114	-
Insurance and bonds	5,800	5,800	10,567	8,439
Utilities	43,500	38,000	37,028	39,013
Repairs and maintenance	61,420	48,420	33,628	28,545
Equipment rental	156,600	129,000	131,733	139,607
Miscellaneous	-	-	-	1,586
Capital outlay	51,000	53,671	20,852	28,513
	<u>784,938</u>	<u>823,511</u>	<u>723,124</u>	<u>692,547</u>
Highways, Streets and Lights:				
Salaries and wages	5,000	120	170	2,973
Employee benefits	1,980	590	692	1,813
Supplies and durable goods	3,500	950	2,080	1,777
Professional and contractual	15,000	5,000	2,506	6,879
Insurance and bonds	10	3	3	10
Utilities	110,000	95,000	78,612	100,211
Repairs and maintenance	42,000	53,425	34,816	38,030
Equipment rental	3,000	500	67	1,591
	<u>180,490</u>	<u>155,588</u>	<u>118,946</u>	<u>153,284</u>
Total public works	<u>965,428</u>	<u>979,099</u>	<u>842,070</u>	<u>845,831</u>

City of Alpena

General Fund

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

	For the Year Ended June 30, 2021			
	Budgeted Amounts		Actual Amounts	2020 Actual
	Original	Final		
Expenditures				
Recreation and Culture				
Parks and Recreation:				
Salaries and wages	\$ 122,855	\$ 125,432	\$ 124,290	\$ 97,490
Employee benefits	950,129	943,473	948,886	68,727
Supplies and durable goods	10,000	6,580	16,052	8,904
Professional and contractual	1,000	600	595	565
Insurance and bonds	11,056	11,412	11,412	11,056
Utilities	107,600	77,000	71,809	77,364
Repairs and maintenance	53,750	30,000	31,604	32,547
Equipment rental	85,000	75,000	92,981	80,057
Miscellaneous	20,500	20,000	20,002	20,000
Capital outlay	20,000	50,809	23,202	84,896
Community promotion	8,000	8,000	-	-
Total recreation and culture	1,389,890	1,348,306	1,340,833	481,606
Total expenditures	9,519,025	9,647,349	9,215,200	9,392,376
Excess (Deficiency) of Revenues Over Expenditures	404,582	511,522	796,567	703,424
Other Financing Sources (Uses)				
Transfers in:				
Building Inspection Fund	-	-	-	250,000
Transfers out:				
Building Authority Debt Fund	(112,851)	(112,851)	(112,851)	(119,470)
Building Inspection Fund	-	(135,941)	-	(119,470)
Marina Fund	(84,000)	(84,000)	(84,000)	(105,000)
Local Street Fund	(90,000)	(90,000)	(90,000)	(75,000)
Stores Fund	(69,530)	(69,530)	(74,752)	(67,504)
Total other financing sources (uses)	(356,381)	(492,322)	(361,603)	(236,444)
Net Changes in Fund Balance	48,201	19,200	434,964	466,980
Fund Balances, beginning of year, restated	2,688,950	3,474,586	3,474,586	2,746,203
Fund Balances, end of year	\$ 2,737,151	\$ 3,493,786	\$ 3,909,550	\$ 3,213,183

(concluded)

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,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,800,634	\$ 2,579,377
Accounts receivable, net	1,018,677	931,588
Prepaid expense	553	787
Total current assets	<u>3,819,864</u>	<u>3,511,752</u>
Noncurrent assets:		
Capital assets not being depreciated	592,610	67,777
Capital assets being depreciated, net	15,688,436	15,944,383
Total noncurrent assets	<u>16,281,046</u>	<u>16,012,160</u>
Total assets	<u>20,100,910</u>	<u>19,523,912</u>
Liabilities		
Current liabilities:		
Accounts payable	17,375	20,280
Accrued payroll	4,155	1,422
Accrued interest payable	8,862	9,785
Due to other funds	3,004	692
Bonds and notes payable - current portion	190,000	185,000
Total current liabilities	<u>223,396</u>	<u>217,179</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,610,659</u>	<u>1,800,659</u>
Total liabilities	<u>1,834,055</u>	<u>2,017,838</u>
Net Position		
Net investment in capital assets	14,480,387	14,026,501
Restricted for:		
Debt service	29,922	30,469
Unrestricted	<u>3,756,546</u>	<u>3,449,104</u>
Total net position	<u>\$ 18,266,855</u>	<u>\$ 17,506,074</u>

City of Alpena

Sewage Fund

Comparative Schedule of Revenues, Expenses
and Changes in Net Position

	For the Years Ended June 30,	
	2021	2020
Operating Revenues		
Charges for services	\$ 3,061,888	\$ 3,012,931
Other services	9,354	18,789
Total operating revenues	<u>3,071,242</u>	<u>3,031,720</u>
Operating Expenses		
Treatment plant:		
Salaries and wages	-	16,060
Employee benefits	10	1,239
Supplies and durable goods	26,374	27,972
Professional and contractual	731,274	712,633
Administrative services	229,611	222,924
Insurance	21,317	22,738
Utilities	269,055	280,699
Repairs and maintenance	916	12,333
Equipment rental	4,083	3,964
Miscellaneous	-	3,199
Depreciation	239,624	235,023
	<u>1,522,264</u>	<u>1,538,784</u>
Collection system:		
Salaries and wages	38,905	32,514
Employee benefits	23,187	21,058
Professional and contractual	241,758	315,237
Administrative services	1,963	2,499
Utilities	17,811	21,487
Repairs and maintenance	13,642	14,998
Equipment rental	60,773	53,880
Miscellaneous	373	375
Other operating expenses	-	9,548
Depreciation	370,635	378,089
	<u>769,047</u>	<u>849,685</u>
Total operating expenses	<u>2,291,311</u>	<u>2,388,469</u>
Operating Income (Loss)	<u>779,931</u>	<u>643,251</u>
Nonoperating Revenues (Expenses)		
Investment income and rents	17,769	12,862
Interest expense	(36,919)	(40,591)
Total nonoperating revenues (expenses)	<u>(19,150)</u>	<u>(27,729)</u>
Change in Net Position	760,781	615,522
Net Position, beginning of year	<u>17,506,074</u>	<u>16,890,552</u>
Net Position, end of year	<u>\$ 18,266,855</u>	<u>\$ 17,506,074</u>

City of Alpena

Sewage Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	2021	2020
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,984,153	\$ 3,083,572
Payments to suppliers	(1,390,047)	(1,475,284)
Payments to employees	(59,369)	(71,231)
Payments for interfund services used	(229,262)	(226,035)
	<u>1,305,475</u>	<u>1,311,022</u>
 Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(879,145)	(570,496)
Principal paid on capital debt	(185,000)	(180,000)
Interest paid on capital debt	(37,842)	(41,495)
	<u>(1,101,987)</u>	<u>(791,991)</u>
 Cash Flows from Investing Activities		
Interest and dividends received	17,769	12,862
	<u>17,769</u>	<u>12,862</u>
Net cash provided (used) by investing activities		
	<u>17,769</u>	<u>12,862</u>
Net increase (decrease) in cash and cash equivalents	221,257	531,893
Cash and Cash Equivalents, beginning of year	<u>2,579,377</u>	<u>2,047,484</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,800,634</u>	<u>\$ 2,579,377</u>

(continued)

City of Alpena

Sewage Fund

Comparative Schedule of Cash Flows (continued)

	For the Years Ended June 30,	
	2021	2020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 779,931	\$ 643,251
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	610,259	613,112
Book value of disposed assets	-	9,548
(Increase) decrease in accounts receivable	(87,089)	51,852
(Increase) decrease in prepaid expense	234	(459)
Increase (decrease) in accounts payable	(2,905)	(5,310)
Increase (decrease) in accrued payroll	2,733	(360)
Increase (decrease) in due to other funds	2,312	(612)
Net cash provided (used) by operating activities	<u>\$ 1,305,475</u>	<u>\$ 1,311,022</u>
Non-Cash Investing, Capital and Financing Activities		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(concluded)

City of Alpena

Water Fund

Comparative Schedule of Net Position

	June 30,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 826,258	\$ 643,972
Accounts receivable, net	2,518,820	2,203,095
Prepaid expense	413	430
Total current assets	<u>3,345,491</u>	<u>2,847,497</u>
Noncurrent assets:		
Capital assets not being depreciated	711,402	25,303
Capital assets being depreciated, net	<u>13,201,122</u>	<u>13,330,966</u>
Total noncurrent assets	<u>13,912,524</u>	<u>13,356,269</u>
Total assets	<u>17,258,015</u>	<u>16,203,766</u>
Liabilities		
Current liabilities:		
Accounts payable	20,562	22,160
Deposits payable	2,875	-
Accrued payroll	1,176	1,288
Accrued interest payable	10,287	11,410
Due to other funds	-	422
Bonds and notes payable - current portion	<u>185,000</u>	<u>185,000</u>
Total current liabilities	<u>219,900</u>	<u>220,280</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,513,160</u>	<u>1,698,160</u>
Total liabilities	<u>1,733,060</u>	<u>1,918,440</u>
Net Position		
Net investment in capital assets	12,214,364	11,473,109
Restricted for:		
Debt service	29,922	30,469
Unrestricted	<u>3,280,669</u>	<u>2,781,748</u>
Total net position	<u>\$ 15,524,955</u>	<u>\$ 14,285,326</u>

City of Alpena

Water Fund

Comparative Schedule of Revenues, Expenses
and Changes in Net Position

	For the Years Ended June 30,	
	2021	2020
Operating Revenues		
Charges for services	\$ 3,470,307	\$ 3,238,607
Other services	260,045	36,068
Total operating revenues	<u>3,730,352</u>	<u>3,274,675</u>
Operating Expenses		
Production:		
Supplies and durable goods	144,865	154,704
Professional and contractual	665,303	650,876
Utilities	134,513	131,093
Repairs and maintenance	290,779	4,366
Miscellaneous	15,041	11,196
Depreciation	124,566	115,819
	<u>1,375,067</u>	<u>1,068,054</u>
Distribution:		
Salaries and wages	34,425	46,638
Employee benefits	16,496	12,739
Professional and contractual	166,781	256,495
Administrative services	1,963	2,499
Repairs and maintenance	207,883	162,930
Equipment rental	16,452	15,456
Miscellaneous	12,220	394
Loss on disposal of assets	-	12,025
Depreciation	321,935	299,043
	<u>778,155</u>	<u>808,219</u>
Commercial and general:		
Employee benefits	-	11,438
Professional and contractual	47,567	46,639
Administrative services	229,611	222,923
Insurance	20,621	19,377
	<u>297,799</u>	<u>300,377</u>
Total operating expenses	<u>2,451,021</u>	<u>2,176,650</u>
Operating Income (Loss)	<u>1,279,331</u>	<u>1,098,025</u>
Nonoperating Revenues (Expenses)		
Investment income and rents	3,118	6,508
Interest expense	(42,820)	(47,312)
Total nonoperating revenues (expenses)	<u>(39,702)</u>	<u>(40,804)</u>
Change in Net Position	1,239,629	1,057,221
Net Position, beginning of year	<u>14,285,326</u>	<u>13,228,105</u>
Net Position, end of year	<u>\$ 15,524,955</u>	<u>\$ 14,285,326</u>

City of Alpena

Water Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 3,417,502	\$ 3,092,933
Payments to suppliers	(1,723,606)	(1,453,438)
Payments to employees	(51,033)	(71,545)
Payments for interfund services used	<u>(231,996)</u>	<u>(205,372)</u>
Net cash provided (used) by operating activities	<u>1,410,867</u>	<u>1,362,578</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,002,756)	(1,518,873)
Principal paid on capital debt	(185,000)	(185,000)
Interest paid on capital debt	<u>(43,943)</u>	<u>(48,436)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,231,699)</u>	<u>(1,752,309)</u>
Cash Flows from Investing Activities		
Interest and dividends received	<u>3,118</u>	<u>6,508</u>
Net cash provided (used) by investing activities	<u>3,118</u>	<u>6,508</u>
Net increase (decrease) in cash and cash equivalents	182,286	(383,223)
Cash and Cash Equivalents, beginning of year	<u>643,972</u>	<u>1,027,195</u>
Cash and Cash Equivalents, end of year	<u>\$ 826,258</u>	<u>\$ 643,972</u>

(continued)

City of Alpena

Water Fund

Comparative Schedule of Cash Flows (continued)

	For the Years Ended June 30,	
	2021	2020
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,279,331	\$ 1,098,025
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	446,501	414,862
Book value of disposed assets	-	12,025
(Increase) decrease in accounts receivable	(315,725)	(181,742)
(Increase) decrease in due from other funds	-	20,564
(Increase) decrease in prepaid expenditures	17	3
Increase (decrease) in accounts payable	(1,598)	85
Increase (decrease) in deposits payable	2,875	(730)
Increase (decrease) in accrued payroll	(112)	(514)
Increase (decrease) in due to other funds	(422)	-
Net cash provided (used) by operating activities	<u>\$ 1,410,867</u>	<u>\$ 1,362,578</u>
Non-Cash Investing, Capital and Financing Activities		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(concluded)

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.

City of Alpena

Combining Statement of Net Position - Fiduciary Funds

June 30, 2021

	Pension (and Other Employee Benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
Assets			
Investments, at fair value:			
Short-term investment funds	\$ 564,891	\$ 29,827	\$ 594,718
Fixed income	8,665,047	566,330	9,231,377
Equity securities	23,535,992	1,430,105	24,966,097
Interest receivable	64,237	168	64,405
Total assets	<u>32,830,167</u>	<u>2,026,430</u>	<u>34,856,597</u>
Liabilities			
Accounts payable	<u>26,502</u>	<u>1,520</u>	<u>28,022</u>
	<u>26,502</u>	<u>1,520</u>	<u>28,022</u>
Net Position			
Net position restricted for pension/OPEB	<u>\$ 32,803,665</u>	<u>\$ 2,024,910</u>	<u>\$ 34,828,575</u>

City of Alpena

Combining Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2021

	Pension (and other employee benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
Additions			
Contributions:			
Employer	\$ 983,398	\$ 308,880	\$ 1,292,278
Employees	180,880	-	180,880
Total contributions	<u>1,164,278</u>	<u>308,880</u>	<u>1,473,158</u>
Investment income:			
Net increase (decrease) in fair value of investments	6,135,610	396,446	6,532,056
Gain (loss) on securities sold	954,318	-	954,318
Interest and dividends	540,885	39,904	580,789
	<u>7,630,813</u>	<u>436,350</u>	<u>8,067,163</u>
Less investment expense	145,586	-	145,586
Net investment income	<u>7,485,227</u>	<u>436,350</u>	<u>7,921,577</u>
Total additions	<u>8,649,505</u>	<u>745,230</u>	<u>9,394,735</u>
Deductions			
Benefits	2,242,800	139,318	2,382,118
Lump-sum retirement payments	495,843	-	495,843
Administrative expense	26,501	18,268	44,769
Miscellaneous	(5,978)	-	(5,978)
Total deductions	<u>2,759,166</u>	<u>157,586</u>	<u>2,916,752</u>
Change in Net Position	<u>5,890,339</u>	<u>587,644</u>	<u>6,477,983</u>
Net Position, beginning of year	<u>26,913,326</u>	<u>1,437,266</u>	<u>28,350,592</u>
Net Position, end of year	<u>\$ 32,803,665</u>	<u>\$ 2,024,910</u>	<u>\$ 34,828,575</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, 2021

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
Downtown Development Authority No. 2			
Assets			
Cash and cash equivalents	\$ 241,035	\$ -	\$ 241,035
Due from primary government	20,599	-	20,599
Prepaid item	242	-	242
Capital assets not being depreciated	-	93,756	93,756
Capital assets being depreciated, net	-	151,854	151,854
Total assets	<u>\$ 261,876</u>	<u>245,610</u>	<u>507,486</u>
Liabilities and Fund Balance			
Liabilities			
Due to other component units	\$ 1,925	-	1,925
Accrued payroll	4,270	-	4,270
Long-term liabilities:			
Due within one year			
Bonds and loans	-	3,636	3,636
Due in more than one year			
Bonds and loans	-	39,150	39,150
Total liabilities	<u>6,195</u>	<u>42,786</u>	<u>48,981</u>
Fund Balance			
Unassigned	<u>255,681</u>	<u>(255,681)</u>	<u>-</u>
Total fund balance	<u>255,681</u>	<u>(255,681)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 261,876</u>		
Net Position			
Net investment in capital assets		202,824	202,824
Unrestricted		<u>255,681</u>	<u>255,681</u>
Total net position		<u>\$ 458,505</u>	<u>\$ 458,505</u>

City of Alpena

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

For the Year Ended June 30, 2021

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
Downtown Development Authority No. 2			
Revenues			
Property taxes	\$ 143,628	\$ -	\$ 143,628
State shared revenue	4,627	-	4,627
Investment income and rents	3,953	-	3,953
Other	3,530	-	3,530
Total revenues	<u>155,738</u>	<u>-</u>	<u>155,738</u>
Expenditures			
Current operations			
Community and economic development	<u>184,277</u>	<u>(3,502)</u>	<u>180,775</u>
Total expenditures	<u>184,277</u>	<u>(3,502)</u>	<u>180,775</u>
Change in Net Position	(28,539)	3,502	(25,037)
Net Position, beginning of year	<u>284,220</u>	<u>199,322</u>	<u>483,542</u>
Net Position, end of year	<u><u>\$ 255,681</u></u>	<u><u>\$ 202,824</u></u>	<u><u>\$ 458,505</u></u>

City of Alpena

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

June 30, 2021

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
Downtown Development Authority No. 5			
Assets			
Cash and cash equivalents	\$ (494)	\$ -	\$ (494)
Taxes receivable	67	-	67
Due from other component units	1,925	-	1,925
Prepaid items	43	-	43
Total assets	<u>\$ 1,541</u>	<u>-</u>	<u>1,541</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 67	-	67
Accrued payroll	1,463	-	1,463
Unavailable revenue - property taxes	11	-	11
Total liabilities	<u>1,541</u>	<u>-</u>	<u>1,541</u>
Fund Balance			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,541</u>		
Net Position			
Unrestricted		<u>-</u>	<u>-</u>
Total net position		<u>\$ -</u>	<u>\$ -</u>

City of Alpena

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

For the Year Ended June 30, 2021

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
Downtown Development Authority No. 5			
Revenues			
Property taxes	\$ 21,041	\$ -	\$ 21,041
Investment income and rents	8,729	-	8,729
Other	9,325	-	9,325
Total revenues	<u>39,095</u>	<u>-</u>	<u>39,095</u>
Expenditures			
Current operations			
Community and economic development	43,951	-	43,951
Total expenditures	<u>43,951</u>	<u>-</u>	<u>43,951</u>
Change in Net Position	(4,856)	-	(4,856)
Net Position, beginning of year	<u>4,856</u>	<u>-</u>	<u>4,856</u>
Net Position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Alpena

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

June 30, 2021

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
Brownfield Redevelopment Authority			
Assets			
Cash and cash equivalents	\$ 244,229	\$ -	\$ 244,229
Loan receivable	7,289	-	7,289
Total assets	<u>\$ 251,518</u>	<u>-</u>	<u>251,518</u>
Liabilities and Fund Balance			
Liabilities			
Unearned revenue	<u>\$ 9,184</u>	<u>-</u>	<u>9,184</u>
Fund Balance			
Unassigned	<u>242,334</u>	<u>(242,334)</u>	<u>-</u>
Total fund balance	<u>242,334</u>	<u>(242,334)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 251,518</u>		
Net Position			
Unrestricted		<u>242,334</u>	<u>242,334</u>
Total net position		<u>\$ 242,334</u>	<u>\$ 242,334</u>

City of Alpena

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

For the Year Ended June 30, 2021

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
Brownfield Redevelopment Authority			
Revenues			
Taxes	\$ 96,125	\$ -	\$ 96,125
Federal revenue	79,114	-	79,114
Total revenues	<u>175,239</u>	<u>-</u>	<u>175,239</u>
Expenditures			
Current operations			
Community and economic development	<u>148,207</u>	<u>-</u>	<u>148,207</u>
Total expenditures	<u>148,207</u>	<u>-</u>	<u>148,207</u>
Change in Net Position	27,032	-	27,032
Net Position, beginning of year	<u>215,302</u>	<u>-</u>	<u>215,302</u>
Net Position, end of year	<u><u>\$ 242,334</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 242,334</u></u>

City of Alpena

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

June 30, 2021

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
Economic Development Corporation			
Assets			
Cash and cash equivalents	\$ 3,712	\$ -	\$ 3,712
Total assets	<u>\$ 3,712</u>	<u>-</u>	<u>3,712</u>
Liabilities and Fund Balance			
Liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund Balance			
Unassigned	<u>3,712</u>	<u>(3,712)</u>	<u>-</u>
Total fund balance	<u>3,712</u>	<u>(3,712)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,712</u>		
Net Position			
Unrestricted		<u>3,712</u>	<u>3,712</u>
Total net position		<u>\$ 3,712</u>	<u>\$ 3,712</u>

City of Alpena

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

For the Year Ended June 30, 2021

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
Economic Development Corporation			
Revenues			
Investment income and rents	\$ 1	\$ -	\$ 1
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>3,711</u>	<u>-</u>	<u>3,711</u>
Net Position, end of year	<u>\$ 3,712</u>	<u>\$ -</u>	<u>\$ 3,712</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.

Contents	<u>Page</u>
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	182
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	192
<i>Debt Capacity</i>	
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.	198
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	203
<i>Operating Information.</i>	
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.	206

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Governmental activities:				
Net investment in capital assets	\$ 27,459,339	\$ 28,975,295	\$ 29,357,887	\$ 29,130,937
Restricted	2,551,192	2,013,295	2,193,935	3,035,026
Unrestricted (deficit)	<u>(4,599,584)</u>	<u>(6,384,910)</u>	<u>(6,766,856)</u>	<u>(7,206,268)</u>
Total governmental activities net position	<u>\$ 25,410,947</u>	<u>\$ 24,603,680</u>	<u>\$ 24,784,966</u>	<u>\$ 24,959,695</u>
Business-type activities:				
Net investment in capital assets	\$ 26,694,751	\$ 25,499,610	\$ 24,094,788	\$ 22,568,997
Restricted	59,844	60,938	62,032	350,631
Unrestricted	<u>7,037,215</u>	<u>6,230,852</u>	<u>5,961,837</u>	<u>5,233,049</u>
Total business-type activities net position	<u>\$ 33,791,810</u>	<u>\$ 31,791,400</u>	<u>\$ 30,118,657</u>	<u>\$ 28,152,677</u>
Primary government:				
Net investment in capital assets	\$ 54,154,090	\$ 54,474,905	\$ 53,452,675	\$ 51,699,934
Restricted	2,611,036	2,074,233	2,255,967	3,385,657
Unrestricted	<u>2,437,631</u>	<u>(154,058)</u>	<u>(805,019)</u>	<u>(1,973,219)</u>
Total primary government net position	<u>\$ 59,202,757</u>	<u>\$ 56,395,080</u>	<u>\$ 54,903,623</u>	<u>\$ 53,112,372</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

2017	2016	2015	2014	2013	2012
\$ 26,846,092	\$ 26,865,755	\$ 22,427,381	\$ 22,654,358	\$ 22,941,089	\$ 24,422,397
2,508,760	3,011,227	3,235,956	3,220,811	3,318,030	3,359,648
(4,711,433)	(2,759,674)	(1,883,488)	2,746,139	3,181,073	3,408,727
<u>\$ 24,643,419</u>	<u>\$ 27,117,308</u>	<u>\$ 23,779,849</u>	<u>\$ 28,621,308</u>	<u>\$ 29,440,192</u>	<u>\$ 31,190,772</u>
\$ 20,689,973	\$ 19,657,320	\$ 19,769,556	\$ 19,524,442	\$ 19,185,172	\$ 18,985,864
227,050	227,050	236,932	281,374	1,081,374	1,246,586
7,449,577	6,416,536	4,187,213	2,756,908	2,116,301	1,980,723
<u>\$ 28,366,600</u>	<u>\$ 26,300,906</u>	<u>\$ 24,193,701</u>	<u>\$ 22,562,724</u>	<u>\$ 22,382,847</u>	<u>\$ 22,213,173</u>
\$ 47,536,065	\$ 46,523,075	\$ 42,196,937	\$ 42,178,800	\$ 42,126,261	\$ 43,408,261
2,735,810	3,238,277	3,472,888	3,502,185	4,399,404	4,606,234
2,738,144	3,656,862	2,303,725	5,503,047	5,297,374	5,389,450
<u>\$ 53,010,019</u>	<u>\$ 53,418,214</u>	<u>\$ 47,973,550</u>	<u>\$ 51,184,032</u>	<u>\$ 51,823,039</u>	<u>\$ 53,403,945</u>

City of Alpena

Changes in Net Position (accrual basis of accounting)

Last Ten Fiscal Years Ended June 30,

	2021	2020	2019	2018
Expenses:				
Governmental activities:				
General government	\$ 3,293,492	\$ 3,333,847	\$ 3,245,641	\$ 3,357,377
Public safety	5,554,734	6,574,287	6,495,399	6,533,086
Public works	3,146,029	3,439,234	3,557,186	3,338,349
Recreation and culture	479,251	765,937	583,812	990,632
Interest on long-term debt	29,628	30,164	32,351	34,090
Total governmental activities	12,503,134	14,143,469	13,914,389	14,253,534
Business-type activities:				
Sewage	2,328,230	2,429,060	2,375,778	2,526,104
Water	2,493,841	2,223,962	2,163,952	2,297,564
Total business-type activities	4,822,071	4,653,022	4,539,730	4,823,668
Total primary government expenses	17,325,205	18,796,491	18,454,119	19,077,202
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	1,591,418	2,157,205	1,988,411	1,738,227
Public safety	1,972,501	2,330,203	2,049,239	2,058,064
Public works	772,239	277,152	272,992	342,806
Recreation and culture	50,133	54,647	106,129	283,775
Community and economic development	8,267	-	-	-
Operating grants and contributions	2,869,365	2,587,738	2,515,409	2,758,757
Capital grants and contributions	3,310	205,692	1,072,018	191,778
Total governmental activities	7,267,233	7,612,637	8,004,198	7,373,407
Business-type activities:				
Charges for services:				
Sewage	3,071,242	3,031,720	3,108,692	3,077,140
Water	3,730,352	3,274,675	3,373,674	3,130,296
Total business-type activities	6,801,594	6,306,395	6,482,366	6,207,436
Total primary government program revenues	14,068,827	13,919,032	14,486,564	13,580,843
Net (Expense) Revenue:				
Governmental activities	(5,235,901)	(6,530,832)	(5,910,191)	(6,880,127)
Business-type activities	1,979,523	1,653,373	1,942,636	1,383,768
Total net expense	(3,256,378)	(4,877,459)	(3,967,555)	(5,496,359)

Table 2

2017	2016	2015	2014	2013	2012
\$ 4,069,620	\$ 3,838,100	\$ 3,351,040	\$ 3,776,182	\$ 3,497,482	\$ 3,230,508
6,766,066	6,415,452	5,954,321	5,300,599	5,101,481	4,792,773
3,410,282	2,512,624	2,801,754	2,875,197	2,806,364	2,785,725
779,257	772,420	554,321	652,101	727,117	968,657
35,029	42,702	41,405	42,394	164,734	87,962
<u>15,060,254</u>	<u>13,581,298</u>	<u>12,702,841</u>	<u>12,646,473</u>	<u>12,297,178</u>	<u>11,865,625</u>
2,277,385	2,245,516	2,236,402	2,293,358	2,197,641	2,156,398
2,011,412	1,941,631	1,986,621	1,961,415	2,058,101	2,042,470
<u>4,288,797</u>	<u>4,187,147</u>	<u>4,223,023</u>	<u>4,254,773</u>	<u>4,255,742</u>	<u>4,198,868</u>
<u>19,349,051</u>	<u>17,768,445</u>	<u>16,925,864</u>	<u>16,901,246</u>	<u>16,552,920</u>	<u>16,064,493</u>
1,805,609	1,945,973	1,819,769	1,788,728	1,651,058	1,869,049
1,860,565	1,958,438	1,839,835	1,611,281	1,801,501	1,519,167
354,552	276,385	493,200	316,994	14,516	44,027
53,280	50,803	56,286	226,079	37,623	41,808
-	-	-	-	-	-
2,971,115	3,028,615	2,021,808	2,353,912	2,048,395	1,750,608
13,661	7,835	21,243	531,882	6,770	160,529
<u>7,058,782</u>	<u>7,268,049</u>	<u>6,252,141</u>	<u>6,828,876</u>	<u>5,559,863</u>	<u>5,385,188</u>
3,133,993	3,237,582	2,897,812	2,305,112	2,374,420	2,209,450
3,205,054	3,046,528	2,949,849	2,119,726	2,025,051	1,860,186
<u>6,339,047</u>	<u>6,284,110</u>	<u>5,847,661</u>	<u>4,424,838</u>	<u>4,399,471</u>	<u>4,069,636</u>
<u>13,397,829</u>	<u>13,552,159</u>	<u>12,099,802</u>	<u>11,253,714</u>	<u>9,959,334</u>	<u>9,454,824</u>
(8,001,472)	(6,313,249)	(6,450,700)	(5,817,597)	(6,737,315)	(6,480,437)
2,050,250	2,096,963	1,624,638	170,065	143,729	(129,232)
<u>(5,951,222)</u>	<u>(4,216,286)</u>	<u>(4,826,062)</u>	<u>(5,647,532)</u>	<u>(6,593,586)</u>	<u>(6,609,669)</u>

(continued)

City of Alpena

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

Last Ten Fiscal Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Revenues:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 3,929,252	\$ 3,835,745	\$ 3,800,880	\$ 3,760,951
Property taxes, levied for debt service	-	-	-	-
Unrestricted state revenue	1,959,744	1,967,759	1,832,274	1,689,706
Investment earnings	12,239	160,105	101,808	43,855
Miscellaneous	-	-	-	-
Gain on sale of capital assets	-	8,765	500	45
Total Governmental Activities	<u>5,901,235</u>	<u>5,972,374</u>	<u>5,735,462</u>	<u>5,494,557</u>
Business-type Activities:				
Investment earnings	20,887	19,370	23,344	179,355
Special item - revenue adjustment	-	-	-	(1,777,046)
Total Business-type Activities	<u>20,887</u>	<u>19,370</u>	<u>23,344</u>	<u>(1,597,691)</u>
Total primary government	<u>5,922,122</u>	<u>5,991,744</u>	<u>5,758,806</u>	<u>3,896,866</u>
Change in Net Position				
Governmental activities	665,334	(558,458)	(174,729)	(1,385,570)
Business-type activities	2,000,410	1,672,743	1,965,980	(213,923)
Total primary government	<u>\$ 2,665,744</u>	<u>\$ 1,114,285</u>	<u>\$ 1,791,251</u>	<u>\$ (1,599,493)</u>

Table 2

2017	2016	2015	2014	2013	2012
\$ 3,811,792	\$ 3,917,618	\$ 3,808,509	\$ 3,830,486	\$ 3,837,297	\$ 4,103,798
-	-	-	-	-	123,312
1,682,923	1,239,267	1,157,360	1,126,128	1,090,489	1,153,459
32,068	39,115	42,524	38,055	42,368	47,429
-	-	-	4,044	16,581	-
800	8,300	-	-	-	-
<u>5,527,583</u>	<u>5,204,300</u>	<u>5,008,393</u>	<u>4,998,713</u>	<u>4,986,735</u>	<u>5,427,998</u>
15,444	10,242	6,339	9,812	25,945	10,568
-	-	-	-	-	-
<u>15,444</u>	<u>10,242</u>	<u>6,339</u>	<u>9,812</u>	<u>25,945</u>	<u>10,568</u>
<u>5,543,027</u>	<u>5,214,542</u>	<u>5,014,732</u>	<u>5,008,525</u>	<u>5,012,680</u>	<u>5,438,566</u>
(2,473,889)	(1,108,949)	(1,442,307)	(818,884)	(1,750,580)	(1,052,439)
2,065,694	2,107,205	1,630,977	179,877	169,674	(118,664)
<u>\$ (408,195)</u>	<u>\$ 998,256</u>	<u>\$ 188,670</u>	<u>\$ (639,007)</u>	<u>\$ (1,580,906)</u>	<u>\$ (1,171,103)</u>

City of Alpena

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

For the Last Ten Years June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund:				
Nonspendable	\$ 56,790	\$ 46,358	\$ 50,276	\$ -
Restricted	10,000	10,000	-	-
Committed	158,042	144,914	141,259	127,604
Unassigned	<u>3,684,718</u>	<u>3,131,381</u>	<u>2,554,668</u>	<u>2,395,083</u>
Total General Fund	<u>3,909,550</u>	<u>3,332,653</u>	<u>2,746,203</u>	<u>2,522,687</u>
All other governmental funds:				
Nonspendable-permanent fund	996,068	984,274	971,263	950,282
Nonspendable-special revenue funds	6,691	4,443	5,015	-
Restricted-special revenue funds	1,531,107	1,006,668	1,207,799	1,431,788
Restricted-debt service	10,784	12,192	13,511	14,235
Restricted - permanent fund	3,233	161	1,362	-
Committed-capital projects	401,286	386,522	369,127	354,420
Committed-special revenue funds	<u>179,320</u>	<u>183,455</u>	<u>169,417</u>	<u>156,697</u>
Total all other governmental funds	<u>3,128,489</u>	<u>2,577,715</u>	<u>2,737,494</u>	<u>2,907,422</u>
Total governmental funds	<u>\$ 7,038,039</u>	<u>\$ 5,910,368</u>	<u>\$ 5,483,697</u>	<u>\$ 5,430,109</u>

Table 3

2017	2016	2015	2014	2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
147,093	172,270	216,330	300,090	393,337	414,980
2,615,457	3,043,593	2,715,810	2,684,308	2,738,391	2,680,758
2,762,550	3,215,863	2,932,140	2,984,398	3,131,728	3,095,738
933,179	918,495	910,113	900,625	889,577	887,971
-	-	-	-	-	-
894,144	1,309,190	1,264,876	723,645	989,664	713,490
14,855	15,597	18,641	19,348	20,430	17,653
-	-	-	-	-	-
519,489	595,675	825,996	777,002	774,762	767,520
-	-	-	500,000	250,000	291,805
2,361,667	2,838,957	3,019,626	2,920,620	2,924,433	2,678,439
\$ 5,124,217	\$ 6,054,820	\$ 5,951,766	\$ 5,905,018	\$ 6,056,161	\$ 5,774,177

City of Alpena

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

For the Last Ten Years June 30,

	2021	2020	2019	2018
Revenues				
Property taxes	\$ 3,858,960	\$ 3,767,356	\$ 3,747,988	\$ 3,720,159
Licenses and permits	299,745	644,932	276,173	263,315
State revenue	3,722,010	3,547,336	4,227,469	3,557,495
Federal revenue	143,239	81,275	332,350	229,977
Local grant revenue	967,170	1,132,578	859,882	852,771
Charges for services	2,858,157	2,755,055	2,736,409	2,628,470
Investment income and rents	97,542	207,760	163,745	120,414
Fines and forfeitures	13,127	18,045	17,716	22,151
Other	141,058	139,042	212,963	492,187
Total revenues	12,101,008	12,293,379	12,574,695	11,886,939
Expenditures				
Current:				
General government	1,862,793	1,974,681	2,017,135	2,291,002
Public safety	5,598,592	6,303,958	5,816,464	5,812,048
Public works	2,001,187	2,791,599	3,756,297	2,297,586
Recreation and culture	1,463,682	608,094	734,367	1,179,900
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	85,000	90,000	90,000	90,000
Interest and fees	29,263	30,872	32,581	33,798
Total expenditures	11,040,517	11,799,204	12,446,844	11,704,334
Excess (Deficiency) of Revenues Over Expenditures	1,060,491	494,175	127,851	182,605
Other Financing Sources (Uses)				
Bond and loan proceeds	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers from other funds	461,851	724,470	415,951	538,079
Transfers to other funds	(536,603)	(791,974)	(490,214)	(610,179)
Total other financing sources (uses)	(74,752)	(67,504)	(74,263)	(72,100)
Net Change in Fund Balances	\$ 985,739	\$ 426,671	\$ 53,588	\$ 110,505
Debt service as a percentage of noncapital expenditures	1.06%	1.15%	1.23%	1.24%
Debt service expenditures	114,263	120,872	122,581	123,798
Total expenditures	11,040,517	11,799,204	12,446,844	11,704,334
Capital Outlay (Reconciliation)	(272,695)	(1,322,417)	(2,520,730)	(1,730,395)
	10,767,822	10,476,787	9,926,114	9,973,939

Table 4

2017	2016	2015	2014	2013	2012
\$ 3,725,689	\$ 3,915,140	\$ 3,809,318	\$ 3,836,046	\$ 3,837,569	\$ 4,225,091
235,823	168,531	147,919	174,175	198,329	166,285
3,003,534	2,712,098	2,183,325	2,702,127	2,149,179	2,262,436
807,701	495,317	2,825	451,233	50,291	23,813
856,464	1,068,302	1,014,261	858,562	946,183	778,347
2,623,058	2,668,974	2,551,843	2,302,485	2,333,103	2,184,978
237,685	282,313	264,180	246,302	249,398	122,903
20,748	20,755	24,272	16,581	16,589	20,251
144,863	181,835	627,213	378,764	124,669	446,244
<u>11,655,565</u>	<u>11,513,265</u>	<u>10,625,156</u>	<u>10,966,275</u>	<u>9,905,310</u>	<u>10,230,348</u>
2,854,048	2,474,655	2,017,603	2,351,816	2,250,956	1,947,995
5,965,724	5,815,908	5,454,878	5,219,945	5,061,295	4,598,400
2,688,806	2,093,688	2,342,653	2,011,874	1,489,438	1,583,102
877,618	750,763	548,908	1,326,553	569,142	725,109
-	-	-	-	-	-
95,000	179,923	121,582	125,185	81,290	370,914
34,972	43,874	42,784	41,541	175,755	92,048
<u>12,516,168</u>	<u>11,358,811</u>	<u>10,528,408</u>	<u>11,076,914</u>	<u>9,627,876</u>	<u>9,317,568</u>
<u>(860,603)</u>	<u>154,454</u>	<u>96,748</u>	<u>(110,639)</u>	<u>277,434</u>	<u>912,780</u>
-	13,600	-	-	1,525,000	-
-	-	-	-	(1,425,000)	-
534,097	480,000	312,254	324,500	287,616	710,955
(604,097)	(545,000)	(362,254)	(365,004)	(383,066)	(655,623)
<u>(70,000)</u>	<u>(51,400)</u>	<u>(50,000)</u>	<u>(40,504)</u>	<u>4,550</u>	<u>55,332</u>
<u>\$ (930,603)</u>	<u>\$ 103,054</u>	<u>\$ 46,748</u>	<u>\$ (151,143)</u>	<u>\$ 281,984</u>	<u>\$ 968,112</u>
<u>1.23%</u>	<u>2.34%</u>	<u>1.81%</u>	<u>1.76%</u>	<u>2.74%</u>	<u>5.20%</u>
<u>129,972</u>	<u>223,797</u>	<u>164,366</u>	<u>166,726</u>	<u>257,045</u>	<u>462,962</u>
12,516,168	11,358,811	10,528,408	11,076,914	9,627,876	9,317,568
(1,920,693)	(1,793,165)	(1,460,977)	(1,597,199)	(260,737)	(413,334)
<u>10,595,475</u>	<u>9,565,646</u>	<u>9,067,431</u>	<u>9,479,715</u>	<u>9,367,139</u>	<u>8,904,234</u>

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
06/30/12	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
06/30/19	2018	213,143,284	454,441,600	26,630,000	53,260,000
06/30/20	2019	219,681,787	481,155,800	23,533,800	47,007,000
06/30/21	2020	222,448,288	508,212,100	27,863,800	55,727,600

(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	
06/30/12	2011	\$ 4,160,752	\$ 3,999,835	96.13%	\$ 3,847
06/30/13	2012	3,885,773	3,882,794	99.92%	3,208
06/30/14	2013	3,877,367	3,870,538	99.82%	5,289
06/30/15	2014	3,854,962	3,852,086	99.93%	2,874
06/30/16	2015	3,950,378	3,946,172	99.89%	3,966
06/30/17	2016	3,770,926	3,681,232	97.62%	35,734
06/30/18	2017	3,758,013	3,679,858	97.92%	4,414
06/30/19	2018	3,803,575	3,738,674	98.29%	322
06/30/20	2019	3,836,030	3,681,699	95.98%	1,869
06/30/21	2020	3,939,212	3,770,469	95.72%	0

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		
\$ 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
239,773,284	507,701,600	47.23%	16.7516
243,215,587	528,162,800	46.05%	16.7516
250,312,088	563,939,700	44.39%	17.1066

Table 6

Total Collections to Date	
Amount	Percentage of Levy
\$ 4,003,682	96.22%
3,886,002	100.01%
3,875,827	99.96%
3,854,960	100.00%
3,950,138	99.99%
3,716,966	98.57%
3,684,272	98.04%
3,738,674	98.29%
3,683,568	95.98%
3,764,189	95.56%

City of Alpena

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

Last Ten Fiscal Years Ended June 30

<u>Fiscal Year Ended</u>	<u>Tax Year Roll</u>	<u>General Fund</u>	<u>Dial-a-Ride Fund</u>	<u>Debt Service</u>	<u>Total City Tax Rate</u>	<u>Alpena Public Schools</u>
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
06/30/19	2018 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/19	2018 (B)	16.1066	0.6450	-	16.7516	19.8000
06/30/20	2019 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/20	2019 (B)	16.1066	0.6450	-	16.7516	19.8000
06/30/21	2020 (A)	16.1066	1.0000	-	17.1066	1.8000
06/30/21	2020 (B)	16.1066	1.0000	-	17.1066	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
2.5000	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
2.5000	2.1882	9.0324	6.0000	38.2722
2.5000	2.1882	9.0324	6.0000	56.2722
2.5000	2.1882	9.0324	6.0000	38.2722
2.5000	2.1882	9.0324	6.0000	56.2722
2.5000	2.1882	9.5604	6.0000	39.1552
2.5000	2.1882	9.5604	6.0000	57.1552

City of Alpena

Principal Taxpayers - Top Ten

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>
LafargeHolcim	Cement production
Alpena Power Company	Electric power utility
American Process Energy Recovery	Biorefinery
Caterpillar Financial Services	Financial services
Decorative Panels International	Hardboard manufacturing
Sabra Alpena, LLC	Elderly assisted living facility
Dynafab Inc.	Industrial products
Besser Company	Concrete block making machines
Rachee Lodging Inc.	Lodging
DTE Gas Company	Natural gas supplier
Panel Processing, Inc.	Hardboard processing plant
ATI Casting Services, LLC	Machine shop and foundry
Conveyor Systems, Inc.	Conveyor manufacturer
Alpena Hotel, LLC	Motel and restaurant
Alpena Wholesale Grocery	Wholesale groceries
Alpena Marc, LLC	Commercial rental
Ten largest taxpayers	
Other taxpayers	

(1) Percentages are based on the Ad Valorem and Special Act rolls.

Source: City Assessor's office.

Table 8

June 30, 2021			June 30, 2012		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 15,667,549	1	6.26%	\$ 39,119,638	1	14.84%
7,167,271	2	2.86%	5,434,414	3	2.06%
4,444,400	3	1.78%	-	-	-
4,068,500	4	1.63%	-	-	-
2,723,074	5	1.09%	4,544,800	4	1.72%
2,571,671	6	1.03%	-	-	-
2,399,800	7	0.96%	-	-	-
2,170,343	8	0.87%	6,658,293	2	2.53%
1,384,600	9	0.55%	-	-	-
1,343,900	10	0.54%	-	-	-
-	-	-	3,022,997	5	1.15%
-	-	-	2,849,900	6	1.08%
-	-	-	2,214,300	7	0.84%
-	-	-	1,835,400	8	0.70%
-	-	-	1,726,100	9	0.65%
-	-	-	1,661,275	10	0.63%
43,941,108		17.55%	69,067,117		26.20%
206,370,980		82.45%	194,496,238		73.80%
<u>\$ 250,312,088</u>		<u>100.00%</u>	<u>\$ 263,563,355</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
06/30/12	\$ 1,695,000	\$ 80,100	\$ -	\$ 900,000	\$ 1,925,000
06/30/13	1,610,000	33,810	-	850,000	1,655,000
06/30/14	1,720,000	13,625	-	800,000	1,405,000
06/30/15	1,540,000	7,043	53,090	750,000	1,110,000
06/30/16	1,395,000	-	38,810	700,000	820,000
06/30/17	1,300,000	-	9,700	650,000	540,000
06/30/18	1,210,000	-	5,800	600,000	265,000
06/30/19	1,120,000	-	8,785	550,000	-
06/30/20	1,030,000	-	8,691	500,000	-
06/30/21	945,000	-	3,835	450,000	-

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
06/30/12	\$ -	\$ 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
06/30/19	-	1,120,000	-	(13,511)	550,000
06/30/20	-	1,030,000	-	(12,192)	500,000
06/30/21	-	945,000	-	(10,784)	450,000

(1) - Per Table 13

(2) - Per Table 5

Table 9

<u>State of Michigan Revolving Fund</u>	(1) <u>Total Primary Government</u>	<u>Personal Income (In Thousands)</u>	<u>Percentage of Personal Income</u>	(1) <u>Population</u>
\$ 5,798,819	\$ 10,398,919	\$ 196,822	5.28%	10,410
5,503,819	9,652,629	197,701	4.88%	10,340
5,208,819	9,147,444	204,675	4.47%	10,295
4,908,819	8,368,952	205,975	4.06%	10,247
4,603,819	7,557,629	197,736	3.82%	10,175
4,298,819	6,798,519	207,380	3.28%	10,122
3,993,819	6,074,619	215,035	2.82%	9,997
3,683,819	5,362,604	214,304	2.50%	9,963
3,368,819	4,907,510	227,057	2.16%	9,956
3,048,819	4,447,654	239,078	1.86%	10,197

Table 10

<u>Total Primary Government</u>	<u>Taxable Value (2)</u>	<u>Percentage of Actual Taxable Value of Property</u>	(1) <u>Population</u>	<u>Per Capita</u>
\$ 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	237,792,626	0.76%	9,997	180
1,656,489	239,773,284	0.69%	9,963	166
1,517,808	243,215,587	0.62%	9,956	152
1,384,216	250,312,088	0.55%	10,197	136

City of Alpena

Legal Debt Margin Information

Last Ten Fiscal Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt limit	\$ 25,031,209	\$ 24,321,559	\$ 23,977,328	\$ 23,245,276
Total net debt applicable to limit	<u>4,429,200</u>	<u>4,895,318</u>	<u>5,349,093</u>	<u>6,060,384</u>
Legal debt margin	<u>\$ 20,602,009</u>	<u>\$ 19,426,241</u>	<u>\$ 18,628,235</u>	<u>\$ 17,184,892</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>17.69%</u>	<u>20.13%</u>	<u>22.31%</u>	<u>26.07%</u>

Table 11

2017	2016	2015	2014	2013	2012
\$ 23,593,442	\$ 25,459,205	\$ 24,604,475	\$ 24,752,642	\$ 24,972,416	\$ 26,356,336
6,783,664	7,542,032	8,350,311	9,128,096	9,632,199	10,381,266
<u>\$ 16,809,778</u>	<u>\$ 17,917,173</u>	<u>\$ 16,254,164</u>	<u>\$ 15,624,546</u>	<u>\$ 15,340,217</u>	<u>\$ 15,975,070</u>
<u>28.75%</u>	<u>29.62%</u>	<u>33.94%</u>	<u>36.88%</u>	<u>38.57%</u>	<u>39.39%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2021

Total taxable assessed valuation	\$ 250,312,088
Charter debt limit - 10% of total taxable value	25,031,209
Total debt applicable to the limit	\$ 4,439,984
Less: amount available in debt funds	<u>10,784</u>
Total net debt applicable to limit	<u>4,429,200</u>
Legal debt margin	<u>\$ 20,602,009</u>

City of Alpena

Computation of Direct and Overlapping Governmental Activities Debt

June 30, 2021

Table 12

Jurisdiction	Debt Outstanding	(1) Percentage Applicable to City of Alpena	Amount Applicable to City of Alpena
Direct Debt			
City of Alpena			
Building Authority Bonds	\$ 945,000	100.00%	\$ 945,000
Installment loans	3,835	0.00%	3,835
			<u>948,835</u>
Overlapping Debt			
Alpena County	\$ 15,290,000	25.34%	3,874,486
Alpena Public Schools	25,370,000	22.00%	5,581,400
Alpena Community College	425,000	22.00%	93,500
			<u>9,549,386</u>
 Total direct and overlapping debt			 <u><u>\$ 10,498,221</u></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

<u>Fiscal Year Ended</u>	<u>(1) Population</u>	<u>Personal Income (In Thousands)</u>	<u>(3) Per Capita Income</u>	<u>(4) Median Age</u>	<u>(5) Education Attainment High School or Above</u>	<u>(6) School Enrollment</u>	<u>(7) Unemployment Rate</u>
06/30/12	10,410	196,822 (2)	18,907	42.5	89.3%	1,415	9.9%
06/30/13	10,340	197,701 (2)	19,120	42.5	89.3%	1,232	8.8%
06/30/14	10,295	204,675 (2)	19,881	42.5	89.3%	1,373	8.5%
06/30/15	10,247	205,975 (2)	20,101	45.6	88.6%	1,443	6.1%
06/30/16	10,175	197,736 (2)	19,434	46.2	89.9%	1,476	5.5%
06/30/17	10,122	207,380 (2)	20,488	41.6	90.9%	1,474	5.6%
06/30/18	9,997	215,035 (2)	21,510	42.1	91.9%	1,406	4.1%
06/30/19	9,963	214,304 (8)	21,510	42.1	91.9%	1,390 *	3.3%
06/30/20	9,956	227,057 (8)	22,806	42.2	92.0%	1,253	6.4%
06/30/21	10,197	239,078 (8)	23,446	42.4	92.6%	1,138	4.7%

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 Amerian Community Survey 5-yr Estimate; factfinder2.census.gov
- (6) Alpena Public Schools
- (7) MILMI.org Michigan Labor Market Information-Alpena County. Not seasonally adjusted.
- (8) Based on average income per person and population

* Based on an estimate

City of Alpena

Principal Employers

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>
MidMichigan Medical Center	Hospital
Besser Company	Concrete block making machines
Northeast Michigan Community Mental Health	Multi-county authority
Alpena Public Schools	Education
LafargeHolcim	Cement production
Alpena Community College	Community college
Decorative Panels, Intl.	Hardboard manufacturing
County of Alpena, Michigan	Local government
North Eastern Michigan Rehabilitation and Opportunity Center, Inc.	Manufacturing
Tendercare Michigan Inc.	Long term care facility
Devere Construction Company	Construction contractor

Largest employers

Other employers

Total employment

Source: Direct phone call to companies

Source for total employment: datausa.io/profile/geo/alpena-county-mi
Most recent data is for 2019.

Table 14

June 30, 2021			June 30, 2012		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of County of Alpena Employment
1001	1	7.90%	978	1	7.21%
338	2	2.67%	130	10	0.96%
330	3	2.61%	498	3	3.67%
242	4	1.91%	525	2	3.87%
219	5 tied	1.73%	193	6	1.42%
219	5 tied	1.73%	264	4	1.95%
172	6	1.36%	182	8	1.34%
123	7	0.97%	180	9	1.33%
121	8	0.96%	-	-	-
108	9	0.85%	214	5	1.58%
		-	188	7	1.39%
2,873		22.68%	3,352		24.70%
9,792		77.32%	10,221		75.30%
12,665		100.00%	13,573		100.00%

City of Alpena

Full-Time Equivalent City Government Employees by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General government	18	17	17	19
Police protection				
Officers	17	16	17	16
Civilians	2	2	2	2
Crossing Guard	1	1	1	1
Fire protection				
Firefighters and officers	27	28	28	28
DPW	16	15	12	15
Total	<u>81</u>	<u>79</u>	<u>77</u>	<u>81</u>

Source: City Manager's Office

Operating Indicators by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Police protection				
Physical arrests	427	474	688	541
Traffic violations	529	584	488	633
Traffic violations - O.W.I.	29	40	41	50
Parking violations	775	1,011	879	1,276
Fire protection				
Calls answered (City EMS & Fire)	1,902	1,400	1,420	1,987
Inspections conducted	1,542	225	616	182
Ambulance runs	4,031	4,420	4,602	5,020
Sewage system				
Number of service connections	4,639	4,643	4,639	4,574
Average daily treatment-in gallons	2,477,000	3,490,000	3,500,000	2,980,000
Water system				
Number of service connections	4,640	4,646	4,640	4,578
Average daily treatment-in gallons	1,590,000	2,140,000	1,690,000	1,536,000

Sources: Various City departments

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

Table 15

2017	2016	2015	2014	2013	2012
20	17	17	17	21	20
16	17	17	17	16	16
2	2	2	2	-	-
1	1	1	1	-	-
28	29	29	29	26	25
15	15	15	15	13	12
82	81	81	81	76	73

Table 16

2017	2016	2015	2014	2013	2012
613	605	592	620	580	575
625	566	574	494	459	477
39	55	30	45	49	47
1,179	1,485	1,184	690	326	428
1,309	1,227	1,076	1,067	1,197	1,225
200	200	200	219	250	292
4,926	5,183	5,213	5,216	5,195	5,071
4,659	4,798	4,798	4,774	4,774	4,774
2,000,000	2,895,082	2,914,166	2,590,000	2,590,000	2,590,000
4,665	4,798	4,798	4,770	4,770	4,770
1,530,000	2,020,000	2,169,166	2,190,000	2,190,000	2,190,000

City of Alpena

Capital Assets Statistics by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
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	2	2	3	3
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	8	8	8
Unmarked patrol units	1	2	4	4
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	81.32	81.32	81.32
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

2017	2016	2015	2014	2013	2012
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	18.53	18.53	18.53
1	1	1	1	1	1
3	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	6	6	7	7	7
3	7	3	3	3	3
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	610
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, 2021

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: 98

City: 59

Number of Secondary Schools

School District: 3

City: 1

Number of Secondary School Instructors

School District: 109

City: 61

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

Communication with Those Charged with Governance

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

We have audited the 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”) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters dated November 23, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 20 to the financial statements, the City changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the governmental fund statements and the statement of net position. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- Management’s estimate of the depreciation expense is based on management’s assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole;
- Management’s estimate of the allowance for doubtful accounts for ambulance services is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole;

- Management’s estimate of its pension liability, OPEB liability, related deferred inflows of resources and related deferred outflows of resources, which is based upon actuarial valuations which considers such assumptions as the long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments;
- Management’s estimate of the amount that will be received regarding the sewerage and water litigation with the Charter Township of Alpena.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

- The disclosure of Pension and OPEB information in Notes 14 and 15, respectively, to the financial statements because of assumptions used in the calculations of these liabilities;
- The disclosure of contingencies and claims in Note 18 to the financial statements, which discusses the ongoing litigation regarding the sewage and water rates with the Charter Township of Alpena.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments identified during the audit have been approved by management and recorded in the audited financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and other required supplementary information, as identified in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplemental information, as identified in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United State of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has 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 it.

Recent Pronouncements.

The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to. Upcoming GASB statements can be found in Note 22 to the financial statements.

Restriction on Use

This information is intended solely for the information and use of the City of Alpena, Michigan's City Council, Management, and others within the governmental unit and is not intended to be, and should not be, used by anyone other than these specified parties.

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

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

Very truly yours,

Straley Lamp & Kraenzlein P.C.

December 28, 2021

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alpena's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Matters

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. In the fiscal year ended June 30 2021, there were occurrences of immaterial expenditures in excess of the final appropriated budget. These amounts are disclosed in Note 2 to the financial statements. It is noteworthy that if the actual expenditures in excess of the final appropriated budget become more significant to the financial statements as a whole, it would likely result in a compliance finding. We recommend the City continue to monitor and amend the budget in a timely fashion to ensure expenditures do not exceed amounts budgeted.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Straley Lamp & Kraenzlein P.C.

December 28, 2021