

**The Oaths of Office Will be Given at 5:55 p.m. for Mayor Waligora, and Councilmembers Nowak and Mitchell.**

**ALPENA CITY COUNCIL MEETING**

**January 6, 2020 – 6:00 p.m.**

**AGENDA**

1. Call to Order.
2. Pledge of Allegiance.
3. Modifications to the Agenda.
4. Approve Minutes –Regular Session of December 16, 2019.
5. Citizens Appearing Before Council on Agenda and Non-Agenda Items (Citizens Shall be Allowed a Maximum of Five (5) Minutes Each to Address Their Concerns. This is the Only Time During a Council Meeting that Citizens are Allowed to Address the Council).
6. Consent Agenda.
  - A. Bills to be Allowed, in the Amount of \$158,342.67.
  - B. Recommendation to Not Waive the Penalty as Requested for the Diane Bartz Parcel.
  - C. Lease Agreement Renewal with Performance Locker.
  - D. Collection of 2020 Property Taxes for Alpena Public Schools.
7. Presentations.
8. Announcements.
9. Mayoral Proclamation.
10. Public Hearing.
11. Report of Officers.
12. Communications and Petitions.

Comprehensive Annual Financial Report (CAFR) – Fiscal Year Ended June 30, 2019 – Presentation by Straley Lamp & Kraenzlein, P.C.
13. Unfinished Business.

Second Reading of Ordinance 19-452, Annual Report to the Council for the Retirement System.
14. New Business.
  - A. Mayor Pro-Tem Appointment.
  - B. Councilmember Appointments to Boards and Committees.
  - C. First Reading of Ordinance 20-453, Taxation – Definitions.

15. Recess.
16. Workshop – Medical Marihuana Facilities.
  - A. Buffer Zones.
  - B. Zoning.
17. Recess.
18. Adjourn to Closed Session for Attorney/Client Consultation Regarding the Renaissance Zone for GranBio.
19. Return to Open Session.
20. Adjourn.

Rachel R. Smolinski  
City Manager

## **COUNCIL PROCEEDINGS**

4.

**December 16, 2019**

The Municipal Council of the City of Alpena met in regular session at City Hall on the above date and was called to order at 6:00 p.m. by the Mayor.

Present: Mayor Waligora, Mayor Pro Tem Johnson, Councilmembers Nowak, Nielsen, and Hess.

Absent: None.

### **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was recited.

### **MINUTES**

The minutes of the regular session of the December 2, 2019 meeting were approved as printed.

### **CONSENT AGENDA**

Moved by Councilmember Nowak, seconded by Councilmember Nielsen, that the following Consent Agenda items be approved:

1. Bills Allowed – in the Amount of \$337,776.56 be Allowed and the Mayor and City Clerk Authorized to Sign Warrant in Payment of Same.
2. Council Appointment of Rachel R. Smolinski to the Office of City Manager Effective Friday, December 20, 2019.

Carried by unanimous vote.

### **COUNCIL POLICY STATEMENT 21 AMENDMENT**

Moved by Mayor Pro Tem Johnson, seconded by Councilmember Nielsen, to amend Council Policy Statement 21 (CPS 21), Guidelines for Poverty Exemptions, to include the most current poverty income levels, and changes to the requirements for submitting a poverty exemption application.

Carried by unanimous vote.

### **BOAT LAUNCH FEES**

Moved by Mayor Pro Tem Johnson, seconded by Councilmember Nowak, to table discussion on the fees for the boat launch behind the post office.

Carried by unanimous vote.

### **HIGH WATER IMPACT RESOLUTION 2019-18**

Moved by Councilmember Nowak, seconded by Councilmember Nielsen to approve Resolution 2019-18, a resolution requesting the State of Michigan to declare the shoreline of the State of Michigan as a disaster area.

Carried by unanimous vote.

### **RAW WATER INTAKE REPAIRS**

The following proposals were received on October 29, 2019 for the 2019 Raw Water Intake Repairs.

Northern Divers	Spring Grove, IL	\$23,740 Inspection only
Solomon Corporation	Monroe, MI	\$3,800 - \$4,800 daily
Alpena Dive Service	Alpena, MI	\$65,955 Intake Repair only

Moved by Councilmember Nowak, seconded by Councilmember Nielsen, to award the intake and shorewell repairs and cleaning to Alpena Dive Service in the amount of \$65,955.

Moved by Councilmember Nowak, seconded by Councilmember Nielsen, to award the inspection to Northern Divers in the amount of \$23,740.00.

Carried by unanimous vote.

### **COUNCIL COMPENSATION RECOMMENDATION**

Moved by Councilmember Nowak, seconded by Mayor Pro Tem Johnson, to approve the recommendation by the City Compensation Committee to have the wages for Mayor and Councilmembers remain the same for the next two years.

Carried by unanimous vote.

### **RECESS**

The Municipal Council recessed at 7:24 p.m.

### **RECONVENE**

The Municipal Council reconvened at 7:35 p.m.

### **WORKSHOP – MEDICAL MARIHUANA FACILITIES**

The Municipal Council continued discussion of buffers and zoning districts for medical marihuana facilities in the City. Discussion will continue at the next Municipal Council meeting.

### **ADJOURN**

On motion of Councilmember Nielsen, seconded by Mayor Pro Tem Johnson, the Municipal Council adjourned at 8:41 p.m.

MATT WALIGORA  
MAYOR

ATTEST:

Anna Soik  
City Clerk

# INVOICE REGISTER

Page: 1/1

EXP CHECK RUN DATES 01/07/2020 - 01/07/2020

UNJOURNALIZED

OPEN - CHECK TYPE: PAPER CHECK

6.A.

VENDOR	INVOICE #	DESCRIPTION	AMOUNT
ALPENA AREA CHAMBER OF COMM	19117	MEMBERSHIP INVESTMENT - DDA	1,500.00
ALPENA POWER COMPANY	010720	ELECTRIC	10,176.39
ANNE GENTRY	010220	REIMB CELL PHONE EXP - DDA	120.00
CITY OF ALPENA	9364-001 1219	SEW/WATER - BANDSHELL IRR	44.48
CITY OF ALPENA	1016-001 1219	SEW/WATER - MARINA S	221.66
CITY OF ALPENA	1017-001 1219	SEW/WATER - MARINA N	146.72
CITY OF ALPENA	1018-001 1219	SEW/WATER - BOAT HARBOR	111.72
CITY OF ALPENA	1019-001 1219	SEW/WATER - HARBOR DR	36.66
CITY OF ALPENA	1020-001 1219	SEW/WATER - FISH CLN STN	772.22
CITY OF ALPENA	1021-001 1219	SEW/WATER - BH RESTROOMS	491.66
CITY OF ALPENA	1027-001 1219	SEW/WATER - FLOATING DOCKS	854.21
CITY OF ALPENA	1028-001 1219	SEW/WATER - BANDSHELL	559.55
CITY OF ALPENA	42112-001 1219	SEW/WATER - SEWAGE	794.43
CITY OF ALPENA	10344-001 1219	SEW/WATER - DDA	49.17
CNA SURETY	61254761 01/20	01/20 BOND - DDA	126.00
HOME DEPOT CREDIT SERVICES	8073069	MAINT - SEWER/WATER	95.88
HOME DEPOT CREDIT SERVICES	1511169	SUPPLIES - FIRE/EMS	79.84
HOME DEPOT CREDIT SERVICES	1511174	SUPPLIES - PW/PKS	84.96
MICHIGAN FIRE INSPECTORS SOCIETY	010720	TEST REGISTRATION - FIRE	350.00
MILLER OFFICE MACHINES	AR9522	SUPPLIES - DDA	26.06
MILLER OFFICE MACHINES	AR9535	SUPPLIES - DDA	46.95
RON DENMARK	010220	CHRISTMAS ACTIVITIES - DDA	200.00
STAPLES	8056883837	SUPPLIES - MANAGER	393.29
STATE OF MICHIGAN	491-369591	QUALITY ASSURANCE ASSESSMENT PROG -	3,025.89
STATE OF MICHIGAN	BLR408048	BOILER CERT - SEWER	130.00
WAL-MART	006604	SUPPLIES - FIRE/EMS	36.40
WAL-MART	001726	UNIFORMS - FIRE/EMS	19.84
WAL-MART	005565	UNIFORMS - FIRE/EMS	126.18
WAL-MART	002060	SUPPLIES - FIRE/EMS	220.98

**Total: 20,841.14**

CHECKS RAN ON 12/20/19

26,227.22

CHECKS RAN ON 12/30/19 FOR CALENDAR YEAR END

111,274.31

(BREAKDOWNS FOR BOTH RUNS ATTACHED)

TOTAL FOR 1/6/2020 COUNCIL MEETING

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158,342.67

# INVOICE REGISTER

Page: 1/2

EXP CHECK RUN DATES 12/30/2019 - 12/30/2019

UNJOURNALIZED

OPEN - CHECK TYPE: PAPER CHECK

VENDOR	INVOICE #	DESCRIPTION	AMOUNT
AIRGAS USA LLC	9966550101	SUPPLIES - AMB DISP	20.70
AIRGAS USA LLC	9966558675	VEH MAINT - DPW	75.90
AIRGAS USA LLC	9095832339	SUPPLIES - AMB DISP	37.88
AIRGAS USA LLC	9096034229	SUPPLIES - PUBLIC WORKS	35.46
AIRGAS USA LLC	9096082849	SUPPLIES - AMB DISP	51.12
ALL-PHASE ELECTRIC	1026-602881	MAINT - LIGHTS	470.00
ALPENA AUTO ELECTRIC	58166	VEH MAINT #45/#74	475.00
ALPENA AUTO ELECTRIC	58180	VEH MAINT #74	385.00
ALPENA DIESEL SERVICE	62971	VEH MAINT - FIRE EQ	129.24
ALPENA DIESEL SERVICE	63414	VEH MAINT #47	161.28
ALPENA DIESEL SERVICE	63416	MAINT - FIRE/EMS	5.14
ALPENA DIESEL SERVICE	63376	VEH MAINT - DPW	72.98
ALPENA DIESEL SERVICE	63469	VEH MAINT #47	52.11
ALPENA DIESEL SERVICE	63473	VEH MAINT #94	114.49
ALPENA GLASS CO INC	391034	VEH MAINT - CAR 1	307.83
ALPENA MARKETPLACE PRODUCTIONS	100 12/19	TAPING FEES - COUNCIL MTG	450.00
ALPENA POWER COMPANY	123019	ELECTRIC	3,819.63
ANDREW MARCEAU	122219	MEAL REIMB/TRAVEL EXP - EMS	570.37
ANDREW WILLIAMS	122019	MEAL REIMB - EMS	51.82
BELLE TIRE	34326581	VEH MAINT - FIRE/EMS	435.96
BERG ASSESSING & CONSULTING INC	121919	ASSESSING CONTRACTED SVCS 01/20	6,250.00
BETTY CLARINGBOLE	AP19-7153C	AMBULANCE REFUND	44.00
BOUND TREE MEDICAL LLC	83442535	SUPPLIES - AMB DISP	502.97
BOUND TREE MEDICAL LLC	83442536	SUPPLIES - AMB DISP	6.99
BOUND TREE MEDICAL LLC	83443849	SUPPLIES - AMB DISP	71.99
CALGON CARBON CORPORATION	40001501	CARBON LEASE - WATER	37,404.48
CHARTER COMMUNICATIONS	5434 01/20	FAX LINE - PUBLIC SAFETY	39.99
CHARTER COMMUNICATIONS	0591 01/20	FAX LINE - CITY HALL	79.98
CHEMTRADE CHEMICALS US LLC	92793336	ALUMINUM SULFATE - WATER	4,424.31
DEAN ARBOUR FORD LINCOLN MERCURY	CM28818	VEH MAINT - FIRE/EMS	(80.00)
DEAN ARBOUR FORD LINCOLN MERCURY	29013	VEH MAINT - FIRE/EMS	472.34
DEAN ARBOUR FORD LINCOLN MERCURY	29039	VEH MAINT #34	559.26
DEAN RIVARD	102819	MEAL REIMB - EMS	132.17
EAGLE SUPPLY CO	113382	SUPPLIES - PW/PKS	155.00
ENVIRONMENTAL EXCAVATING &	19-0071	REPL SEWER SVCS - RIPLEY BLVD	540.00
EVERETT GOODRICH TRUCKING	30237	STORES - COLD PATCH	1,886.70
FASTENAL COMPANY	MIALP171808	VEH MAINT - DPW	96.55
GALLS LLC	014422866	UNIFORMS - FIRE/EMS	305.98
GALLS LLC	014433555	UNIFORMS - FIRE/EMS	166.74
GALLS LLC	014492228	UNIFORMS - POLICE	33.60
GALLS LLC	014522163	UNIFORMS - FIRE/EMS	36.15
GOVT FINANCE OFFICERS ASSN	122619	FIN REPORTING PROGRAM FEE	460.00
HEIGHTS TRUCK EQUIPMENT	1323	CARBIDE BLADES - EQUIP	10,559.04
HUMANA HEALTH CARE PLANS	AP19-6158	AMBULANCE REFUND	220.49
HURON ENGINEERING AND SURVEYING INC	3485	DENSITY TESTING - MERCHANT ST	130.00
INNOVYZE INC	190967637	GIS UTILITY SOFTWARE	4,105.00
INTERSTATE BATTERY SYSTEM INC	23418031	VEH MAINT - FIRE/EMS	134.95
INTERSTATE BATTERY SYSTEM INC	23418032	VEH MAINT #40	356.85
JAMES STACHLEWITZ	121519	MEAL REIMB - EMS	78.27
JASON ROUSE	121519	MEAL REIMB - EMS	200.79
JOHNSON CONTROLS	86378854	SUPPLIES - PUBLIC WORKS	29.64
MACARTHUR CONSTRUCTION INC	MERCH 2019-02	SEWER/WATER MAINS - MERCHANT ST	10,421.10
MCDONALD AUTO SUPPLY INC	919911	SUPPLIES - FIRE/EMS	88.63
MCDONALD AUTO SUPPLY INC	920085	MAINT - FIRE/EMS	71.37
MHR BILLING	3562	BILLING 11/19 - EMS	9,172.87
MICHAEL MANCHESTER	120819	MEAL REIMB - EMS	194.03
MICHIGAN PIPE & VALVE	T005395	STORES - FERNCO	72.00
MUNICIPAL CODE CORPORATION	00337663	ORDINANCE SUPPLEMENTS	1,600.83
PITNEY BOWES INC	1014520433	POSTAGE METER RENT 10-12/19	176.97
PRIORITY ONE EMERGENCY	70060561	UNIFORMS - FIRE/EMS	6.99
PRIORITY ONE EMERGENCY	70060562	UNIFORMS - POLICE	6.99
PRIORITY ONE EMERGENCY	70060761	UNIFORMS - FIRE/EMS	25.98
PVS TECHNOLOGIES INC	263696	FERROUS CHLORIDE - SEWER	3,585.81
R & R FIRE TRUCK REPAIR	56507	VEH MAINT - FIRE EQ	98.47
R & R FIRE TRUCK REPAIR	56508	VEH MAINT - DPW	270.07
R & R FIRE TRUCK REPAIR	56512	VEH MAINT - FIRE EQ	258.82
ROWLEYS WHOLESAL	1132024-00	VEH MAINT - DPW	90.57
ROWLEYS WHOLESAL	1132026-00	SUPPLIES - EQUIP	322.06
ROWLEYS WHOLESAL	1132028-00	VEH MAINT - DPW	12.98
RS TECHNICAL SERVICES INC	DB-1171	CHLORINE TRANSFER PUMP - WATER	1,132.87
SEVAN K INC	303 11/19	VEH MAINT - EQ/EMS	101.71

**INVOICE REGISTER**

Page: 2/2

EXP CHECK RUN DATES 12/30/2019 - 12/30/2019

UNJOURNALIZED

OPEN - CHECK TYPE: PAPER CHECK

VENDOR	INVOICE #	DESCRIPTION	AMOUNT
SEVAN K INC	313 11/19	VEH MAINT - POLICE	160.50
SIRCHIE FINGERPRINT LABORATORIES	0426874-IN	SUPPLIES - POLICE	70.00
STATE OF MICHIGAN	MIDEAL-44/20	EXTENDED PURCHASING FEE	180.00
STRALEY LAMP & KRAENZLEIN PC	30699	MONTHLY FEE 11/19	3,825.00
TERESA TOIVONEN	AP19-6238	AMBULANCE REFUND	25.00
TERMINAL SUPPLY CO	92153-00	VEH MAINT - DPW	57.10
THE UPS STORE 5054	121119	SHIPPING FEES	58.50
TIM SLOSSER	120319	MEAL REIMB/VEH MAINT - EMS	34.66
TRUCK & TRAILER SPECIALTIES	BSO008700	VEH MAINT - DPW	648.27
VERIZON CONNECT NWF INC	OSV1962891	VEHICLE TRACKER SVC 11/19 - EMS	37.90
WEST SHORE FIRE INC	20882	VEH MAINT - FIRE EQ	803.59
WITMER PUBLIC SAFETY GROUP	E1901228	UNIFORMS - FIRE/EMS	536.53

**Total: 111,274.31**

**INVOICE REGISTER**

Page: 1/1

EXP CHECK RUN DATES 12/20/2019 - 12/20/2019

UNJOURNALIZED

OPEN - CHECK TYPE: PAPER CHECK

<b>VENDOR</b>	<b>INVOICE #</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
ALPENA POWER COMPANY	122019	ELECTRIC	10,492.75
CB LIMITED	120219	SUPPLIES - CH/PSF	1,100.00
DTE ENERGY	122019	GAS	12,997.46
FRONTIER	2793 12/19	TELEPHONE - POL/FIRE/EMS	108.67
MICHIGAN MUNICIPAL EXECUTIVES	122019	2020 MEMBERSHIP DUES - MGR	70.00
TENURGY LLC	ALP-100	ELECTRIC RATE SAVINGS - WATER PLANT	172.83
VERIZON WIRELESS	9843905101	TELEPHONE	353.80
VERIZON WIRELESS	9843905102	TELEPHONE	931.71
<b>Total:</b>			<b>26,227.22</b>



# Memorandum



Date: December 26, 2019

To: Mayor Waligora and Municipal Council Members

From: Anna Soik, Clerk/Treasurer/Finance Director *AS*

Subject: Diane Bartz – waiver of penalty for summer taxes

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At the December 16<sup>th</sup> Council meeting, a gentleman by the name of Don Krajnik spoke during the public comment period about waiving the penalty on his 2019 summer tax bill. The property located at 311 E. Baldwin Street that he spoke of is in the name of Diane Bartz, who is Mr. Krajnik's wife. Ms. Bartz called our office in December stating that she did not receive a tax bill for the winter. It was at that time discovered that the summer 2019 taxes had not been paid and were mailed to an address on Wisner Street. The summer and winter tax bills were then mailed to her home on Baldwin Street. Mr. Krajnik came into the Clerk's office a couple of weeks ago stating that he refuses to pay any associated interest and penalty on the summer tax bill because he did not receive it until now. I contacted the Assessor, Allan Berg, to figure out what happened. He discovered that an employee in his office had put a forwarding address on the Bartz parcel in error in March 2019. This caused the tax bills for the Bartz property to be sent to the Wisner Street address. In discussion with Assessor Berg, he stated that there is nothing that can be done and the tax, along with interest and penalty, are due because per State law the local government is not required to send tax bills to property owners. Everyone who owns property knows that they owe summer and winter property taxes, regardless of receiving a tax bill. Assessor Berg does not, and neither does the Board of Review, have the authority to waive interest and penalty. I also called County Treasurer, Kim Ludlow, and discussed the issue with her. She said that the only thing that could possibly be done is to waive the penalty because that is imposed by the Council. She did caution, though, that if we waived the penalty for the Bartz parcel that this would set a precedence and

would open the "floodgates", so to speak, for other property owners wanting the penalty to be waived. The penalty due for the Bartz parcel is \$39.93.

As the result of conversations with Assessor Berg and Treasurer Ludlow, it is my recommendation to not waive the penalty as requested by Mr. Krajnik for the parcel owned by Diane Bartz (093-427-000-077-000).



# Memorandum

Date: December 30, 2019

To: Mayor and City Council Members

Copy: Rachel Smolinski, City Manager  
Anna Soik, City Clerk/Treasurer/Finance Director

From: Rich Sullenger, City Engineer 

Subject: Lease Agreement Renewal with Performance Locker

Performance Locker has leased the former Mich-E-Ke-Wis Warming Shelter for the past five years to operate their business from the facility. During that time frame we have had no issues with Performance Locker's operation, and they have donated the \$1,000 per year to the City as outlined in the previous lease agreement.

Prior to this renewal being developed, City staff did meet with Casey Stutzman of Performance Locker, to discuss modifications of the terms within the agreement. Resultant from these discussions, the following modifications were made:

- The term of the agreement would be for five years running through December 25, 2025.
- The first year of the renewal would remain at \$1,000 per month which is the same rate as year five of the previous agreement.
- Each subsequent year would be increased based on the Annual Proposal A rate of inflation index published by the State of Michigan in October of each year. The new rate shall be for the following January through December time frame. Any increase in rent shall be capped at 2% per year.
- An annual donation shall be presented to the City of Alpena for Mich-E-Ke-Wis park improvements with the amount to be \$1,000. This amount can be reduced by 50% based on Performance Locker's community participation such as, but not limited to, sponsoring a community parade, community events, etc. This was previously a flat \$1,000 amount.
- The reference to Performance Locker operating a cross country ski trail within the park was deleted as this has proved to be an infeasible option.

Based on our meetings with Performance Locker and the timeframe for any future improvements to Mich-E-Ke-Wis Park and the Warming Shelter, resultant from the master planning process we are currently undertaking, it is my recommendation, as City

Engineer, that City Council approve the lease agreement with Performance Locker for use of the Warming Shelter Building. The terms would be as outlined in the attached lease agreement.

## Attachments



AGREEMENT  
Between  
The CITY OF ALPENA  
And  
PERFORMANCE LOCKER, LLC

This agreement entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2020, between the City of Alpena and Performance Locker, LLC for the operation of a private enterprise within the Mich-e-ke-wis Warming Shelter and adjoining park areas located at US-23 South, Alpena, MI 49707. This agreement shall run from the date of signature through December 31, 2025. The agreement can be extended and/or the pricing modified upon both parties agreement and the execution of a contract amendment.

- I. Performance Locker, LLC through the life of this agreement or as amended shall have the right to:
  - a. Operate a sports and health facility within the Mich-e-ke-wis Warming Shelter and the common park areas adjacent to the Mich-e-ke-wis Warming Shelter. These activities shall strive to bring four season activities and use of the park. Operations shall be on a daily year round basis or as established by Performance Locker, LLC and approved by the City of Alpena.
  - b. Make improvements to the Mich-e-ke-wis Warming Shelter which may include but not be limited to:
    - i. Common area bathrooms: new countertops, sinks, lights.
    - ii. Concessions area: stove, dishwasher, stainless steel sink, faucet, countertops, wall cabinets, replace light cover, floor cover (to be placed overtop rubberized flooring).
    - iii. Locker Rooms: improved shower heads, repairs to shower tile, partition stalls around toilets, handicap railings in shower, glass partition walls in shower area, removal of one (1) inner partition wall in one (1) locker room segment, replace lights, floor cover (to be placed over top rubberized flooring).
    - iv. Other: air conditioning, minimal cosmetic improvements including paint and replacing light covers in hallway.
    - v. All improvements performed to the Mich-e-ke-wis Warming Shelter shall become the property of the City of Alpena at the termination of the agreement.
    - vi. All improvements performed to the Mich-e-ke-wis Warming Shelter shall be done with the approval of the City and under any construction permits as may be required by the various enforcing agencies.

II. Performance Locker, LLC:

- a. Shall be responsible for regular and routine maintenance, cleaning, and minor repairs to the facility or furnishings.
- b. May sub-lease or rent portions of the Mich-e-ke-wis Warming Shelter to other entities which support and enhance the primary goals of Performance Locker, LLC. Any sub-leasing or rental of space within the Mich-e-ke-wis Warming Shelter shall be with consent of the City of Alpena.
- c. Shall store equipment within the building. If outside storage is desired it shall be with written approval of the City.
- d. Shall maintain insurance as required by the operation and if required, as detailed in an attachment to this document, and within the amounts stipulated in those requirements throughout the life of the contract.
- e. Shall maintain any equipment installed in a good state of repair.
- f. Shall provide all needed and necessary safety equipment and training for any activities where warranted.
- g. Shall demonstrate the proper use of the equipment prior to use.
- h. Shall keep the area utilized for the outdoor activities clean and free of debris.

III. The City of Alpena:

- a. The City of Alpena shall be responsible for major repairs to the structure and permanently mounted accoutrements to the structure.

IV. Rent shall be as follows:

- i. \$1,000/month (including utilities or as amended) for the first year of the contract.
- ii. This payment shall be due in advance and by the 5<sup>th</sup> of each month.
- iii. The monthly rent amount shall be adjusted annually, for years two (2) through five (5), based on the Annual Proposal A rate of inflation index published by the State of Michigan in October of each year. The new rate shall be for the following January through December time frame. Any increase in rent shall be capped at 2% per year.

- iv. The cost associated with operation of the proposed new air conditioning system, if and when installed, will be borne by Performance Locker LLC based on the annual operation cost for the unit as established by the manufacturer.
  - v. These rates also include the investment that will be made in building improvements that will be retained by the City of Alpena following termination of the lease.
  - vi. An annual donation shall be presented to the City of Alpena for Mich-e-ke-wis park improvements with the amount to be \$1,000. This amount can be reduced by 50% based on Performance Locker's community participation such as, but not limited to, sponsoring a community parade, community events, etc.
- b. This payment shall be due in advance and by the 5<sup>th</sup> of each month.

V. Miscellaneous

- a. Any modifications, alterations, expansions, or deletion of services shall be coordinated with and approved by the City of Alpena.
- b. This agreement may be terminated by either party with 60 days written notice for cause and with a minimum 4 months advance notice without cause.
- c. It is the intent that outdoor gear may be rented to the public from the building.

Agreement Execution

IN WITNESS WHEREOF, the parties have made and executed this agreement, the day and year first above written.

City of Alpena  
OWNER

CONTRACTOR

By:  
Matthew J. Waligora, Mayor Date

By:  
Title

By:  
Anna M. Soik, City Clerk Date

By:  
Title

208 N. First Avenue  
Business Address

Business Address

Alpena, MI 49707  
City, State, Zip

City, State, Zip

William Pfeifer, City Attorney Date  
(approved as to form only)

Business Telephone Number

#### Contractor's Liability Insurance

Performance Locker, LLC, hereinafter referred to as contractor shall maintain at its own expense during the term of this Contract the insurance coverage(s) where indicated by an [X]:

A. [X] Workers Compensation Insurance:

1. Contractor shall maintain statutory workers compensation and employers liability insurance. Limits shall be no less than \$1,000,000 for bodily injury by accident or \$1,000,000 each employee for bodily injury by disease, and \$1,000,000 disease – policy limits.
2. [ ] U. S. Longshore and Harborworkers Compensation Act endorsement shall be attached to the policy, exposure on an “if any” basis.
3. Contractor waives all rights against the City of Alpena, its agents, public officials, employees, and volunteers for recovery of damages to the extent these damages are covered by workers compensation and employers liability insurance obtained by the Contractor.
4. If Contractor is self-insured for purposes of workers compensation, the Contractor must submit a copy of a current letter, permit, or



certification issued by the appropriate state agency.

B. [X] Commercial General Liability and Umbrella/Excess Liability Insurance:

1. Contractor shall maintain commercial general liability (CGL), and, if necessary, commercial umbrella/excess insurance with a limit of not less than \$2,000,000 each occurrence. If the CGL insurance contains a general aggregate limit, such limit shall apply separately to this project.
2. CGL insurance shall be written on ISO occurrence form or a substitute form providing equivalent coverage and shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract, including this contract and all contracts relative to this project.
3. City of Alpena shall be included as an additional insured under the CGL, using ISO additional insured endorsement CG 20 26 11/85, if available, or a substitute endorsement providing equivalent coverage, and under the commercial umbrella, if any. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance program afforded to the City of Alpena. **A copy of the endorsement shall be provided to the City prior to the execution of the contract.**
4. There shall be no endorsement or modification of the CGL insurance coverage limiting the scope of coverage for completed operations.
5. Contractor waives all rights against the City of Alpena and its agents, public officials, employees, and volunteers to the extent these damages are covered by the CGL or commercial umbrella liability maintained pursuant to this agreement.
6. Contractor shall maintain CGL and/or umbrella coverage with a limit of not less than \$2,000,000 each occurrence for at least 1 year following the substantial completion of the work. Continuing CGL insurance shall be written under the same terms and conditions as outlined above.

[X] Business Auto and Umbrella/Excess Liability Insurance:

1. Contractor shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit of not less than \$2,000,000 each accident.

2. Such insurance shall cover liability arising out of any auto, including owned, non-owned, and hired.
3. Business auto coverage shall be written on ISO form CA 00 01, CA 00 12, CA 00 20, as it may pertain, or substitute forms providing equivalent coverages. If necessary, the policy shall be endorsed to provide for contractual liability coverage, including defense costs arising out of the assumed contractual obligations.
4. City of Alpena shall be included as an additional insured under the Business Auto Policy, and under the commercial umbrella, if any.
5. Business auto policy shall be endorsed to provide statutory Michigan No-Fault coverages.
6. Contractor waives all rights against the City of Alpena and its agents, public officials, employees, and volunteers for recovery of damages to the extent these damages are covered by the business auto liability or commercial umbrella/excess insurance obtained pursuant to this agreement.

D. [ ] Builder's Risk Insurance:

1. Contractor shall purchase and maintain builder's risk insurance on the entire project. Such insurance shall be written in an amount equal to the contract sum. Insurance shall be written on a replacement costs basis. All approved change orders must be accompanied by an increase in the builder's risk limit of insurance at the time the change order is approved.
2. The insurance shall name as insureds the Owner, General Contractor, Construction Manager, and all contractors and subcontractors undertaking the work. The insurance shall contain a provision that the insurance shall not be cancelled or allowed to expire until at least 30 days' prior written notice has been given to the City of Alpena.
3. The insurance shall cover the entire work at the site identified in this agreement, including reasonable compensation for architect's fees made necessary by an insured loss. Insured property shall include property on the site but not yet a part of the building, portions of the work located away from the site but intended for use at the site, and shall also cover portions of the work in transit. The policy shall include as insured property scaffolding and temporary buildings located at the site. The policy shall cover the cost of removing debris, including demolition as may be legally made necessary by operation

of building laws and ordinances.

4. Contractor shall purchase and maintain boiler and machinery insurance, BM 0031 or an equivalent coverage form, required by the contract documents. Object definitions no. 6 – Comprehensive Coverage (including production machinery) should be used or an equivalent form of coverage designation. The insurance shall name as insured the Owner, General Contractor, Construction Manager, and all contractors and subcontractors undertaking the work.
5. The insurance required in this section shall be written to cover “all risk” of physical loss except those specifically excluded in the policy.

E. All the above insurance policies shall contain the following wording:

“It is agreed that this insurance shall not be canceled, materially changed, or non-renewed without at least a thirty (30) day written notice to the City of Alpena at their principal mailing address.”

F. Insurance Company Approval and Certificates of Insurance:

Insurance Companies, additional insured endorsements, and policy forms shall be subject to the approval of the City of Alpena. Such approval shall not be unreasonably withheld. Contractor shall furnish the City Clerk of the City of Alpena with certificates of insurance or a certified copy of the policy if requested by the City Clerk.

II. HOLD HARMLESS CLAUSE

The Contractor shall defend, pay on behalf of, and hold harmless the City of Alpena, its employees, agents, public officials, and volunteers from and against any and all losses, damages, expenses, claims, suits, and demand of whatever nature resulting from damages or injuries, including death, to any persons or property, and including any claim for losses incurred by reason of project delay, impact (soft) costs, or other intangible losses that might result from Contractor’s late or defective performance, caused by or arising out of any action, omission, or operation performed in connection with work attributable to the Contractor, any Sub-contractor, any Sub-subcontractor, any material men, any of their respective employees, agents, servants, or representatives; provided, however, the Contractor shall not be required to indemnify the City of Alpena, its employees, agents, public officials, and volunteers for any damages or injuries, including death, to any person or property caused solely and exclusively by the negligence of the City of Alpena, its employees, public officials, and volunteers.



**ALPENA**  
Public Schools



6.D.

**Lorie Kneeshaw, Administrative Asst. to the Superintendent  
and Secretary to the Board of Education**

2373 Gordon Road, Alpena, MI 49707

Phone: 989-358-5042 Fax: 989-358-5041 Email: [kneeshawl@alpenaschools.com](mailto:kneeshawl@alpenaschools.com)

November 20, 2019

Ms. Anna Soik  
City of Alpena Clerk  
208 North First Avenue  
Alpena, MI 49707

Dear City of Alpena Clerk:

Enclosed is a copy of a resolution adopted by the Board of Education of the Alpena Public Schools of Alpena and Presque Isle Counties. The Board, pursuant to statute, has determined to impose a summer property tax levy in 2020 of 100 percent of school district property taxes, including debt service.

Adoption of this resolution allows the District to collect summer taxes provided the details can be worked out with the taxing units; and therefore, the Board has adopted such resolution for many years as a matter of course. It does not obligate you to collect summer taxes.

We recognize these are difficult economic times for all local governments, and that it may not be feasible given our budgetary constraints, as well as yours, to come to an agreement that is mutually beneficial. However, if the City of Alpena is interested in pursuing an agreement this year, please contact the Board in care of the undersigned for the purpose of negotiating an agreement for reasonable expenses of collecting the District's summer tax levy. If the City of Alpena does not agree to collect the District's summer tax levy, please notify the Board of Education in care of the undersigned by December 31, 2019 either by letter or e-mail correspondence.

Sincerely,

Lorie Kneeshaw  
Secretary to the Board of Education

Enclosure: APS Annual Summer Tax Resolution

Annual Summer Tax Resolution

Alpena Public Schools (the "District")

A regular meeting of the board of education of the District (the "Board") was held in the Gerry Ludwig Board Room, 2373 Gordon Road, Alpena, MI 49707, within the boundaries of the District, on the 18 day of November, 2019, at 5:30 o'clock in the p.m.

The meeting was called to order by Gordon Snow, President.

Present: Members Shafto, Barnett, Heath, Donajkowski, Parr, and Snow

Absent: Members Hilberg

The following preamble and resolution were offered by Member Barnett and supported by Member Donajkowski:

**WHEREAS**, this Board previously adopted a resolution to impose a summer tax levy to collect 100% of annual school property taxes, including debt service, upon property located within the District and continuing from year-to-year until specifically revoked by the Board.

**NOW, THEREFORE, BE IT RESOLVED THAT:**

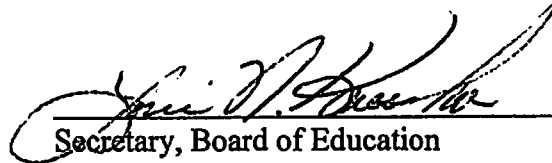
1. The Board, pursuant to 1976 PA 451, as amended (the Revised School Code), invokes for 2020 its previously adopted ongoing resolution imposing a summer tax levy of all of annual school property taxes, including debt service, upon property located within the District and continuing from year-to-year until specifically revoked by the Board and requests that each city and/or township in which the District is located collect those summer taxes.
2. The Superintendent or designee is authorized and directed to forward to the governing body of each city and/or township in which the District is located a copy of this Board's resolution imposing a summer property tax levy on an ongoing basis and a copy of this resolution requesting that each such city and/or township agree to collect the summer tax levy for 2020 in the amount specified in this resolution. Such forwarding of the resolutions and the request to collect the summer tax levy shall be performed so that they are received by the appropriate governing bodies before January 1, 2020.
3. Pursuant to and in accordance with Section 1613(1) of the Revised School Code, the Superintendent or designee is authorized and directed to negotiate on behalf of the District with the governing body of each city and/or township in which the District is located for the reasonable expenses for collection of the District's summer tax levy that the city and/or township may bill under MCL 380.1611 or MCL 380.1612. Any such proposed agreement shall be brought before this Board for its approval or disapproval.

4. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same are hereby rescinded.

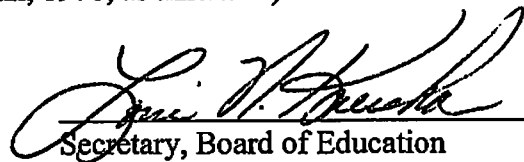
Ayes: Members Barnett, Heath, Donajkowski, Parr, Shafto, and Snow

Nays: Members [None]

Resolution declared adopted.

  
Secretary, Board of Education

The undersigned duly qualified and acting Secretary of the Board of Education of Alpena Public Schools, Alpena and Presque Isle Counties, hereby certifies that the foregoing constitutes a true and complete copy of a resolution adopted by the Board at a regular meeting held on November 18, 2019, the original of which is part of the Board's minutes. The undersigned further certifies that notice of the meeting was given to the public pursuant to the provisions of the "Open Meetings Act" (Act 267, Public Acts of Michigan, 1976, as amended).

  
Secretary, Board of Education

# CITY OF ALPENA, MICHIGAN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2019

### **City Council**

Matt Waligora, Mayor

Cindy Johnson, Mayor Pro-Tem

Susan Nielsen, Council Member

Mike Nowak, Council Member

Amber Hess, Council Member

### **City Manager**

Greg E. Sundin

### **Financial Officer**

Anna M. Soik

### **Prepared by:**

City Clerk/Treasurer/Finance Director's Office

## TABLE OF CONTENTS

### CITY OF ALPENA, MICHIGAN

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

	<b><u>Page</u></b>
<b>I. INTRODUCTORY SECTION</b>	
A. Letter of Transmittal	3
B. GFOA Certificate of Achievement for Excellence in Financial Reporting	25
C. Organizational Chart	26
D. Administrative Staff	27
<b>II. FINANCIAL SECTION</b>	
A. Independent Auditor's Report	31
B. Management's Discussion and Analysis (required supplementary information)	33
C. Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	47
Statement of Activities	48
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	50
Reconciliation of the Balance Sheet - Governmental Funds to the Government-Wide Statement of Net Position	53
Statement of Revenues, Expenditures, and Changes in Fund Balances	54
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-Wide Statement of Activities	57
Proprietary Fund Financial Statements	
Statement of Net Position	
Business-type Activities - Enterprise Funds	
Governmental Activities - Internal Service Funds	58
Statement of Revenues, Expenses, and Changes in Net Position	
Business-type Activities - Enterprise Funds	
Governmental Activities - Internal Service Funds	60
Statement of Cash Flows	
Business-type Activities - Enterprise Funds	
Governmental Activities - Internal Service Funds	62
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	66
Statement of Changes in Fiduciary Net Position	67
Component Units Financial Statements	
Statement of Net Position	68
Statement of Activities	70



	<b><u>Page</u></b>
Notes to Financial Statements	72
<b>D. Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	117
Budgetary Comparison Schedule – Major Street Fund	119
Notes to Required Supplemental Information	120
Defined Benefit Pension System Trust – Schedule of Changes in the Net Pension Liability and Related Ratios	122
Defined Benefit Pension System Trust – Schedule of Contributions and Actuarial Assumptions	124
Defined Benefit Pension System Trust – Schedule of Investment Returns	125
Other Post Employment Benefits (OPEB) – Schedule of Changes in the Net OPEB Liability and Related Ratios	126
Other Post Employment Benefits (OPEB) – Schedule of Contributions and Actuarial Assumptions	127
<b>E. Other Financial and Supplemental Information</b>	
Non-Major Governmental Funds	
Combining Balance Sheet	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	134
Budgetary Comparison Schedule – Non-Major Governmental Funds	137
Internal Service Funds	
Combining Statement of Net Position	142
Combining Statement of Revenues, Expenses and Changes in Net Position	143
Combining Statement of Cash Flows	144
General Fund	
Comparative Balance Sheet	147
Comparative Schedule of Revenues, Expenditures and Fund Balances - Budget and Actual	148
Sewage Fund	
Comparative Schedule of Net Position	155
Comparative Schedule of Revenues, Expenses and Changes in Net Position	156
Comparative Schedule of Cash Flows	158
Water Fund	
Comparative Schedule of Net Position	161
Comparative Schedule of Revenues, Expenses and Changes in Net Position	162
Comparative Schedule of Cash Flows	164
Fiduciary Funds	
Combining Statement of Net Position	168
Combining Statement of Changes in Net Position	169
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	170

Component Units - Fund Based Statements	
Downtown Development Authority No. 2	172
Downtown Development Authority No. 5	174
Brownfield Redevelopment Authority	176
Economic Development Corporation	178

### **III. STATISTICAL SECTION (Unaudited)**

#### Table

##### **Financial Trends**

1	Net Position by Component	182
2	Changes in Net Position	184
3	Fund Balances of Governmental Funds	188
4	Changes in Fund Balances, Governmental Funds	190

##### **Revenue Capacity**

5	Assessed and Estimated Actual Value of Taxable Property	192
6	Property Tax Levies and Collections	192
7	Direct and Overlapping Property Tax Millage Rates	194
8	Principal Taxpayers – Top Ten	196

##### **Debt Capacity**

9	Ratios of Outstanding Debt by Type	198
10	Ratios of General Bonded Debt Outstanding	198
11	Legal Debt Margin Information	200
12	Computation of Direct and Overlapping Debt	202

##### **Demographic and Economic Information**

13	Demographic and Economic Statistics	203
14	Principal Employers	204

##### **Operating Information**

15	Full-time Equivalent City Government Employees by Function	206
16	Operating Indicators by Function	206
17	Capital Assets Statistics by Function	208
18	Miscellaneous Statistics	210

# **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](http://www.alpena.mi.us)

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***Clerk/Treasurer***

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December 27, 2019

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, 2019. 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, 2019.

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, 2019. The independent auditor's report is located at the front of the financial section of the CAFR.

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

### **PROFILE OF THE CITY OF ALPENA**

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

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

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

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

The unemployment level decreased from 4.1% in 2018 to 3.3% in 2019.

School enrollment has been fairly steady until 2011 when it increased to 1,627 but then dropped to 1,232 in 2013. It steadily increased or remained steady through 2017 to 1,474. In 2019, enrollment decreased to about 1,390.

There are 2,843 workers employed by the principal employers in the City with the largest percentage employed by MidMichigan Medical Center, followed by Alpena Public Schools, Northeast Michigan Community Mental Health, and LaFarge North America/Midwest, Inc.

The taxable value of real property in the City for tax year 2018 was \$213,143,284 and personal property was \$26,630,000 for a total taxable value of \$239,773,284. The real property values slightly increased from the tax year 2017 value of \$209,249,826, and the personal property decreased from the taxable value of \$28,542,800. The total taxable value for tax year 2018 was \$239,773,284, which results in a difference of \$1,980,658 more than 2017.

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

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

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

Economic conditions in the City of Alpena are slowly improving, but challenges still exist. Revenue sharing from the State has increased since the cuts following the 2008 downturn, however, is still well below previous levels. City staffing remains lower than historic (pre-2008) levels. The local real estate market has shown small incremental gains in the last several years, which is expected to continue into 2020.

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

Alpena is actively preparing to accommodate a large and growing elderly population. The area's natural resources, friendly small-town atmosphere, cultural and continuing education opportunities, and quality medical care facilities all provide an exceptional quality of life. Several facilities geared toward senior housing have been completed in the last several years and prospects for further such development are promising. Besser Senior Living Community will be completed in early 2020 and will include 48 assisted living units. This facility will be located at 325 Johnson Street next to the Besser Museum. This project is a \$7 million investment and will create 20 jobs.

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

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. This park, named the "Commerce Industrial Park", has 6 lots available for development. Currently, 8 lots have been sold.

The City continues in its effort to sell and develop the 100-acre US 23 North property across from North Industrial Park. 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 thirty-one (31) 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.

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

The City is currently working with the MEDC on obtaining a public facility grant that would allow construction of infrastructure improvements surrounding the NOAA facility located at 500 W. Fletcher

Street. These improvements include a playground, pavilions, sports courts and trail improvements. This grant is expected to be finalized in 2020.

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

Additional façade work has occurred on a smaller scale with the DDA issuing 4 façade grants annually; which provide a \$5,000 grant with \$5,000 of match required for work done on facades of various buildings across town within the DDA district. The City has worked in partnership with the property owner of 109 and 111 River Street to secure a Community Revitalization Program Grant from the MEDC for the rehabilitation of those buildings which will result in the opening of a new downtown restaurant and five additional new downtown apartment units in 2020.

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 23<sup>rd</sup> 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 twelfth Service Agreement between the City and Target Alpena has been executed and went into effect July 1, 2019. 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 addition to just working within the City limits, Target Alpena has actively worked in recruiting larger commercial stores, which may be too large for locations within the City. In 2015, a Meijer store located on M-32, opened which provided 280 new jobs to the area. These new jobs serve to support population growth with many of the employees living within the City of Alpena and utilizing the downtown for entertainment purposes. In addition, the former Kmart building has been in the process of being repurposed to allow for industrial use.

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.



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.

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.

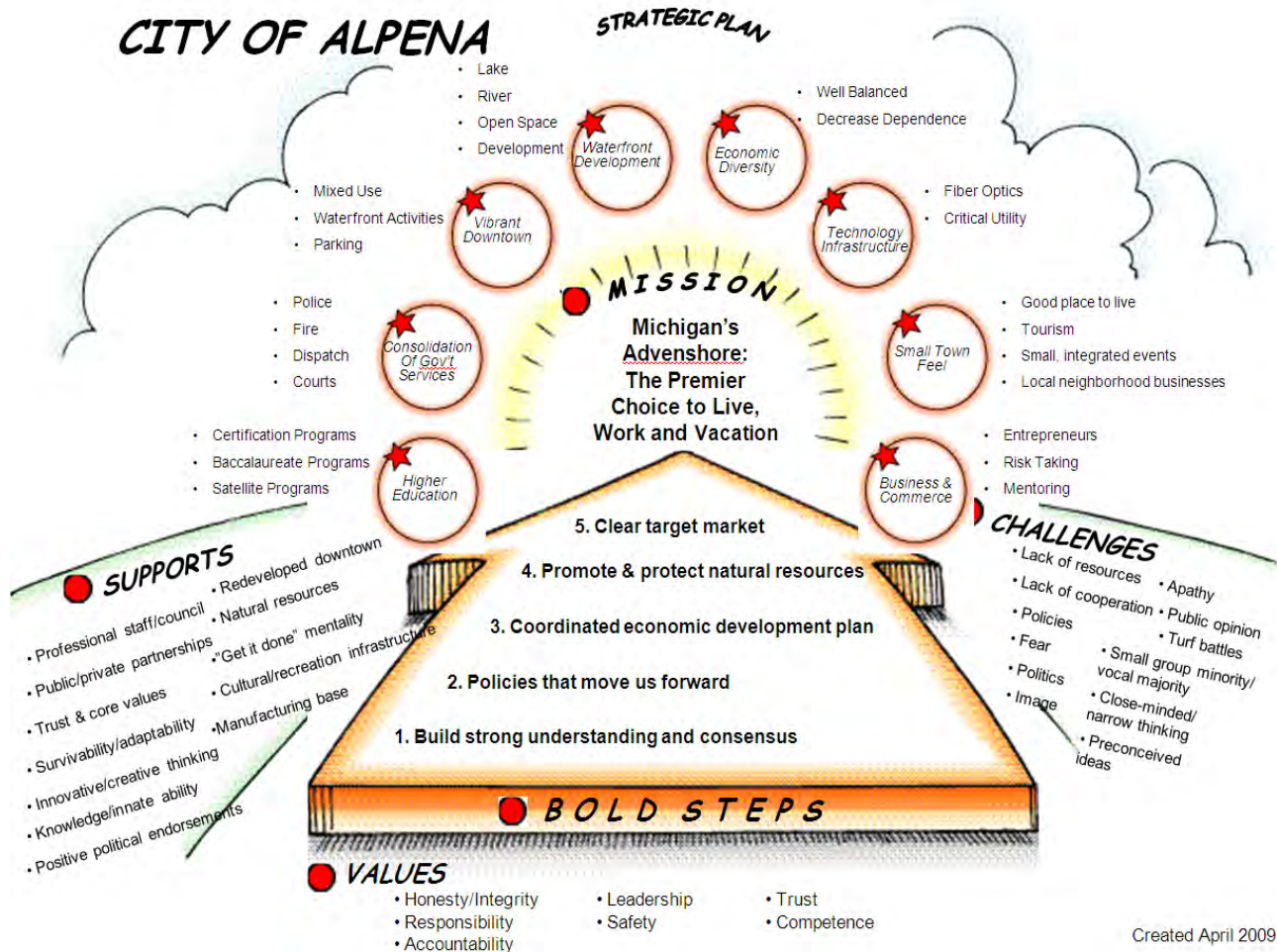
Northland Area Federal Credit Union's new corporate headquarters began construction in 2018 in the City of Alpena. The building will be a four (4) story, 58,000 square foot structure, located at 1161 N. Bagley Street. Construction should be complete in early 2020.



## 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.

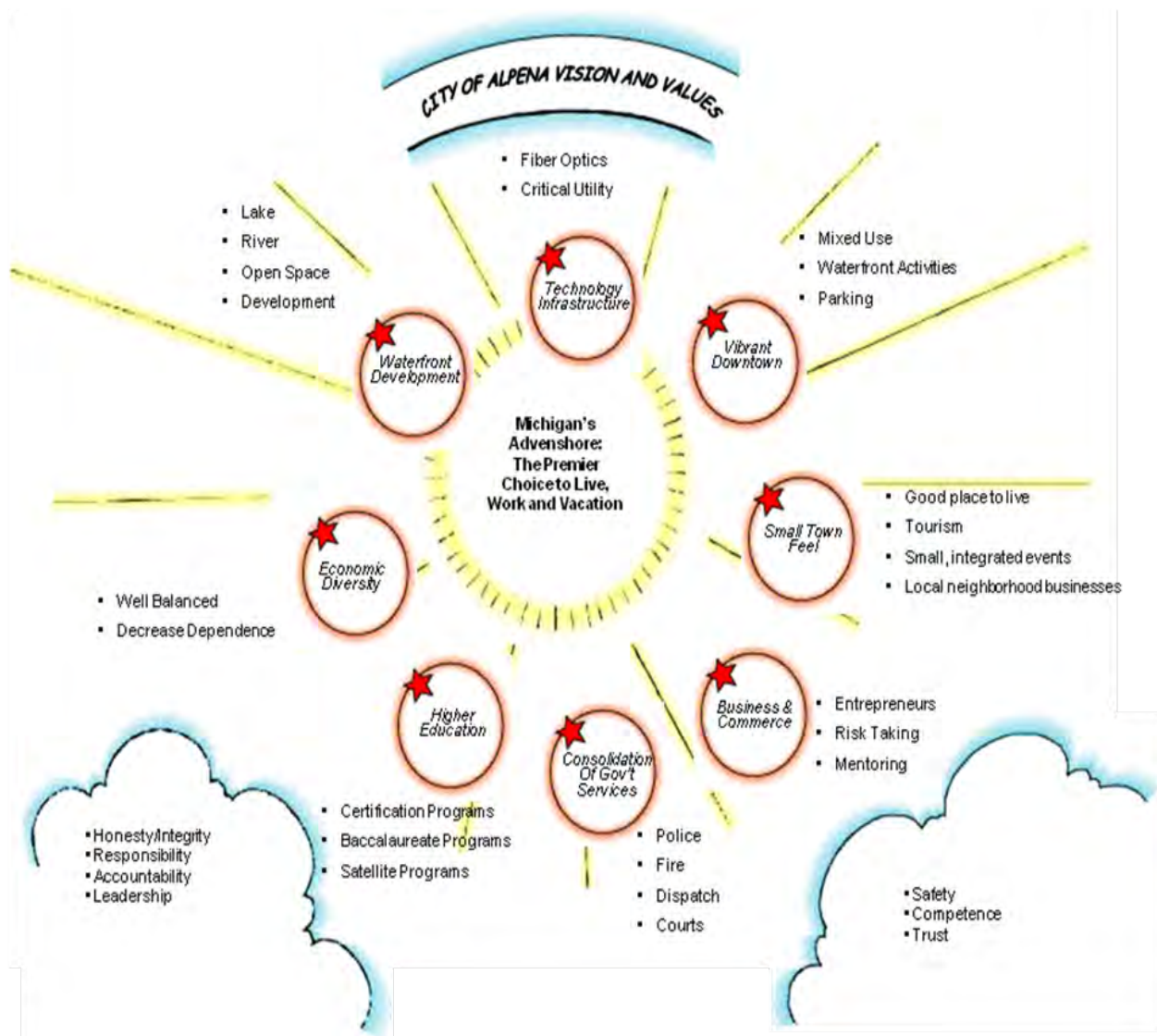
### **As a City ...**

- 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

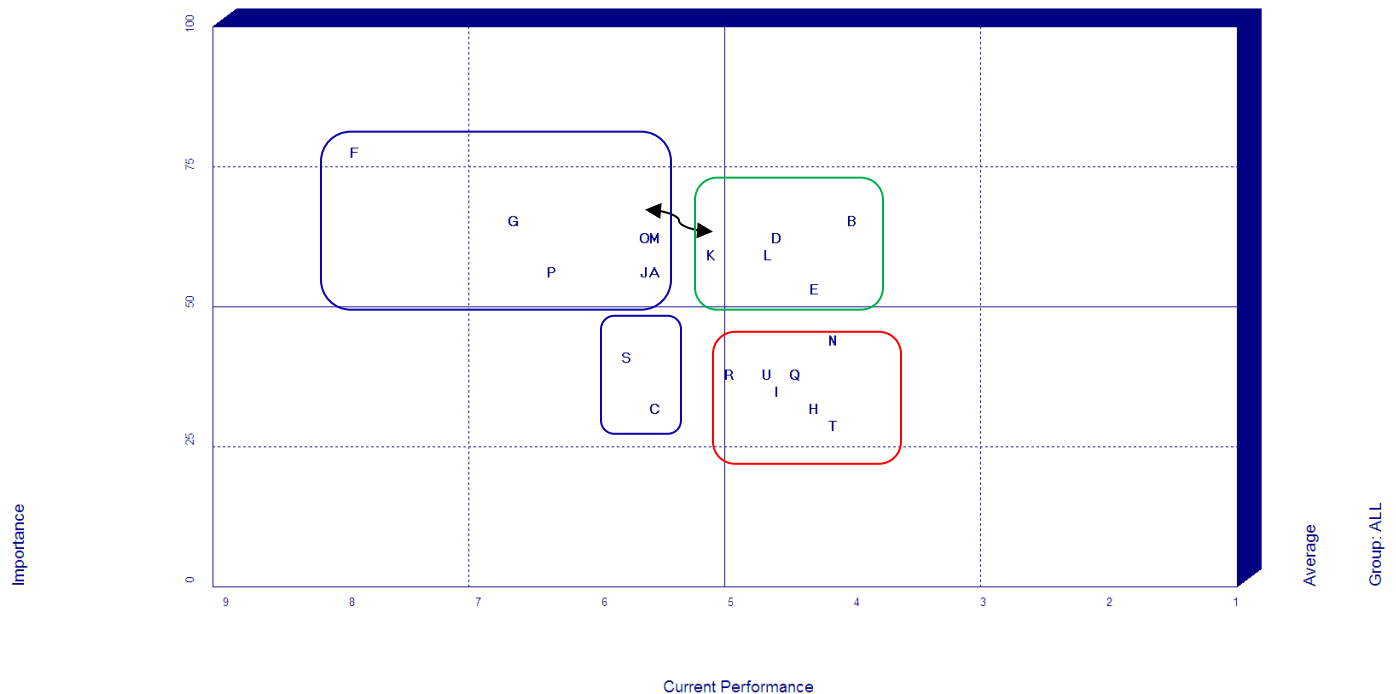
## Strategic Rankings

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)

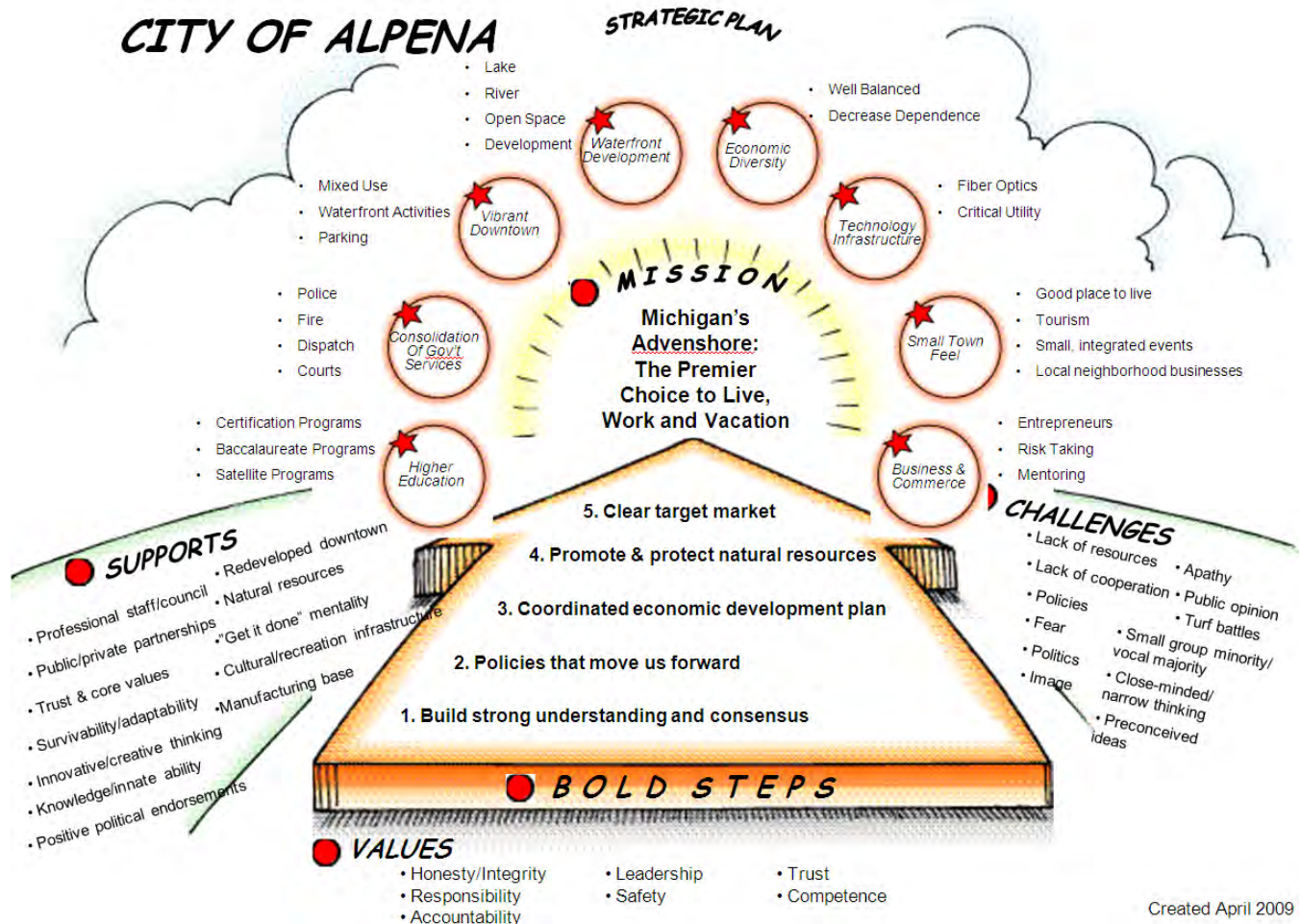
## **Mid-Term Opportunities (24-36 months)**

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.



## 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

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

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

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

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

### Policies that Move Us Forward

<b>WHO:</b>	City Attorney, Appropriate Staff, Council, Community
<b>What:</b>	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
<b>When:</b>	Review within 180 days  Rewrite within 180 days after review is completed  Coordinate charter revisions with scheduled elections
<b>Measurements:</b>	When adopted or approved by Council  When passed by the electorate

### Coordinated Economic Development Plan/Strategy

<b>WHO:</b>	Area wide economic development process. Council, staff, citizens  DDA, Target, CVB, business community
<b>What:</b>	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
<b>When:</b>	Need to begin immediately – establish within 6-9 months  Zoning done by August/September 2009
<b>Measurements:</b>	Zoning completed

## Promote Natural Resources

<b>WHO:</b>	City council, DDA, CVB, individual citizens, very involved peer groups
<b>What:</b>	<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>
<b>When:</b>	<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>
<b>Measurements:</b>	<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

<b>WHO:</b>	MDEQ, EPA, Large/small industry, private citizens, council, other environmental protection agencies
<b>What:</b>	<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>
<b>When:</b>	<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>
<b>Measurements:</b>	<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

<b>WHO:</b>	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
<b>What/When:</b>	<p>Co-champions</p> <ul style="list-style-type: none"><li>• Staff, elected</li><li>• 30 days</li></ul> <p>Create / invite / organize the “Kings &amp; Queens” meeting in a workshop type session. Outside facilitator.</p> <ul style="list-style-type: none"><li>• Review recent plans</li><li>• Brainstorm what we want Alpena to be – 120 days</li></ul> <p>Identify opportunities for target market – create public input forum</p>
<b>Measurements:</b>	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

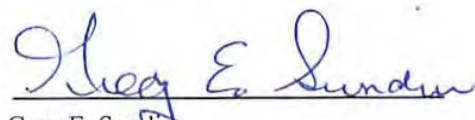
**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alpena for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A *Certificate of Achievement* is valid for a period of one year only. The City of Alpena has received a *Certificate of Achievement* for the last twenty-five consecutive years (fiscal years ended June 30, 1994 through 2018). We believe our current report continues to conform to the *Certificate of Achievement* program requirements, and we are submitting it to GFOA.

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

Respectfully submitted,

  
Greg E. Sundin  
City Manager

  
Anna M. Soik  
City Clerk/Treasurer/Finance Director



Government Finance Officers Association

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

Presented to

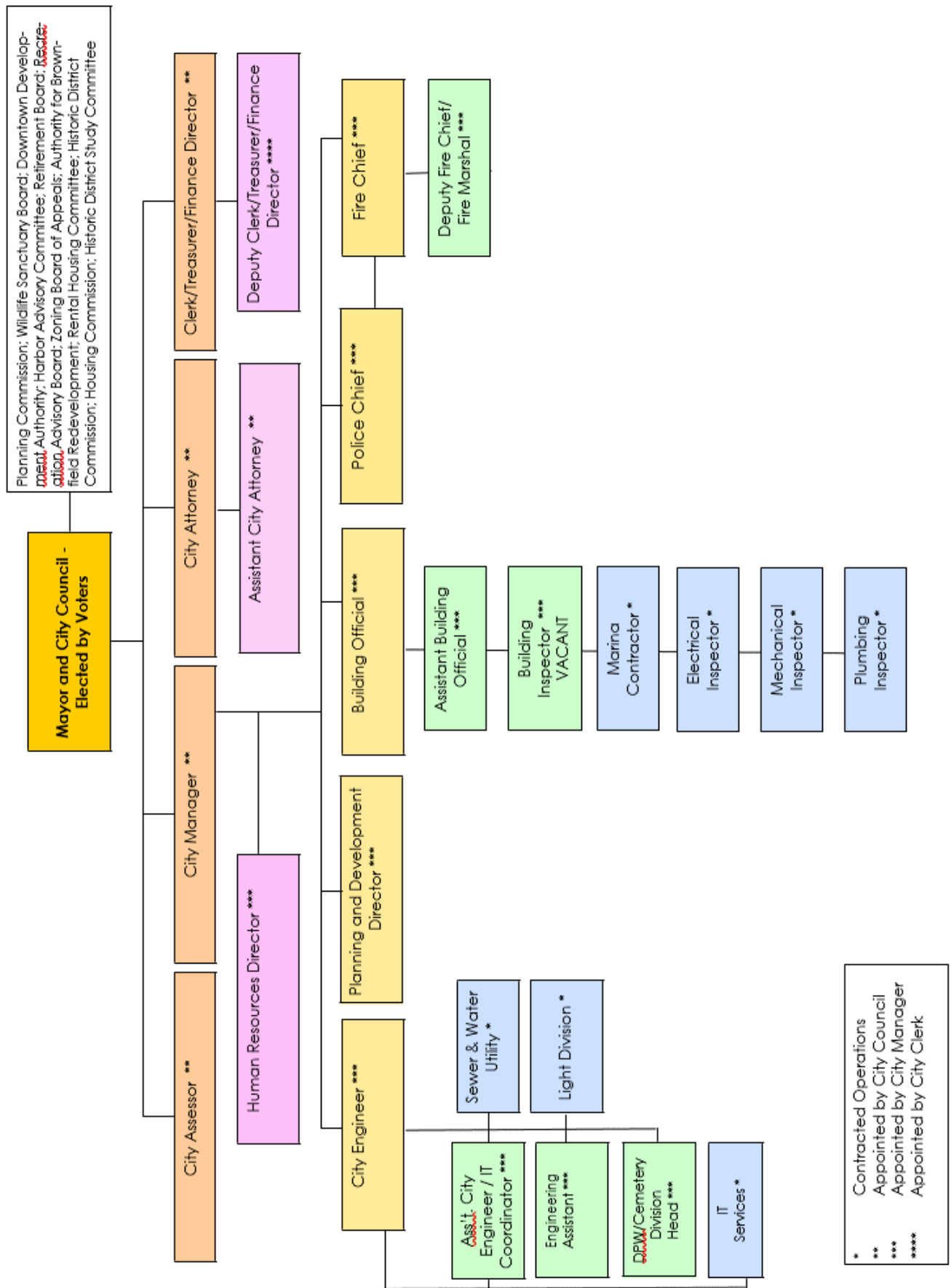
**City of Alpena  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



## **ADMINISTRATIVE STAFF**

### **City Council Appointees**

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

### **City Manager Appointees**

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

### **Division Heads**

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

### **The Financial Section Contains:**

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





## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan (the "City") as of and for the year ended June 30, 2019, 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, 2019 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***

### ***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 27, 2019 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Straley Lamp & Kraenzlein P.C.*

December 27, 2019

## CITY OF ALPENA

### Management's Discussion and Analysis

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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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-22 of this report.

#### Financial Highlights

- The total assets of the City of Alpena are \$72,976,720, composed of \$58,815,279 in capital assets and \$14,161,441 in other assets. The total deferred outflows of resources is \$916,259. Total liabilities are \$17,112,983, composed of \$16,007,533 in long-term liabilities and \$1,105,450 in current liabilities. Total deferred inflows of resources for the City are \$1,876,373.
- The total net position for the City is \$54,903,623 (*net position*). Of this amount, \$(803,657) is unrestricted, of which \$(6,765,494) relates to governmental activities and \$5,961,837 relates to business-type activities.
- The City of Alpena's primary government total net position increased by \$1,791,251. This was the result of negative net changes in position of \$174,729 in the governmental activities and positive net changes in position of \$1,965,980 in business-type activities.
- The City of Alpena provided services of \$13,914,389 in governmental activities and \$4,539,730 of business-type activities for expenses totaling \$18,454,119 during the year ended June 30, 2019.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$5,483,697, an increase of \$53,588 in comparison with the prior year. Approximately 46.6% of the combined ending fund balance is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,554,668, or 27.2% of total General Fund expenditures and transfers to other funds, in comparison to \$2,420,083 at the close of the prior year, an increase of \$134,585.
- The City's total outstanding long-term debt obligations decreased by \$1,403,555 from the prior year. Total debt obligations at June 30, 2019 were \$16,564,206 consisted of bonds and loans of \$5,362,604, compensated absences of \$339,412, a net pension obligation of \$7,439,070; and a net OPEB obligation of \$3,423,120.

#### 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

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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, 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

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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 72-116 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 117-127 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 129-179 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 exceeded liabilities by \$54,903,623 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	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 8,062,884	\$ 7,972,050	\$ 6,098,557	\$ 5,767,838	\$ 14,161,441	\$ 13,739,888
Capital assets	30,486,672	30,346,737	28,328,607	27,427,817	58,815,279	57,774,554
Total assets	38,549,556	38,318,787	34,427,164	33,195,655	72,976,720	71,514,442
<b>Deferred outflows of resources</b>	916,259	969,114	-	-	916,259	969,114
<b>Liabilities</b>						
Current liabilities	665,762	1,044,368	439,688	809,159	1,105,450	1,853,527
Noncurrent liabilities	12,138,714	12,710,151	3,868,819	4,233,819	16,007,533	16,943,970
Total liabilities	12,804,476	13,754,519	4,308,507	5,042,978	17,112,983	18,797,497
<b>Deferred inflows of resources</b>	1,876,373	573,687	-	-	1,876,373	573,687
<b>Net position</b>						
Net investment in capital assets	29,357,887	29,130,937	24,094,788	22,568,997	53,452,675	51,699,934
Restricted	2,193,935	3,035,026	62,032	350,631	2,255,967	3,385,657
Unrestricted (deficit)	(6,766,856)	(7,206,268)	5,961,837	5,233,049	(805,019)	(1,973,219)
Total net position	\$24,784,966	\$24,959,695	\$30,118,657	\$28,152,677	\$54,903,623	\$53,112,372

By far the largest portion of the City of Alpena's net position \$53,452,675 (97.4%) 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 \$2,255,967 (4.1%) represents resources that have restrictions on how they may be used, (e.g. bond payments, perpetual lot care). The deficit of \$805,019 in the unrestricted net position is primarily due to the net pension and OPEB liabilities.

# CITY OF ALPENA

## Management's Discussion and Analysis

### City of Alpena's, Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,416,771	\$ 4,422,872	\$ 6,482,366	\$ 6,207,436	\$10,899,137	\$10,630,308
Operating grants and contributions	2,515,409	2,758,757	-	-	2,515,409	2,758,757
Capital grants and contributions	1,072,018	191,778	-	-	1,072,018	191,778
General revenues:						
Property taxes	3,800,880	3,760,951	-	-	3,800,880	3,760,951
State shared	1,832,274	1,689,706	-	-	1,832,274	1,689,706
Investment earnings	101,808	43,855	23,344	179,355	125,152	223,210
Miscellaneous	500	45	-	-	500	45
Total revenues	<u>13,739,660</u>	<u>12,867,964</u>	<u>6,505,710</u>	<u>6,386,791</u>	<u>20,245,370</u>	<u>19,254,755</u>
<b>Expenses</b>						
General government	3,245,641	3,357,377	-	-	3,245,641	3,357,377
Public safety	6,495,399	6,533,086	-	-	6,495,399	6,533,086
Public works	3,557,186	3,338,349	-	-	3,557,186	3,338,349
Recreation and culture	583,812	990,632	-	-	583,812	990,632
Interest on long-term debt	32,351	34,090	-	-	32,351	34,090
Sewage	-	-	2,375,778	2,526,104	2,375,778	2,526,104
Water	-	-	2,163,952	2,297,564	2,163,952	2,297,564
Total expenses	<u>13,914,389</u>	<u>14,253,534</u>	<u>4,539,730</u>	<u>4,823,668</u>	<u>18,454,119</u>	<u>19,077,202</u>
Change in net position before special item	(174,729)	(1,385,570)	1,965,980	1,563,123	1,791,251	177,553
Special item - revenue adjustment	-	-	-	(1,777,046)	-	(1,777,046)
<b>Change in net position</b>	(174,729)	(1,385,570)	1,965,980	(213,923)	1,791,251	(1,599,493)
<b>Net position - beginning</b>	<u>24,959,695</u>	<u>26,345,265</u>	<u>28,152,677</u>	<u>28,366,600</u>	<u>53,112,372</u>	<u>54,711,865</u>
<b>Net position - ending</b>	<u>\$24,784,966</u>	<u>\$24,959,695</u>	<u>\$30,118,657</u>	<u>\$28,152,677</u>	<u>\$54,903,623</u>	<u>\$53,112,372</u>

The City of Alpena's net position increased \$1,791,251 during the current fiscal year. Key elements of this increase are as follows:

Governmental activities experienced a decrease in net position during the current fiscal year of \$174,729 while business-type activities had a positive change of \$1,965,980.

## CITY OF ALPENA

### Management's Discussion and Analysis

The revenues of governmental activities increased by \$871,696 for the current fiscal year. Revenue for capital grants and contributions, property taxes, and state revenue sharing (CVTRS) increased. The CVTRS has increased the last 6 out of 7 fiscal years. The City received a modest increase in revenue sharing of \$142,568 in 2019 than 2018. The largest revenue increase was capital grants and contributions, increasing \$880,240 from the prior fiscal year. This was due to a large grant received to update infrastructure within the City.

Governmental activities expenses decreased by \$339,145 in 2019 from the previous year. The largest decrease, \$406,820, was in the recreation and culture department, which experienced higher than normal expenses in the prior fiscal year due to repairs on the North Riverfront walkway. Other decreases were in the public safety and general government departments. The public works department had an increase of \$218,837 in expenses as compared to last year. This was due to an increase in depreciation on capital assets.

Across all departments the cost of the post-retirement health insurance paid into the fund was 6% of budgeted payroll. This was increased to 7% for fiscal year 2019-20.

The net cost of services for governmental activities decreased \$969,936 from the 2017-18 fiscal year's net cost of \$6,880,127. Revenue increased from 2017-18 by \$630,791 primarily due to public works. Expenses decreased \$339,145 which was attributed mainly to recreation and culture.

#### Cost of Services – Governmental Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2019	2018	2019	2018	2019	2018
Functions/Programs:						
General government	\$ 3,245,641	\$ 3,357,377	\$ 1,989,871	\$ 1,945,789	\$ 1,255,770	\$ 1,411,588
Public safety	6,495,399	6,533,086	2,935,620	2,950,396	3,559,779	3,582,690
Public works	3,557,186	3,338,349	2,913,627	2,028,258	643,559	1,310,091
Recreation and culture	583,812	990,632	165,080	448,964	418,732	541,668
Interest on long-term debt	32,351	34,090	-	-	32,351	34,090
Total expenses	<u>\$ 13,914,389</u>	<u>\$ 14,253,534</u>	<u>\$ 8,004,198</u>	<u>\$ 7,373,407</u>	<u>\$ 5,910,191</u>	<u>\$ 6,880,127</u>

The City's taxable value increased in 2018 by \$1,980,658. The real property taxable values increased by \$3,893,458, while personal property taxable values decreased by \$1,912,800 for the 2018-19 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 \$1,266,364 in 2018-19 and \$1,224,215 in 2017-18. A number of documents are required to be submitted annually to the State in order to receive the City, Village, Township, Revenue Sharing (CVTRS).

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

The City's pension system includes 95 retirees, 4 deferred retirees, and 64 active employees. The City has made pension contributions of \$796,584 for fiscal year 2017-18, \$847,999 for fiscal year 2018-19, and \$942,781 will be paid for 2019-20. 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.



## CITY OF ALPENA

### Management's Discussion and Analysis

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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 78.92%.

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 \$3,747,988 during fiscal year 2018-19. For 2018, the total City taxable valuation increased to \$239,773,284 from \$237,792,696 in 2017. Valuations are increasing, however at a very slow rate. For 2018, the total taxable valuation is \$239,773,284, which is a slight increase of \$1,980,658 from 2017. 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 2018-19 total millage for the City of Alpena homestead property was 38.2722 mills and non-homestead property was 56.2722 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 increased from \$263,315 in 2017-2018 to \$276,173 in 2018-19.

State Revenue Sharing increased from \$1,224,215 in 2017-18 to \$1,266,364 in 2018-19. The revenue tends to fluctuate every few years between increases and decreases.

State and Federal Grants were used in 2018-19 for projects in the City. Especially of note is the updating of infrastructure from Second Avenue to Walnut Street. Federal grant revenue was higher in 2018-19 as compared to the previous year. The Downtown Development Authority continues to offer façade grants for the business owners in the downtown area. Many building owners have taken advantage of this program and made their building exteriors very pleasing.

All administrative charges for services are increased by 3.0% annually. Revenue for ambulance charges for services increased in 2018-19 due in part to the long-distance transfer program becoming successful. The City has a contract with the Presque Isle Fire Department to provide service and transition them into an independent fire service provider. The City also has a partnership with surrounding townships for EMS service at their locations five days per week.

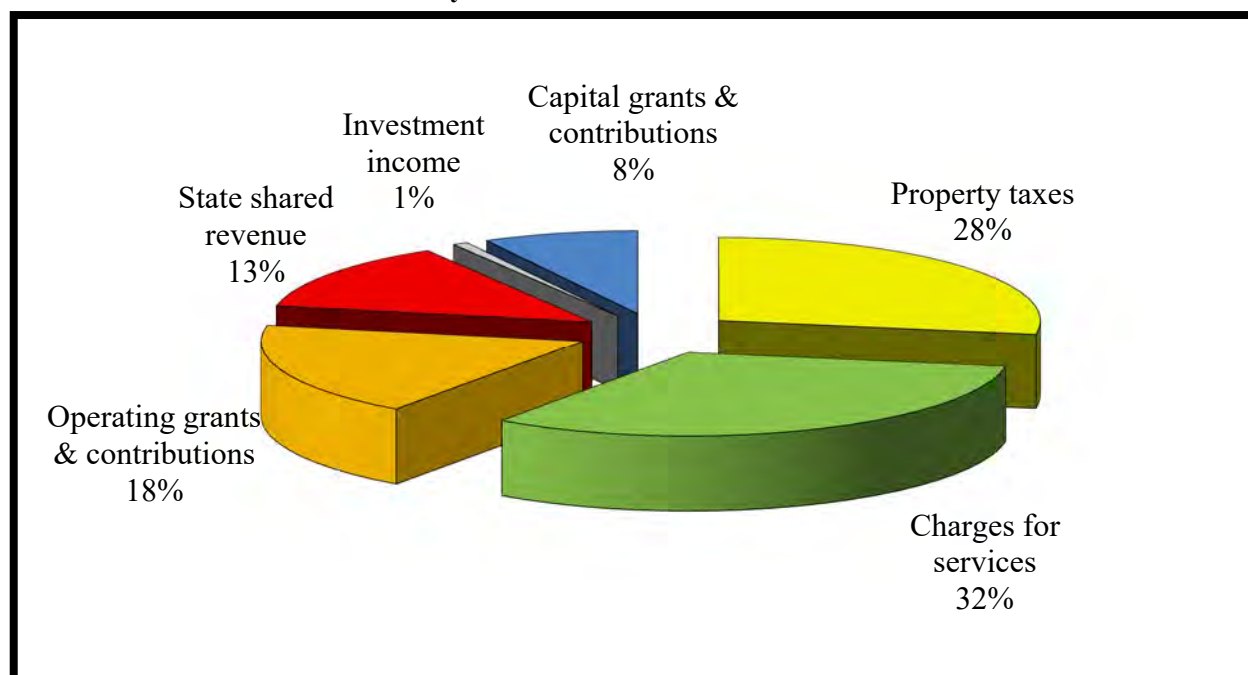
The main sources of revenue in the cemetery are monument permits, burials and the sale of cemetery lots. Revenue in the fund averages approximately \$25,000 - \$35,000 annually.

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

# CITY OF ALPENA

## Management's Discussion and Analysis

### Revenues by Source - Governmental Activities



**Business-type Activities.** The Enterprise Funds (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. An amendment to the contract was made in April of 2012 to initiate the meter change out program and billing system upgrade. Suez financed the \$1.5 million project and the City will reimburse them on a monthly basis for eight years.

The net cost of services in the business-type activities increased for both sewer and water. Both programs had decreased expenses and increased revenue for 2019 as compared to 2018.

### Cost of Services – Business-type Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2019	2018	2019	2018	2019	2018
Functions/Programs:						
Sewage	\$ 2,330,946	\$ 2,475,154	\$ 3,108,692	\$ 3,077,140	\$ (777,746)	\$ (601,986)
Water	2,111,546	2,238,239	3,373,674	3,130,293	(1,262,128)	(892,054)
Total expenses	<u>\$ 4,442,492</u>	<u>\$ 4,713,393</u>	<u>\$ 6,482,366</u>	<u>\$ 6,207,433</u>	<u>\$ (2,039,874)</u>	<u>\$ (1,494,040)</u>

The Sewage Fund's total operating revenue increased slightly by \$31,552. The two main areas of revenue were sales and septage treatment. The operating expenses in the Sewage Fund decreased by \$144,208. The net non-operating revenues decreased by \$35,567.

The Water Fund's total operating revenue increased by \$243,381 from fiscal year 2017-18 to 2018-19. The operating expenses in the Water Fund decreased \$126,689. The net non-operating revenues decreased \$107,411.

## CITY OF ALPENA

### Management's Discussion and Analysis

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The revenues in the Sewage and Water Funds are primarily derived from charges for services, 99.6%, while non-operating revenues derive the remaining .4%.

#### **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 2018-19, the City of Alpena's governmental funds reported combined ending fund balances of \$5,483,697 an increase of \$53,588 in comparison with the prior year. Approximately 46.6% of this total amount constitutes unassigned fund balance, \$2,554,668, 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 2018-19, the fund balance of the General Fund was \$2,746,203, of which \$2,554,668 was unassigned, \$141,259 was committed for specific purposes and \$50,276 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 27.2% of total General Fund expenditures and operating transfers to other funds.

Management advised council that the fund balance should be on the high side because of the uncertainty of the state revenue sharing program and the elimination of the personal property taxes with no solid plan for state reimbursement.

The fund balance of the City of Alpena's General Fund increased by \$223,516 during the 2018-19 fiscal year.

The Major Street Fund has a fund balance of \$726,632, which is a decrease from last year's fund balance by \$16,652. This represents funds restricted for streets and highways.

The Debt Service Fund has a total fund balance of \$13,511, 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 \$724.

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

Unrestricted net position of the Sewage and Water Funds at the end of the year amounted to \$2,960,871 and \$3,000,966 respectively. The change in net position for the funds was an increase of \$750,305 and \$1,215,675 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alpena's business-type activities.

#### **General Fund Budgetary Highlights**

At year-end the revenue was \$44,413 less than the final budget and \$280,322 less than received last fiscal year. Federal revenue actually received was \$222,627 less than last fiscal year.

On the expense side, the City came in under the final budget by \$377,336. The largest variance from the final budget is in the recreation and culture which accounts for \$122,602 of the difference.

# CITY OF ALPENA

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

#### City of Alpena's, Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Historical cost:						
Land	\$ 3,237,864	\$ 3,237,864	\$ 12	\$ 12	\$ 3,237,876	\$ 3,237,876
Construction in progress	1,712,740	567,510	1,231,097	265,893	2,943,837	833,403
Land improvements	6,707,323	5,933,684	566,355	566,355	7,273,678	6,500,039
Buildings and improvements	10,132,447	10,201,917	6,988,103	6,916,673	17,120,550	17,118,590
Machinery and equipment	8,597,244	8,654,194	2,741,390	2,584,363	11,338,634	11,238,557
Infrastructure	48,588,176	48,659,915	41,226,178	40,544,020	89,814,354	89,203,935
	<u>78,975,794</u>	<u>77,255,084</u>	<u>52,753,135</u>	<u>50,877,316</u>	<u>131,728,929</u>	<u>128,132,400</u>
Accumulated depreciation:						
Land improvements	(3,425,220)	(3,235,804)	(285,232)	(269,802)	(3,710,452)	(3,505,606)
Buildings and improvements	(4,838,628)	(4,791,775)	(3,246,484)	(3,110,557)	(8,085,112)	(7,902,332)
Machinery and equipment	(6,910,832)	(6,753,003)	(1,954,665)	(1,862,314)	(8,865,497)	(8,615,317)
Infrastructure	(33,314,442)	(32,127,765)	(18,938,147)	(18,206,827)	(52,252,589)	(50,334,592)
	<u>(48,489,122)</u>	<u>(46,908,347)</u>	<u>(24,424,528)</u>	<u>(23,449,500)</u>	<u>(72,913,650)</u>	<u>(70,357,847)</u>
Net capital assets	<u>\$30,486,672</u>	<u>\$30,346,737</u>	<u>\$28,328,607</u>	<u>\$27,427,816</u>	<u>\$58,815,279</u>	<u>\$57,774,553</u>

**Capital assets.** The City of Alpena's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$58,815,279. 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, 2019 the City of Alpena had an overall increase of \$139,935 to its governmental activities capital assets as a result of fixed asset additions exceeding depreciation. Business-type activities capital assets increased by \$900,791, which was again the result of fixed 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 90-92 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 550,000	\$ 600,000	\$ 550,000	\$ 600,000
Building authority bonds	1,120,000	1,210,000	-	-	1,120,000	1,210,000
Installment contracts	8,785	5,800	-	-	8,785	5,800
Revenue bonds	-	-	3,683,819	4,258,819	3,683,819	4,258,819
	<u>\$1,128,785</u>	<u>\$1,215,800</u>	<u>\$4,233,819</u>	<u>\$4,858,819</u>	<u>\$5,362,604</u>	<u>\$6,074,619</u>

At the end of the current fiscal year, the City of Alpena (primary government) had total debt from bonds and loans outstanding of \$5,362,604. Of this amount, there was \$1,120,000 of building authority bonds and installment contracts of \$8,785. The remainder of the City of Alpena's debt of \$4,233,819 represents the long-term obligations of the Sewage and Water Funds. Of this amount, \$550,000 comprises general obligation bonds and \$3,683,819 is bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Alpena decreased its total debt from bonds and loans by \$712,015 during the current fiscal year.

Additional information on the City of Alpena's long-term debt can be found in Note 7 on pages 92-96 of this report.

#### Economic Factors and Next Year's Budgets and Rates

- Property tax revenue makes up 40.2% of the 2018-19 budget. The 2018-19 revenue increased by \$27,829 to \$3,747,988 from the 2017-18 level of \$3,720,159. The 2019-20 budget projects property tax revenues of \$3,976,373 which includes \$100,000 for the property tax administration fee that was imposed beginning in tax year 2019.
- The taxable value increased from \$237,792,626 for 2017 to \$239,773,284 for 2018.
- 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

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- 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 recently opened a dog park in North Riverfront Park.
- The Thunder Bay National Marine Sanctuary and Underwater Preserve operated by NOAA attracts 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 new 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 2018-19 is \$2,746,203. The unassigned portion is \$2,554,668. The unassigned fund balance represents 28.5% of total general fund expenditures. Due to the uncertainty of future reimbursements by the state for personal property tax exemptions, and the always present possibility of more changes to state revenue sharing, Council approved a fund balance over the 20% maximum.

Another area that continues to impact the City's finances is funding the City of Alpena Employees Retirement Fund. We have had a healthy Retirement Fund with over 100% funding since 1985, and from 1999 - 2004, the City was required to make contributions for the Firemen's group only. Since 2006, the employer contributions have increased significantly over all employee groups due to the low return on investments and the reduction of surplus funds. The funding level of the retirement system had dropped to 79.2% as of the December 31, 2018 valuation date. The 2018-19 contribution to the retirement system was \$847,999. The 2019-20 contribution will be \$942,781. The City has moved towards a phase-out of the defined benefit plan for new hires and has replaced it with a defined contribution plan. As of July 1, 2009, all new hires in Administration and DPW were enrolled in a defined contribution plan rather than the defined benefit plan. As of July 1, 2010, all new hires in the Clerical department were enrolled in a defined contribution plan rather than the defined benefit plan. As of July 1, 2011, all new hires in the Public Safety Department are members of the defined benefit plan and have a multiplier of 2.25%. In December 2018, the City hired a new investment advisor to manage the pension assets.

The December 31, 2018, Actuarial Valuation Report of the City's Post-Retirement Health Care Fund reported our unfunded accrued liability at \$3,423,120. The City budgeted 7% of fiscal year 2019-20 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

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

#### **Requests for Information**

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





**CITY OF ALPENA**

Statement of Net Position

June 30, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,362,441	\$ 3,074,679	\$ 8,437,120	\$ 527,320
Investments, at fair value	1,414,183	-	1,414,183	-
Receivables, net	988,395	3,004,793	3,993,188	14,560
Internal balances	(18,324)	18,324	-	
Due from primary government	-	-	-	37,455
Inventories	260,187	-	260,187	-
Prepaid expense	56,002	761	56,763	-
Capital assets not being depreciated	4,950,604	1,231,109	6,181,713	93,756
Capital assets being depreciated, net	25,536,068	27,097,498	52,633,566	143,675
Total assets	38,549,556	34,427,164	72,976,720	816,766
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	509,153	-	509,153	-
Deferred outflows related to OPEB	407,106	-	407,106	-
Total deferred outflows of resources	916,259	-	916,259	-
<b>LIABILITIES</b>				
Accounts payable	234,197	47,665	281,862	34,948
Accrued payroll	194,468	3,800	198,268	3,050
Accrued interest payable	7,969	23,223	31,192	-
Due to component units	37,455	-	37,455	-
Unearned revenue	-	-	-	14,511
Compensated absences	98,258	-	98,258	-
Bonds and loans	93,415	365,000	458,415	3,040
Long-term liabilities:				
Due in more than one year				
Compensated absences	241,154	-	241,154	-
Bonds and loans	1,035,370	3,868,819	4,904,189	45,164
Net OPEB obligation	3,423,120	-	3,423,120	-
Net pension liability	7,439,070	-	7,439,070	-
Total liabilities	12,804,476	4,308,507	17,112,983	100,713
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	322,522	-	322,522	-
Deferred inflows related to OPEB	1,553,851	-	1,553,851	-
Total deferred inflows of resources	1,876,373	-	1,876,373	-
<b>NET POSITION</b>				
Net investment in capital assets	29,357,887	24,094,788	53,452,675	189,227
Restricted	2,193,935	62,032	2,255,967	-
Unrestricted	(6,766,856)	5,961,837	(805,019)	526,826
Total net position	\$ 24,784,966	\$ 30,118,657	\$ 54,903,623	\$ 716,053

See accompanying notes to financial statements.

# CITY OF ALPENA

## Statement of Activities

For the Year Ended June 30, 2019

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b><u>Functions/Programs</u></b>				
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 3,245,641	\$ 1,988,411	\$ 1,460	\$ -
Public safety	6,495,399	2,049,239	880,616	5,765
Public works	3,557,186	272,992	1,614,193	1,026,442
Recreation and culture	583,812	106,129	19,140	39,811
Interest on long-term debt	32,351	-	-	-
Total governmental activities	<u>13,914,389</u>	<u>4,416,771</u>	<u>2,515,409</u>	<u>1,072,018</u>
Business-type activities:				
Sewage	2,375,778	3,108,692	-	-
Water	2,163,952	3,373,674	-	-
Total business-type activities	<u>4,539,730</u>	<u>6,482,366</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 18,454,119</u>	<u>\$10,899,137</u>	<u>\$2,515,409</u>	<u>\$ 1,072,018</u>
<b>Component Units</b>				
Downtown Development Authority No.2	\$ 120,928	\$ 7,440	\$ -	\$ -
Downtown Development Authority No.5	51,287	-	-	-
Brownfield Redevelopment Authority	122,597	1,895	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 294,812</u>	<u>\$ 9,335</u>	<u>\$ -</u>	<u>\$ -</u>

### General revenues:

Property taxes  
Unrestricted state shared revenues  
Investment earnings  
Gain on sale of capital assets  
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			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,255,770)	\$ -	\$ (1,255,770)	\$ -
(3,559,779)	-	(3,559,779)	-
(643,559)	-	(643,559)	-
(418,732)	-	(418,732)	-
(32,351)	-	(32,351)	-
<u>(5,910,191)</u>	<u>-</u>	<u>(5,910,191)</u>	<u>-</u>
-	732,914	732,914	-
-	1,209,722	1,209,722	-
-	<u>1,942,636</u>	<u>1,942,636</u>	-
<u>(5,910,191)</u>	<u>1,942,636</u>	<u>(3,967,555)</u>	<u>-</u>
-	-	-	(113,488)
-	-	-	(51,287)
-	-	-	(120,702)
-	-	-	-
-	-	-	<u>(285,477)</u>
3,800,880	-	3,800,880	252,960
1,832,274	-	1,832,274	5,703
101,808	23,344	125,152	14,353
500	-	500	-
<u>5,735,462</u>	<u>23,344</u>	<u>5,758,806</u>	<u>273,016</u>
(174,729)	1,965,980	1,791,251	(12,461)
<u>24,959,695</u>	<u>28,152,677</u>	<u>53,112,372</u>	<u>728,514</u>
<u>\$ 24,784,966</u>	<u>\$ 30,118,657</u>	<u>\$ 54,903,623</u>	<u>\$ 716,053</u>

# CITY OF ALPENA

## Balance Sheet - Governmental Funds

June 30, 2019

	General	Major Street
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,924,468	\$ 565,636
Investments, at fair value	860,303	-
Accounts receivable, net	474,261	-
Taxes receivable	192,689	-
Interest receivable	21,480	-
Due from other governmental units	29,550	175,901
Due from other funds	-	-
Advance to other funds	-	-
Prepaid expenditures	50,276	2,046
Total assets	<u>\$ 3,553,027</u>	<u>\$ 743,583</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 179,382	\$ 6,766
Accrued payroll	179,353	5,131
Due to component units	37,455	-
Due to other funds	32,945	5,054
Advance from other funds	186,000	-
Total liabilities	<u>615,135</u>	<u>16,951</u>
Deferred inflows of resources:		
Unavailable revenue, property taxes	191,689	-
Total deferred inflows of resources	<u>191,689</u>	<u>-</u>
Fund balances:		
Nonspendable	50,276	2,046
Restricted	-	724,586
Committed	141,259	-
Unassigned	2,554,668	-
Total fund balances	<u>2,746,203</u>	<u>726,632</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,553,027</u>	<u>\$ 743,583</u>

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Other Governmental Funds	Total Governmental Funds
\$ 1,636,140	\$ 4,126,244
250,112	1,110,415
26,720	500,981
-	192,689
2,909	24,389
58,502	263,953
2,271	2,271
80,000	80,000
2,969	55,291
<u>\$ 2,059,623</u>	<u>\$ 6,356,233</u>
\$ 38,342	\$ 224,490
7,524	192,008
-	37,455
2,895	40,894
-	186,000
<u>48,761</u>	<u>680,847</u>
-	191,689
-	191,689
974,232	1,026,554
498,086	1,222,672
538,544	679,803
-	2,554,668
<u>2,010,862</u>	<u>5,483,697</u>
<u>\$ 2,059,623</u>	<u>\$ 6,356,233</u>



# CITY OF ALPENA

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

June 30, 2019

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Fund balances - total governmental funds		\$ 5,483,697
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets not being depreciated	\$ 4,950,604	
Capital assets being depreciated, net	25,536,068	
Less capital assets accounted for in internal service funds	<u>(702,372)</u>	29,784,300

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

Compensated absences	(339,412)	
Bonds payable	(1,120,000)	
Installment purchase agreements	<u>(8,785)</u>	(1,468,197)

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

Net pension liability	(7,439,070)	
Deferred outflows related to the net pension liability	509,153	
Deferred inflows related to the net pension liability	<u>(322,522)</u>	(7,252,439)

Net OPEB liability	(3,423,120)	
Deferred outflows related to the net OPEB liability	407,106	
Deferred inflows related to the net OPEB liability	<u>(1,553,851)</u>	(4,569,865)

Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(7,969)
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Deferred inflows of resources in the governmental funds is susceptible to full accrual on the government-wide statements.		191,689
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

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2,623,750

Net position of governmental activities		<u>\$ 24,784,966</u>
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See accompanying notes to financial statements.

# CITY OF ALPENA

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

For the Year Ended June 30, 2019

	General	Major Street
<b>REVENUES</b>		
Property taxes	\$ 3,747,988	\$ -
Licenses and permits	57,957	-
State revenue	1,892,694	1,957,820
Federal revenue	7,350	325,000
Local grant revenue	859,882	-
Charges for services	2,710,700	4,728
Investment income and rents	113,421	4,233
Fines and forfeitures	17,716	-
Other	175,363	6,922
Total revenues	<u>9,583,071</u>	<u>2,298,703</u>
<b>EXPENDITURES</b>		
Current operations:		
General government	2,005,732	-
Public safety	5,620,435	-
Public works	734,667	2,322,096
Recreation and culture	596,258	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	<u>8,957,092</u>	<u>2,322,096</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>625,979</u>	<u>(23,393)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	33,535	6,741
Transfers out	(435,998)	-
Total other financing sources (uses)	<u>(402,463)</u>	<u>6,741</u>
<b>NET CHANGE IN FUND BALANCES</b>	223,516	(16,652)
<b>FUND BALANCES, beginning of year</b>	<u>2,522,687</u>	<u>743,284</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 2,746,203</u></u>	<u><u>\$ 726,632</u></u>



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Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,747,988
218,216	276,173
376,955	4,227,469
-	332,350
-	859,882
20,981	2,736,409
46,091	163,745
-	17,716
30,678	212,963
<u>692,921</u>	<u>12,574,695</u>
11,403	2,017,135
196,029	5,816,464
699,534	3,756,297
138,109	734,367
90,000	90,000
32,581	32,581
<u>1,167,656</u>	<u>12,446,844</u>
(474,735)	127,851
375,675	415,951
(54,216)	(490,214)
<u>321,459</u>	<u>(74,263)</u>
(153,276)	53,588
<u>2,164,138</u>	<u>5,430,109</u>
<u>\$ 2,010,862</u>	<u>\$ 5,483,697</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, 2019

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Net change in fund balances - total governmental funds	\$	53,588
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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	\$	2,520,730	
Depreciation expense		(2,112,490)	
Loss on disposal of capital assets		<u>(155,789)</u>	252,451

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

Bond principal payments	90,000	
Installment contract payments	6,015	
Proceeds from new debt	<u>(9,004)</u>	87,011

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		52,892
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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	230	
Change in long-term compensated absences	(34,522)	
Change in net pension liability	(694,914)	
Change in long-term OPEB obligations	<u>65,434</u>	(663,772)

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

Change in net position of governmental activities	\$	<u><u>(174,729)</u></u>
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# CITY OF ALPENA

## Statement of Net Position - Proprietary Funds

June 30, 2019

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,047,484	\$ 1,027,195
Investments, at fair value	-	-
Accounts receivable, net	983,440	2,021,353
Interest receivable	-	-
Due from other funds	-	20,564
Advance to other funds	-	-
Inventories	-	-
Prepaid expenditures	328	433
Total current assets	<u>3,031,252</u>	<u>3,069,545</u>
Noncurrent assets:		
Capital assets not being depreciated	444,588	786,521
Capital assets being depreciated, net	<u>15,619,736</u>	<u>11,477,762</u>
Total noncurrent assets	<u>16,064,324</u>	<u>12,264,283</u>
Total assets	<u>19,095,576</u>	<u>15,333,828</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	25,590	22,075
Accrued payroll	1,782	2,018
Accrued interest payable	10,689	12,534
Due to other funds	1,304	936
Bonds and notes payable, current portion	<u>180,000</u>	<u>185,000</u>
Total current liabilities	<u>219,365</u>	<u>222,563</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,985,659</u>	<u>1,883,160</u>
Total liabilities	<u>2,205,024</u>	<u>2,105,723</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,898,665	10,196,123
Restricted for:		
Debt service	31,016	31,016
Unrestricted	<u>2,960,871</u>	<u>3,000,966</u>
Total net position	<u>\$ 16,890,552</u>	<u>\$ 13,228,105</u>

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Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 3,074,679	\$ 1,236,197
-	303,768
3,004,793	1,336
-	5,047
20,564	20,299
-	106,000
-	260,187
761	711
<u>6,100,797</u>	<u>1,933,545</u>
1,231,109	-
<u>27,097,498</u>	<u>702,372</u>
<u>28,328,607</u>	<u>702,372</u>
<u>34,429,404</u>	<u>2,635,917</u>
47,665	9,707
3,800	2,460
23,223	-
2,240	-
365,000	-
<u>441,928</u>	<u>12,167</u>
<u>3,868,819</u>	<u>-</u>
<u>4,310,747</u>	<u>12,167</u>
24,094,788	702,372
62,032	-
<u>5,961,837</u>	<u>1,921,378</u>
<u>\$ 30,118,657</u>	<u>\$ 2,623,750</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, 2019

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,097,220	\$ 3,354,209
Other services	11,472	19,465
Total operating revenues	<u>3,108,692</u>	<u>3,373,674</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	39,146	43,029
Employee benefits	16,647	19,724
Supplies and durable goods	33,088	133,952
Gas and oil	-	-
Professional and contractual	1,011,313	949,359
Administrative services	218,269	218,268
Insurance	29,802	27,047
Utilities	280,050	126,017
Repairs and maintenance	23,753	175,903
Equipment rental	56,444	23,295
Miscellaneous	9,180	10,819
Other operating expenses	-	1,260
Depreciation	613,254	382,873
Total operating expenses	<u>2,330,946</u>	<u>2,111,546</u>
<b>OPERATING INCOME (LOSS)</b>	<u>777,746</u>	<u>1,262,128</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income and rents	17,391	5,953
Gain (loss) on sale of assets	-	-
Interest expense	(44,832)	(52,406)
Total nonoperating revenues (expenses)	<u>(27,441)</u>	<u>(46,453)</u>
Net income (loss) before transfers and special item	<u>750,305</u>	<u>1,215,675</u>
<b>TRANSFERS</b>		
Transfers in	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	750,305	1,215,675
<b>NET POSITION, beginning of year</b>	<u>16,140,247</u>	<u>12,012,430</u>
<b>NET POSITION, end of year</b>	<u>\$ 16,890,552</u>	<u>\$ 13,228,105</u>

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Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,451,429	\$ 1,084,861
30,937	-
<u>6,482,366</u>	<u>1,084,861</u>
82,175	77,957
36,371	46,839
167,040	213,914
-	82,256
1,960,672	2,036
436,537	384,755
56,849	26,147
406,067	-
199,656	133,349
79,739	181
19,999	1,218
1,260	-
996,127	174,583
<u>4,442,492</u>	<u>1,143,235</u>
<u>2,039,874</u>	<u>(58,374)</u>
23,344	26,712
-	500
(97,238)	-
<u>(73,894)</u>	<u>27,212</u>
<u>1,965,980</u>	<u>(31,162)</u>
-	74,263
1,965,980	43,101
<u>28,152,677</u>	<u>2,580,649</u>
<u>\$ 30,118,657</u>	<u>\$ 2,623,750</u>

**CITY OF ALPENA**

Statement of Cash Flows  
Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,104,573	\$ 3,030,003
Receipts from interfund service provided	-	-
Payments to suppliers	(1,452,004)	(1,471,586)
Payments to employees	(130,295)	(61,664)
Payments for interfund services used	(216,965)	(237,896)
Net cash provided (used) by operating activities	<u>1,305,309</u>	<u>1,258,857</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	-	-
Acquisition and construction of capital assets	(777,343)	(1,120,834)
Principal paid on capital debt	(312,500)	(312,500)
Interest paid on capital debt	(46,360)	(54,129)
Net cash provided (used) by capital and related financing activities	<u>(1,136,203)</u>	<u>(1,487,463)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	-
Proceeds from sale of investments	-	-
Interest and dividends received	17,391	5,953
Net cash provided (used) by investing activities	<u>17,391</u>	<u>5,953</u>
Net increase (decrease) in cash and cash equivalents	186,497	(222,653)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,860,987</u>	<u>1,249,848</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 2,047,484</u></u>	<u><u>\$ 1,027,195</u></u>



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Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,134,576	\$ -
-	1,088,242
(2,923,590)	(491,329)
(191,959)	(126,454)
(454,861)	(274,472)
<u>2,564,166</u>	<u>195,987</u>
-	74,263
<u>-</u>	<u>74,263</u>
-	500
(1,898,177)	(62,072)
(625,000)	-
(100,489)	-
<u>(2,623,666)</u>	<u>(61,572)</u>
-	(300,000)
-	300,000
23,344	18,085
<u>23,344</u>	<u>18,085</u>
(36,156)	226,763
<u>3,110,835</u>	<u>1,009,434</u>
<u>\$ 3,074,679</u>	<u>\$ 1,236,197</u>

**CITY OF ALPENA**

Statement of Cash Flows  
Proprietary Funds (continued)

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 777,746	\$ 1,262,128
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	613,254	382,873
Book value of disposed assets	-	1,260
(Increase) decrease in accounts receivable	(4,119)	(343,671)
(Increase) decrease in due from other funds	-	(20,564)
(Increase) decrease in advance to other funds	-	-
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid expenditures	(328)	(433)
Increase (decrease) in accounts payable	(8,046)	(24,761)
Increase (decrease) in accrued payroll	(74,502)	1,089
Increase (decrease) in due to other funds	1,304	936
Net cash provided (used) by operating activities	<u>\$ 1,305,309</u>	<u>\$ 1,258,857</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

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Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 2,039,874	\$ (58,374)
996,127	174,583
1,260	-
(347,790)	3,381
(20,564)	6,283
-	104,000
-	(33,318)
(761)	(711)
(32,807)	1,090
(73,413)	(947)
2,240	-
<u>\$ 2,564,166</u>	<u>\$ 195,987</u>
<u>\$ -</u>	<u>\$ 7,326</u>

**CITY OF ALPENA**Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2019

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 75,868
Investments, at fair value:		
Short-term investment funds	1,471,129	-
Brokerage certificates	497,104	-
Corporate bonds	7,493,618	-
Equity securities	19,600,236	-
Taxes receivable	-	188,473
Interest receivable	83,129	-
Total assets	29,145,216	264,341
<b>LIABILITIES</b>		
Accounts payable	40,673	61,045
Due to other governmental units	-	203,296
Total liabilities	40,673	264,341
<b>NET POSITION</b>		
Net position restricted for pension/OPEB	\$ 29,104,543	\$ -

**CITY OF ALPENA**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended June 30, 2019

	Pension (and Other Employee Benefit) Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 1,125,032
Employees	233,921
Total contributions	<u>1,358,953</u>
Investment income:	
Net increase (decrease) in fair value of investments	(2,045,944)
Gain (loss) on securities sold	2,954,486
Interest and dividends	644,220
	<u>1,552,762</u>
Less investment expense	98,669
Net investment income	<u>1,454,093</u>
Total additions	<u>2,813,046</u>
<b>DEDUCTIONS</b>	
Benefits	2,047,447
Lump-sum retirement payments	120,011
Administrative expense	53,572
Miscellaneous	(40,005)
	<u>2,181,025</u>
Total deductions	<u>2,181,025</u>
<b>CHANGE IN NET POSITION</b>	632,021
<b>NET POSITION, beginning of year</b>	<u>28,472,522</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 29,104,543</u></u>

**CITY OF ALPENA**

## Statement of Net Position - Component Units

June 30, 2019

	Downtown Development Authority No. 2	Downtown Development Authority No. 5
<b>ASSETS</b>		
Cash and cash equivalents	\$ 283,592	\$ 20,394
Taxes receivable	-	49
Loans receivable	4,306	-
Due from primary government	37,455	-
Capital assets not being depreciated	93,756	-
Capital assets being depreciated, net	143,675	-
Total assets	562,784	20,443
<b>LIABILITIES</b>		
Accounts payable	3,836	64
Accrued payroll	1,390	1,660
Unearned revenue	4,306	-
Long-term liabilities:		
Due within one year		
Bonds and loans	3,040	-
Due in more than one year		
Bonds and loans	45,164	-
Total liabilities	57,736	1,724
<b>NET POSITION</b>		
Net investment in capital assets	189,227	-
Unrestricted	315,821	18,719
Total net position	\$ 505,048	\$ 18,719

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Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ 219,625	\$ 3,709	\$ 527,320
-	-	49
10,205	-	14,511
-	-	37,455
-	-	93,756
-	-	143,675
229,830	3,709	816,766
31,048	-	34,948
-	-	3,050
10,205	-	14,511
-	-	3,040
-	-	45,164
41,253	-	100,713
-	-	189,227
188,577	3,709	526,826
\$ 188,577	\$ 3,709	\$ 716,053

# CITY OF ALPENA

## Statement of Activities - Component Units

For the Year Ended June 30, 2019

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority No.2	\$ 120,928	\$ 7,440	\$ -	\$ -
Downtown Development Authority No.5	51,287	-	-	-
Brownfield Redevelopment Authority	122,597	1,895	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 294,812</u>	<u>\$ 9,335</u>	<u>\$ -</u>	<u>\$ -</u>

### General revenues:

Property taxes

Unrestricted state shared revenues

Investment earnings

Total general revenues

### CHANGE IN NET POSITION

NET POSITION, beginning of year

NET POSITION, end of year



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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	
\$ (113,488)	\$ -	\$ -	\$ -	\$ (113,488)	
-	(51,287)	-	-	(51,287)	
-	-	(120,702)	-	(120,702)	
-	-	-	-	-	
(113,488)	(51,287)	(120,702)	-	(285,477)	
132,633	20,757	99,570	-	252,960	
5,703	-	-	-	5,703	
4,147	10,204	-	2	14,353	
142,483	30,961	99,570	2	273,016	
28,995	(20,326)	(21,132)	2	(12,461)	
476,053	39,045	209,709	3,707	728,514	
\$ 505,048	\$ 18,719	\$ 188,577	\$ 3,709	\$ 716,053	

# CITY OF ALPENA

## Notes to Financial Statements

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### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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

#### A. Reporting Entity.

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

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

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

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

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

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

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

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

Brownfield Redevelopment Authority – (governmental fund type)

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

# CITY OF ALPENA

## Notes to Financial Statements

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

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

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

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

# CITY OF ALPENA

## Notes to Financial Statements

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

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

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

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### **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

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### 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 \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 8 years
Infrastructure	10 to 75 years

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

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

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

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

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

\*\* Police Patrol and Police Command Officers hired after August 1, 2002.

## CITY OF ALPENA

### Notes to Financial Statements

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

Upon retirement, these employees are paid for one-half of their accumulated sick leave based on their hourly straight-time rate of pay at the time of retirement. No payments for unused sick leave are made at termination or death. Clerical employees hired after July 1, 1989 earn sick leave at the rate of ½ day for each full month worked. Public Works employees hired after July 1, 2001 earn sick leave at the rate of ½ day for each full month worked. Police Patrol and Police Command Officers hired after August 1, 2002 earn sick leave at a rate of ½ day for each full month worked.

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

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

**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.

# CITY OF ALPENA

## Notes to Financial Statements

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

**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.

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.



# CITY OF ALPENA

## Notes to Financial Statements

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

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, 2019, the amount committed for budget stabilization was \$30,000. 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.

**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.

# CITY OF ALPENA

## Notes to Financial Statements

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

**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.

**Accounting Changes.** Effective July 1, 2018, the City adopted Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement is to be applied retroactively, by restating financial statements for all prior periods presented.

Effective July 1, 2018, the City adopted Governmental Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements*, which improves the information related to debt that is required to be disclosed in the notes to the financial statements. This statement also clarifies which liabilities should be included in the information that is disclosed related to debt. This statement is to be applied retroactively, by restating financial statements for all prior periods presented.

### 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

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#### 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>
<b>General Fund</b>			
Public safety			
Fire	\$ 1,751,026	\$ 1,773,298	\$ (22,272)
Other financing sources (uses)			
Transfers out	435,398	435,998	(600)
<b>Major Street Fund</b>			
Public works			
Construction	736,550	1,633,993	(897,443)

**Accumulated Fund Deficits.** The City of Alpena had no funds with an accumulated fund balance deficit at June 30, 2019.

#### 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
<b>Statement of net position</b>			
Cash and cash equivalents	\$ 8,437,120	\$ 527,320	\$ 8,964,440
Investments, at fair value	1,414,183	-	1,414,183
<b>Statement of fiduciary net position</b>			
Cash and cash equivalents	75,868	-	75,868
Investments, at fair value	29,062,087	-	29,062,087
<b>Total</b>	<b>\$ 38,989,258</b>	<b>\$ 527,320</b>	<b>\$ 39,516,578</b>

Cash and investments as of June 30, 2019 consisted of the following:

	Primary Government	Component Units	Total
Bank deposits (demand accounts)	\$ 6,410,688	\$ 527,320	\$ 6,938,008
Certificates of deposit due within one year	2,100,000	-	2,100,000
Cash on hand	2,300	-	2,300
Investments, at fair value			
Short-term investment funds	1,471,129	-	1,471,129
Brokerage certificates	1,607,519	-	1,607,519
Municipal bonds	303,768	-	303,768
Fixed income:			
Corporate bonds	2,894,940	-	2,894,940
Treasury bonds	2,142,753	-	2,142,753
Agency bonds	221,099	-	221,099
ETF - fixed income	183,056	-	183,056
Mutual funds - fixed income	888,325	-	888,325
Mortgages	219,674	-	219,674
Asset backed	883,581	-	883,581
Other fixed income assets	60,190	-	60,190
Equity securities	19,600,236	-	19,600,236
	<b>\$ 38,989,258</b>	<b>\$ 527,320</b>	<b>\$ 39,516,578</b>

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 \$9,038,008 and a bank balance of \$9,010,601. FDIC insurance provides \$250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank. From the bank balance, \$7,951,889 was covered by federal depository insurance and \$1,058,712 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

	Carrying Amount	Bank Balance	Insured	Uninsured
Cash and cash equivalents	\$ 6,431,082	\$ 6,328,555	\$ 6,028,555	\$ 300,000
Certificates of deposit	2,100,000	2,100,000	1,450,000	650,000
Downtown Development Authority No. 2	283,592	358,712	250,000	108,712
Brownfield Redevelopment Authority	219,625	219,625	219,625	-
Economic Development Authority	3,709	3,709	3,709	-
Totals	<u>\$ 9,038,008</u>	<u>\$ 9,010,601</u>	<u>\$ 7,951,889</u>	<u>\$ 1,058,712</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	\$ 1,471,129	\$ 1,471,129	\$ -	\$ -	\$ -
Brokerage certificates	1,607,519	1,359,576	247,943	-	-
Municipal bonds	303,768	-	303,768	-	-
Corporate bonds	2,894,940	356,025	1,452,911	1,060,781	25,223
Treasury bonds	2,142,753	-	1,268,209	814,032	60,512
Agency bonds	221,099	-	-	125,372	95,727
ETF - fixed income	183,056	183,056	-	-	-
Mutual funds - fixed income	888,325	888,325	-	-	-
Mortgages	219,674	-	-	219,674	-
Asset backed	883,581	-	883,581	-	-
Other fixed income assets	60,190	-	60,190	-	-
	<u>\$ 10,876,034</u>	<u>\$ 4,258,111</u>	<u>\$ 4,216,602</u>	<u>\$ 2,219,859</u>	<u>\$ 181,462</u>

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

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

# CITY OF ALPENA

## Notes to Financial Statements

### NOTE 3--CASH AND INVESTMENTS. (continued)

Investment Type	Fair Value of Investments	Rating	Rating Organization
City investment pool:			
Municipal bonds	\$ 303,768	Aaa	Moody's
	<u>303,768</u>		
Pension trust fund:			
Fixed income:			
Corporate bonds	60,504	Aaa	Moody's
Corporate bonds	41,316	Aa1	Moody's
Corporate bonds	277,923	Aa2	Moody's
Corporate bonds	20,107	Aa3	Moody's
Corporate bonds	231,009	A1	Moody's
Corporate bonds	369,104	A2	Moody's
Corporate bonds	428,048	A3	Moody's
Corporate bonds	731,298	Baa1	Moody's
Corporate bonds	453,077	Baa2	Moody's
Corporate bonds	282,554	Baa3	Moody's
Treasury bonds	2,142,753	Aaa	Moody's
Agency bonds	221,099	Not rated	Moody's
ETF - fixed income	183,056	Not rated	Moody's
Mutual funds - fixed income	888,325	Not rated	Moody's
Mortgages	179,352	Aaa	Moody's
Mortgages	40,322	Not rated	Moody's
Asset backed	699,239	Aaa	Moody's
Asset backed	184,342	Not rated	Moody's
Other fixed income assets	60,190	Aaa	Moody's
	<u>7,493,618</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).

**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.

# CITY OF ALPENA

## Notes to Financial Statements

### NOTE 3--CASH AND INVESTMENTS. (continued)

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.

#### General Investments:

	Balance at June 30, 2019	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Brokerage certificates	\$ 1,110,415	\$ -	\$ 1,110,415	\$ -
Municipal bonds	303,768	-	303,768	-
Total investments by fair value level	<u>\$ 1,414,183</u>	<u>\$ -</u>	<u>\$ 1,414,183</u>	<u>\$ -</u>

#### Pension and Employee Health Care Trust Funds:

##### Equity Securities:

ETF	\$ 9,957,194	\$ 9,957,194	\$ -	\$ -
Mutual funds	9,643,042	9,643,042	-	-
Total equity securities	<u>19,600,236</u>	<u>19,600,236</u>	<u>-</u>	<u>-</u>

##### Debt Securities:

Brokerage certificates	<u>497,104</u>	<u>-</u>	<u>497,104</u>	<u>-</u>
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##### Fixed Income:

Corporate bonds	2,894,940	-	2,894,940	-
Treasury bonds	2,142,753	-	2,142,753	-
Agency bonds	221,099	-	221,099	-
ETF - fixed income	183,056	-	183,056	-
Mutual funds - fixed income	888,325	-	888,325	-
Mortgages	219,674	-	219,674	-
Asset backed	883,581	-	883,581	-
Other fixed income assets	60,190	-	60,190	-
Total fixed income	<u>7,493,618</u>	<u>-</u>	<u>7,493,618</u>	<u>-</u>

##### Other:

Short-term investment funds	<u>1,471,129</u>	<u>1,471,129</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$29,062,087</u>	<u>\$ 21,071,365</u>	<u>\$ 7,990,722</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, 2019 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, 2019 are as follows:

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
Receivables (net of allowance for uncollectables)	\$ 502,317	\$ 3,004,793	\$ 3,507,110	\$ -
Taxes receivable	192,689	-	192,689	49
Loans receivable	-	-	-	14,511
Interest receivable	29,436	-	29,436	-
Due from governmental units	263,953	-	263,953	-
	<u>\$ 988,395</u>	<u>\$ 3,004,793</u>	<u>\$ 3,993,188</u>	<u>\$ 14,560</u>

# CITY OF ALPENA

## Notes to Financial Statements

### NOTE 5--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS.

The composition of interfund receivable/payable balances at June 30, 2019 are as follows:

	Interfund Receivable	Interfund Payable
Governmental Activities		
General Fund	\$ -	\$ 32,945
Special revenue funds:		
Major Street Fund	-	5,054
Local Street Fund	-	2,853
Marina Fund	-	42
Permanent fund:		
Perpetual Lot Care Fund	2,271	-
Internal service fund:		
Equipment Fund	20,299	-
Business-type Activities		
Enterprise funds:		
Sewage Fund	-	1,304
Water Fund	20,564	936
	<u>\$ 43,134</u>	<u>\$ 43,134</u>

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.

The composition of interfund advances to/from other funds outstanding at June 30, 2019 are as follows:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ -	\$ 186,000
D.P.W. Construction Fund	80,000	-
Equipment Fund	106,000	-
	<u>\$ 186,000</u>	<u>\$ 186,000</u>

The D.P.W. Construction Fund advanced \$80,000 to the General Fund in fiscal year 2019 for an ambulance remount. The General Fund will repay the D.P.W. Construction Fund \$40,000 on an annual basis.

The Equipment Fund advanced \$150,000 to the General Fund for the repurchase of land in fiscal year 2007. The General Fund will repay the Equipment Fund \$10,000 on an annual basis. The outstanding balance of this advance as of June 30, 2019 is \$20,000.

The Equipment Fund advanced \$180,000 to the General Fund for the purchase of an ambulance in fiscal year 2011. The General Fund will repay the Equipment Fund \$18,000 on an annual basis. The outstanding balance of this advance as of June 30, 2019 is \$36,000.

The Equipment Fund advanced \$150,000 to the General Fund for the purchase of an ambulance in fiscal year 2017. The General Fund will repay the Equipment Fund \$50,000 on an annual basis. The outstanding balance of this advance as of June 30, 2019 is \$50,000.

**CITY OF ALPENA**

Notes to Financial Statements

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

For the year ended June 30, 2019 , interfund transfers consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 33,535	\$ -
Tree/Park Improvement Fund	-	8,550
Building Inspection Fund	-	24,985
Major Street Fund	6,741	-
Tree/Park Improvement Fund	-	6,741
Marina Fund	90,000	-
General Fund	-	90,000
Local Street Fund	163,940	-
Tree/Park Improvement Fund	-	13,940
General Fund	-	150,000
Building Authority Debt Fund	121,735	-
General Fund	-	121,735
Stores Fund	74,263	-
General Fund	-	74,263
	<u>\$ 490,214</u>	<u>\$ 490,214</u>

The transfers from the General Fund to the Local Street Fund represents the transfer of unrestricted resources for current road projects; the transfer to the Local Street Fund from the Tree/Park Improvement Fund represents the transfer of restricted resources for the planting of trees; the transfer from the General Fund to the Building Authority Debt Fund represents the amount transferred to pay the bond payments; the transfer to the Major Street Fund from the Tree/Park Improvement Fund represents the transfer of restricted resources for the planting of trees; the transfer from the Tree/Park Improvement Fund to the General Fund represents the transfer of restricted resources for the planting of trees and park improvements; the transfer from the Building Inspection Fund to the General Fund represents funds transferred to subsidize the General Fund; 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, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,237,864	\$ -	\$ -	\$ 3,237,864
Construction in progress	567,510	1,630,859	(485,629)	1,712,740
	<u>3,805,374</u>	<u>1,630,859</u>	<u>(485,629)</u>	<u>4,950,604</u>
Capital assets being depreciated:				
Land improvements	5,933,684	773,639	-	6,707,323
Buildings and improvements	10,201,917	93,226	(162,696)	10,132,447
Machinery and equipment	8,654,194	268,912	(325,862)	8,597,244
Infrastructure	48,659,915	301,789	(373,528)	48,588,176
	<u>73,449,710</u>	<u>1,437,566</u>	<u>(862,086)</u>	<u>74,025,190</u>
Accumulated depreciation:				
Land improvements	(3,235,804)	(189,416)	-	(3,425,220)
Buildings and improvements	(4,791,775)	(209,746)	162,893	(4,838,628)
Machinery and equipment	(6,753,003)	(410,791)	252,962	(6,910,832)
Infrastructure	(32,127,765)	(1,477,119)	290,442	(33,314,442)
	<u>(46,908,347)</u>	<u>(2,287,072)</u>	<u>706,297</u>	<u>(48,489,122)</u>
Net capital assets being depreciated	<u>26,541,363</u>	<u>(849,506)</u>	<u>(155,789)</u>	<u>25,536,068</u>
Net governmental capital assets	<u>\$ 30,346,737</u>	<u>\$ 781,353</u>	<u>\$ (641,418)</u>	<u>\$ 30,486,672</u>

**CITY OF ALPENA**

Notes to Financial Statements

**NOTE 6--CAPITAL ASSETS.** (continued)

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	265,893	1,048,792	(83,588)	1,231,097
	<u>265,905</u>	<u>1,048,792</u>	<u>(83,588)</u>	<u>1,231,109</u>
Capital assets being depreciated:				
Land improvements	566,355	-	-	566,355
Buildings and improvements	6,916,673	71,430	-	6,988,103
Machinery and equipment	2,584,363	160,092	(3,065)	2,741,390
Infrastructure	40,544,020	701,452	(19,294)	41,226,178
	<u>50,611,411</u>	<u>932,974</u>	<u>(22,359)</u>	<u>51,522,026</u>
Accumulated depreciation:				
Land improvements	(269,802)	(15,430)	-	(285,232)
Buildings and improvements	(3,110,557)	(135,927)	-	(3,246,484)
Machinery and equipment	(1,862,314)	(95,416)	3,065	(1,954,665)
Infrastructure	(18,206,827)	(749,354)	18,034	(18,938,147)
	<u>(23,449,500)</u>	<u>(996,127)</u>	<u>21,099</u>	<u>(24,424,528)</u>
Net capital assets being				
Depreciated	<u>27,161,911</u>	<u>(63,153)</u>	<u>(1,260)</u>	<u>27,097,498</u>
Net business-type capital assets	<u>\$ 27,427,816</u>	<u>\$ 985,639</u>	<u>\$ (84,848)</u>	<u>\$ 28,328,607</u>

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

Governmental activities:	
General government	\$ 74,756
Public safety	289,996
Public works	1,719,809
Parks and recreation	202,511
	<u>\$ 2,287,072</u>
Business-type activities:	
Sewage	\$ 613,254
Water	382,873
	<u>\$ 996,127</u>

## CITY OF ALPENA

### Notes to Financial Statements

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#### 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, 2019 are as follows:

	<b>Contract Amount</b>	<b>Commitment Remaining</b>
Wilson Street Improvements Elmer's Crane & Dozer	\$ 393,346	\$ 393,346
Sludge Pump Replacements Kerr Pumps	48,928	48,928
City Hall Security Equipment American Widget Company	31,190	31,190
Genschaw Water Main Repair MacArthur Construction	65,170	6,135
Valve Replacement Project MacArthur Construction	215,800	215,800
Cemetery Building Renovation Meridian Contracting Services	64,379	7,792
Bayview Park Sound System Replacement GT Sounds	18,850	18,850
Capital Improvement Plan - Phase I MacArthur Construction	383,693	226,970
Miller Street Reconstruction Project MDOT/MacArthur Construction	1,457,600	441,638
US 23 Property Access Road & Utilities MacArthur Construction	398,122	205,592
Total	<u>\$ 3,077,078</u>	<u>\$ 1,596,241</u>

#### NOTE 7--LONG-TERM DEBT.

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

**CITY OF ALPENA**

Notes to Financial Statements

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

Bond and contractual obligation activity can be summarized as follows:

	Balances, July 1, 2018	Additions	(Deductions)	Balances, June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
Direct borrowings and direct placements:					
2019 installment debt:					
Amount of issue - \$9,004					
Maturing through 2023					
Interest rate: (8.38%)					
Principal maturity range:					
(\$1,515 - \$2,115)	\$ -	\$ 9,004	\$ (2,119)	\$ 6,885	\$ 1,515
2016 installment debt:					
Amount of issue - \$13,600					
Maturing through 2019					
Interest rate: (2.70%)					
Principal maturity range:					
(\$1,900 - \$3,900)	5,800	-	(3,900)	1,900	1,900
Total direct borrowings and direct placements	5,800	9,004	(6,019)	8,785	3,415
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)	1,210,000	-	(90,000)	1,120,000	90,000
Accumulated compensated absences	304,891	81,195	(46,674)	339,412	98,258
Total governmental activities	\$ 1,520,691	\$ 90,199	\$ (142,693)	\$ 1,468,197	\$ 191,673

**CITY OF ALPENA**

Notes to Financial Statements

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

	Balances, July 1, 2018	Additions	(Deductions)	Balances, June 30, 2019	Due Within One Year
<b>Business-type Activities</b>					
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)	\$ 2,045,659	\$ -	\$ (155,000)	\$ 1,890,659	\$ 155,000
2007 Water supply system, State of Michigan revolving fund: Amount of issue - \$3,163,160 Maturing through 2030 Interest rate range: (2.125%) Principal maturity range: (\$150,000 - \$170,000)	1,948,160	-	(155,000)	1,793,160	160,000
Total direct borrowings and direct placements	3,993,819	-	(310,000)	3,683,819	315,000
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)	600,000	-	(50,000)	550,000	50,000
2012 Water supply and sewage disposal system revenue bonds: Amount of issue - \$1,925,000 Maturing through 2019 Interest rate ranges: (1.89%) Principal maturity range: (\$265,000 - \$295,000)	265,000	-	(265,000)	-	-
Total other debt	865,000	-	(315,000)	550,000	50,000
Total business-type activities	\$ 4,858,819	\$ -	\$ (625,000)	\$ 4,233,819	\$ 365,000



# CITY OF ALPENA

## Notes to Financial Statements

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

**Revenue bonds.** Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewage system. The City has pledged substantially all revenue of the Water and Sewage Funds, net of operating expenses, to repay the water and sewage revenue bonds. The balance of the revenue bonds has been paid in its entirety as of June 30, 2019 and there are no more debt requirements pertaining to the revenue bonds.

**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
2020	\$ 3,415	\$ 600	\$ 90,000	\$ 29,470
2021	1,647	468	85,000	27,851
2022	1,791	325	85,000	26,003
2023	1,932	169	85,000	23,878
2024	-	-	105,000	21,503
2025 through 2029	-	-	550,000	62,588
2030	-	-	120,000	1,890
	<u>\$ 8,785</u>	<u>\$ 1,562</u>	<u>\$ 1,120,000</u>	<u>\$ 193,183</u>

Year Ended June 30,	Business-type Activities			
	Direct borrowings and direct placements		Other debt	
	Principal	Interest	Principal	Interest
2020	\$ 315,000	\$ 65,869	\$ 50,000	\$ 24,062
2021	320,000	59,909	50,000	21,875
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 through 2029	1,715,000	114,143	300,000	37,187
2030	353,819	3,295	-	-
	<u>\$ 3,683,819</u>	<u>\$ 386,539</u>	<u>\$ 550,000</u>	<u>\$ 135,625</u>

## CITY OF ALPENA

### Notes to Financial Statements

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

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

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

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

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

**Legal debt margin.** The City of Alpena, Michigan is subject to a debt limit per state statute that is ten percent of the total taxable valuation of real and personal property. At June 30, 2019 that amount was \$239,773,284. As of June 30, 2019, the net total outstanding debt applicable to the limit was \$5,362,604 which is 22.31% of the total debt limit.

#### **NOTE 8--RISK MANAGEMENT.**

The City of Alpena is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, and workers compensation coverage from the Michigan Municipal Workers Compensation Fund. The City currently has general liability, excess liability, auto liability, trunk line liability, errors and omissions, physical damage (equipment, buildings and contents) through 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 Funds	Total
Fund balances:				
Nonspendable:				
Perpetual care lot	\$ -	\$ -	\$ 971,263	\$ 971,263
Prepays	50,276	2,046	2,969	55,291
	<u>50,276</u>	<u>2,046</u>	<u>974,232</u>	<u>1,026,554</u>
Restricted for:				
Building inspection	-	-	17,845	17,845
Debt service	-	-	13,511	13,511
Perpetual care lot	-	-	1,362	1,362
Streets and highway	-	724,586	444,740	1,169,326
Tree/Park improvement	-	-	20,628	20,628
	<u>-</u>	<u>724,586</u>	<u>498,086</u>	<u>1,222,672</u>
Committed for:				
Budget stabilization	30,000	-	-	30,000
Capital outlay	111,259	-	-	111,259
Capital projects	-	-	369,127	369,127
Marina	-	-	169,417	169,417
	<u>141,259</u>	<u>-</u>	<u>538,544</u>	<u>679,803</u>
Unassigned	<u>2,554,668</u>	<u>-</u>	<u>-</u>	<u>2,554,668</u>
Total governmental funds	<u>\$ 2,746,203</u>	<u>\$ 726,632</u>	<u>\$ 2,010,862</u>	<u>\$ 5,483,697</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 2018 ad valorem tax is levied and collectible on July 1, 2018. 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 2018 taxable valuation of the City of Alpena amounted to \$213,143,284 on real property and \$26,630,000 on personal property for a total of \$239,773,284 on which ad valorem taxes of 16.1066 mills were levied for City operating purposes.

The 2018 tax levy raised \$3,747,988 for City General Operations. This amount is recognized in the General Fund financial statements as property taxes.

## CITY OF ALPENA

### Notes to Financial Statements

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#### **NOTE 10--PROPERTY TAXES.** (continued)

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 9.0324 mills for County operations, .6450 mills for Dial-A-Ride transportation, 2.5000 mills for the community college, 2.1882 mills for the Educational Service District, 6.000 mills for the State Education Tax, 1.8000 mills for school debt, and non-homesteaded properties are assessed an additional 18.0000 mills for public schools.

#### **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 2019 amounted to \$6,008.

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 2019 of \$41,531.

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 2019 amounted to \$6,993.

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 \$8,808 related to PA 147 during fiscal year 2019.

#### **NOTE 12--PERPETUAL LOT CARE FUND.**

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

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

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

## CITY OF ALPENA

### Notes to Financial Statements

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#### **NOTE 13--DEFINED CONTRIBUTION PENSION PLAN.**

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

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

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

**Clerical.** The City will contribute 4% (regular, non-overtime wages for hours actually worked, plus holiday, sick leave, and vacation pay) for fiscal year 2018-19. In order to receive the City contribution, the participating employee must contribute 2%. The 2% employee contribution shall be mandatory for the affected employees and cannot exceed 2% unless agreed upon by all employees affected.

All contributions are remitted to a third-party plan administrator. The DC plans maintain a schedule of vesting, with the participants becoming fully vested upon making the contribution. The requirements of plan members are established and may be amended by the City Council in accordance with city policies and union contracts. There were 14 employees participating in DC plans as of June 30, 2019. The City's contributions to the plans for calendar year 2018 wages were calculated based on covered payroll of \$628,690 resulting in an employer contribution of \$34,212 and employee contributions of \$13,493.

#### **NOTE 14--DEFINED BENEFIT PENSION PLAN.**

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

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

The Plan'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. Individual fund financial statements for both the pension and OPEB can be found in the supplementary information section of this report.

## CITY OF ALPENA

### Notes to Financial Statements

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

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, 2019, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	95
Inactive plan members	4
Active plan members	64
	<u>163</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.

##### 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.

## CITY OF ALPENA

### Notes to Financial Statements

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

**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.

#### **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.

## CITY OF ALPENA

### Notes to Financial Statements

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

##### **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.

##### **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.



## CITY OF ALPENA

### Notes to Financial Statements

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

##### **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 21.49% of annual payroll and the actuarially determined contribution was \$847,999. System administrative costs are financed through investment earnings.

For the year ended June 30, 2019, 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** - 4.0% of annual compensation. **Police Chief and City Manager** - 4.0% 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 most significant requirements as they impact the system are that investments in stock are limited to 70% of the system's assets, and that investments in the stock of any one corporation are limited to 5% of the system's assets. Limitations on investments in real estate are 10%, state and local government obligations are 5%, and global securities are 20% of the system's total assets.

# CITY OF ALPENA

## Notes to Financial Statements

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

Asset Class	Target Allocation
ETF equities	36%
Mutual fund equities	35%
Corporate bonds	13%
Treasury bonds	8%
Agency bonds	1%
ETF - fixed income	1%
Mutual fund - fixed income	3%
Mortgages	1%
Cash and cash equivalents	2%
	<u>100%</u>

**Rate of Return.** For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.55% 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, 2019, 2018, 2017, 2016 and 2015, respectively were \$27,851,681, \$27,354,482, \$25,700,239, \$25,510,633 and \$26,783,043.

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

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

Reserves For	Fiscal Year Ended June 30,			
	2019	2018	2017	2016
Employees' contributions (Annuity Savings Fund)	\$ 3,615,834	\$ 3,689,083	\$ 3,315,960	\$ 2,939,920
Employer contributions (Pension Reserve Fund)	4,542,936	5,508,920	4,352,415	5,552,389
Retired benefit payments (Retirement Reserve Fund)	18,991,690	17,456,983	17,332,368	16,318,828
Undistributed investment income (Income Fund)	701,221	699,496	699,496	699,496
	<u>\$ 27,851,681</u>	<u>\$ 27,354,482</u>	<u>\$ 25,700,239</u>	<u>\$ 25,510,633</u>

# CITY OF ALPENA

## Notes to Financial Statements

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

**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, 2019 as its measurement date for the net pension liability. The June 30, 2019 total pension liability was determined by an actuarial valuation performed as of that date. The components of the net pension liability of the City at June 30, 2019 were as follows:

Total pension liability	\$35,290,751
Plan fiduciary net position	<u>27,851,681</u>
Net pension liability	<u><u>\$ 7,439,070</u></u>
Plan fiduciary net position as a percentage of the total pension liability	78.92%
Covered payroll	\$ 3,945,127
Net pension liability as a percentage of covered payroll	188.56%

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at June 30, 2018	<u>\$ 34,409,193</u>	<u>\$ 27,354,482</u>	<u>\$ 7,054,711</u>
Changes for the year:			
Service cost	637,164	-	637,164
Interest on the total pension liability	2,360,340	-	2,360,340
Changes in benefit terms	(4,644)	-	(4,644)
Differences between expected and actual experience	(94,044)	-	(94,044)
Contributions - employer	-	847,999	(847,999)
Contributions - employees	-	282,250	(282,250)
Net investment income	-	1,433,405	(1,433,405)
Benefit payments, including refunds	(2,017,258)	(2,017,258)	-
Pension plan administrative expense	-	(40,872)	40,872
Other	-	(8,325)	8,325
Net changes	<u>881,558</u>	<u>497,199</u>	<u>384,359</u>
Balances at June 30, 2019	<u><u>\$ 35,290,751</u></u>	<u><u>\$ 27,851,681</u></u>	<u><u>\$ 7,439,070</u></u>

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of December 31, 2018 and a measurement date of June 30, 2019 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 24 years and 22 years for the fire group for unfunded accrued liabilities.

# CITY OF ALPENA

## Notes to Financial Statements

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

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, 2019, the City recognized pension expense of \$1,542,913. At June 30, 2019, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (322,522)	\$ (322,522)
Net difference between projected and actual earnings on pension plan investments	509,153	-	509,153
Total	<u>\$ 509,153</u>	<u>\$ (322,522)</u>	<u>\$ 186,631</u>

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

Year Ended June 30,	Net Deferred Outflows of Resources
2020	\$ 280,941
2021	(50,963)
2022	(127,105)
2023	83,758
	<u>\$ 186,631</u>

**Discount Rate.** A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF ALPENA

## Notes to Financial Statements

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

**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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
ETF equities	7% *
Mutual fund equities	7% *
Corporate bonds	7% *
Treasury bonds	7% *
Agency bonds	7% *
ETF - fixed income	7% *
Mutual fund - fixed income	7% *
Mortgages	7% *
Cash and cash equivalents	0%

\* 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:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Total pension liability	\$ 39,547,588	\$ 35,290,751	\$ 31,725,975
Plan fiduciary net position	<u>27,851,681</u>	<u>27,851,681</u>	<u>27,851,681</u>
Net pension liability / (asset)	<u>\$ 11,695,907</u>	<u>\$ 7,439,070</u>	<u>\$ 3,874,294</u>

# CITY OF ALPENA

## Notes to Financial Statements

### 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 December 31, 2018.

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

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. Individual fund financial statements for both the pension and OPEB can be found in the supplementary information section of this report.

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, 2019, plan membership consisted of the following:

Retired members and beneficiaries currently receiving benefits	25
Active plan members	74
	<u>99</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.

## CITY OF ALPENA

### Notes to Financial Statements

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

- Administrative employees hired after July 1, 2009 are not eligible to participate in this plan.

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

<u>Employment Division</u>	<u>Retiree Health Benefit Eligibility</u>
General Non-Union	Age 60 with 5 years of service, or age 55 with 15 years of service
DPW	Age 60 with 10 years of service, or age 55 with 15 years of service (Effective 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 Cheif	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, 2019, the City’s contribution was \$277,033.

**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, 2019, the annual money weighted rate of return on plan investments, net of investment expense, was 1.75 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **Net OPEB Liability**

The City’s total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of June 30, 2019.

# 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, 2019 were as follows:

Total OPEB liability	\$ 4,675,982
Plan fiduciary net position	<u>1,252,862</u>
City's net OPEB liability	<u><u>\$ 3,423,120</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.79%
Covered payroll	\$ 4,157,173
Net OPEB liability as a percentage of covered-employee payroll	82.34%

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, 2018	<u>\$ 5,651,580</u>	<u>\$ 1,118,040</u>	<u>\$ 4,533,540</u>
Changes for the year:			
Service cost	191,628	-	191,628
Interest on the total OPEB liability	205,337	-	205,337
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(1,638,914)	-	(1,638,914)
Changes of assumptions	416,550	-	416,550
Contributions - employer	-	277,033	(277,033)
Net investment income	-	20,688	(20,688)
Administrative expense	-	(12,700)	12,700
Miscellaneous other change	-	-	-
Benefit payments, including refunds of employee contributions	(150,199)	(150,199)	-
Net changes	<u>(975,598)</u>	<u>134,822</u>	<u>(1,110,420)</u>
Balance at June 30, 2019	<u><u>\$ 4,675,982</u></u>	<u><u>\$ 1,252,862</u></u>	<u><u>\$ 3,423,120</u></u>



# 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 December 31, 2018 and a measurement date of June, 30, 2019. 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% - 7.3%
Investment rate of return (net of pension plan investment expense, including inflation)	3.13%
Health care trend rates	8.25% - 4.50%

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.** For the year ended June 30, 2019, the City recognized OPEB expense of \$211,599. At June 30, 2019, 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	\$ -	\$ 1,526,527	\$ (1,526,527)
Assumption changes	365,135	27,324	337,811
Net difference between projected and actual earnings on OPEB plan investments	41,971	-	41,971
	<u>\$ 407,106</u>	<u>\$ 1,553,851</u>	<u>\$ (1,146,745)</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2020	\$ (155,527)
2021	(155,527)
2022	(155,529)
2023	(163,690)
2024	(168,061)
Thereafter	(348,411)
	<u>\$ (1,146,745)</u>

# CITY OF ALPENA

## Notes to Financial Statements

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

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (2.13%) or 1-percentage-point-higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
City's net OPEB liability	\$ 3,967,013	\$ 3,423,120	\$ 2,959,489

**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 4.50%, 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 3.50%) or 1-percentage-point-higher (9.25%, decreasing to 5.50%) than the current rate:

	1% Decrease (7.25% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.25% decreasing to 4.50%)	1% Increase (9.25% decreasing to 5.50%)
City's net OPEB liability	\$ 2,877,661	\$ 3,423,120	\$ 4,079,347

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

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

**Benefits Provided.** In addition to the healthcare benefits described above, the City of Alpena provides postretirement life insurance benefits, in accordance with council resolution for non-union employees and negotiated labor agreements for union employees, to all covered employees who retire from the City. The City provides a City-paid \$2,000 life insurance policy for administrative and police retirees. DPW employees who retire after July 1, 2015, will receive City-paid \$2,000 life insurance, and select fire department retirees, hired before July 1, 2007, will receive City-paid \$2,000 life insurance. During the year, the City's share of expenditures was \$492 for retiree life insurance. Expenditures for postretirement benefits are recognized when incurred by the City.

## CITY OF ALPENA

### Notes to Financial Statements

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#### **NOTE 16--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 employees are eligible to enroll in the deferred compensation plan and clerical union employees who were hired prior to July 1, 2010 were eligible to enroll in the 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 17--CONTINGENCIES AND CLAIMS.**

**Sewage and Water Litigation.** The City of Alpena has been involved in litigation with the Charter Township of Alpena regarding protested sewage and water rates charged by the City to the Township from June 2014 through the date of issuance of these financial statements. The City of Alpena has been seeking delinquent sewer and water charges of approximately \$4,767,493 (through June 30, 2019), in addition to late charges of approximately \$2,857,258.

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. In fiscal year 2018, the City of Alpena adjusted the receivable and revenue with the Township to the amount awarded in the judgment. For the year ended December 31, 2019, the City recorded the revenue from the Township based upon the formula utilized in the judgement.

**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.

#### **NOTE 18--COMPONENT UNIT DISCLOSURES.**

**Loans Receivable.** The Downtown Development Authority No. 2 and the Brownfield Redevelopment Authority have loans receivable from local businesses of \$4,306 and \$10,205, respectively that have been reflected in the accompanying fund financial statements with offsetting unearned revenue to be applied upon future collections.

# CITY OF ALPENA

## Notes to Financial Statements

### NOTE 18--COMPONENT UNIT DISCLOSURES. (continued)

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

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being				
Depreciated:				
Land	\$ 93,756	\$ -	\$ -	\$ 93,756
Construction in progress	667	-	(667)	-
	<u>94,423</u>	<u>-</u>	<u>(667)</u>	<u>93,756</u>
Capital assets being				
Depreciated:				
Land improvements	144,351	14,900	-	159,251
Buildings and improvements	88,030	-	-	88,030
Machinery and equipment	4,880	-	-	4,880
	<u>237,261</u>	<u>14,900</u>	<u>-</u>	<u>252,161</u>
Accumulated depreciation:				
Land improvements	(93,055)	(4,388)	-	(97,443)
Buildings and improvements	(4,402)	(1,761)	-	(6,163)
Machinery and equipment	(4,880)	-	-	(4,880)
	<u>(102,337)</u>	<u>(6,149)</u>	<u>-</u>	<u>(108,486)</u>
Net capital assets being				
Depreciated	<u>134,924</u>	<u>8,751</u>	<u>-</u>	<u>143,675</u>
Net component unit capital assets	<u>\$ 229,347</u>	<u>\$ 8,751</u>	<u>\$ (667)</u>	<u>\$ 237,431</u>

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

Downtown Development Authority No. 2	<u>\$ 6,149</u>
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The Brownfield Redevelopment Authority and the Economic Development Corporation had no capital assets.

# CITY OF ALPENA

## Notes to Financial Statements

### NOTE 18--COMPONENT UNIT DISCLOSURES. (continued)

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

	Balances, July 1, 2018	Additions	(Deductions)	Balances, June 30, 2019	Due Within One Year
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)	\$ 51,109	\$ -	\$ (2,905)	\$ 48,204	\$ 3,040
	<u>\$ 51,109</u>	<u>\$ -</u>	<u>\$ (2,905)</u>	<u>\$ 48,204</u>	<u>\$ 3,040</u>

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

Year Ended June 30,	Direct borrowings and direct placements	
	Principal	Interest
2020	\$ 3,040	\$ 2,274
2021	<u>45,164</u>	<u>2,119</u>
	<u>\$ 48,204</u>	<u>\$ 4,393</u>

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

### NOTE 19--SUBSEQUENT EVENTS.

Management has evaluated subsequent events through December 27, 2019, the date on which the financial statements were available to be issued.

## CITY OF ALPENA

### Notes to Financial Statements

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#### **NOTE 20--UPCOMING REPORTING CHANGES.**

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

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

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

In August 2018, the Governmental Accounting Standards Board issued GASB Statement No. 90, *Majority Equity Interests*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement 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, 2020.

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, 2022.

# CITY OF ALPENA

## Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Property taxes	\$ 3,866,100	\$ 3,741,650	\$ 3,747,988	\$ 6,338
Licenses and permits	63,100	60,475	57,957	(2,518)
State revenue	1,727,800	1,884,125	1,892,694	8,569
Federal revenue	93,797	7,350	7,350	-
Local grant revenue	997,833	864,478	859,882	(4,596)
Charges for services	2,647,441	2,824,080	2,710,700	(113,380)
Investment income and rents	93,936	76,735	113,421	36,686
Fines and forfeitures	19,000	17,000	17,716	716
Other	111,139	151,591	175,363	23,772
Total revenues	9,620,146	9,627,484	9,583,071	(44,413)
<b>EXPENDITURES</b>				
General government:				
General government	1,523,467	1,541,468	1,515,063	26,405
Information technology	292,232	284,307	275,661	8,646
Cemetery	232,267	234,831	215,008	19,823
	2,047,966	2,060,606	2,005,732	54,874
Public safety:				
Police	1,999,746	1,962,730	1,906,270	56,460
Fire	1,701,425	1,751,026	1,773,298	(22,272)
Ambulance	1,913,011	2,025,619	1,940,867	84,752
	5,614,182	5,739,375	5,620,435	118,940
Public works:				
Public works	647,510	586,743	558,012	28,731
Highways, streets and lights	244,474	228,844	176,655	52,189
	891,984	815,587	734,667	80,920
Recreation and culture:				
Parks and recreation	832,813	718,860	596,258	122,602
	832,813	718,860	596,258	122,602
Total expenditures	9,386,945	9,334,428	8,957,092	377,336

**CITY OF ALPENA**

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 233,201</u>	<u>\$ 293,056</u>	<u>\$ 625,979</u>	<u>\$ 332,923</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	104,985	33,535	(71,450)
Transfers out	<u>(475,998)</u>	<u>(435,398)</u>	<u>(435,998)</u>	<u>(600)</u>
Total other financing sources (uses)	<u>(475,998)</u>	<u>(330,413)</u>	<u>(402,463)</u>	<u>(72,050)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(242,797)	(37,357)	223,516	260,873
<b>FUND BALANCES, beginning of year</b>	<u>2,724,575</u>	<u>2,522,687</u>	<u>2,522,687</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 2,481,778</u></u>	<u><u>\$ 2,485,330</u></u>	<u><u>\$ 2,746,203</u></u>	<u><u>\$ 260,873</u></u>



# CITY OF ALPENA

## Required Supplementary Information Budgetary Comparison Schedule - Major Street Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
State revenue	\$ 1,000,146	\$ 1,201,705	\$ 1,957,820	\$ 756,115
Federal revenue	-	-	325,000	325,000
Charges for services	4,728	4,728	4,728	-
Investment income and rents	1,000	2,200	4,233	2,033
Other	800	7,000	6,922	(78)
Total revenues	1,006,674	1,215,633	2,298,703	1,083,070
<b>EXPENDITURES</b>				
Public works:				
Administration and engineering	75,333	75,479	59,302	16,177
Construction	507,200	736,550	1,633,993	(897,443)
Maintenance	418,579	503,907	503,381	526
Maintenance - trunkline	97,252	134,822	125,420	9,402
Total expenditures	1,098,364	1,450,758	2,322,096	(871,338)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(91,690)	(235,125)	(23,393)	211,732
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	6,741	(8,259)
Total other financing sources (uses)	15,000	15,000	6,741	(8,259)
<b>NET CHANGE IN FUND BALANCES</b>	(76,690)	(220,125)	(16,652)	203,473
<b>FUND BALANCES, beginning of year</b>	220,689	743,284	743,284	-
<b>FUND BALANCES, end of year</b>	\$ 143,999	\$ 523,159	\$ 726,632	\$ 203,473

## CITY OF ALPENA

### Notes to Required Supplementary Information

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#### **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 permanent funds.

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

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

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



# CITY OF ALPENA

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

For the Year Ended June 30,

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 637,164	\$ 666,365	\$ 643,778
Interest on the total pension liability	2,360,340	2,308,694	2,245,552
Benefit changes	(4,644)	-	-
Difference between expected and actual experience of the total pension liability	(94,044)	(253,404)	(116,263)
Benefit payments and refunds	(2,017,258)	(1,921,258)	(1,843,385)
Net change in total pension liability	881,558	800,397	929,682
<b>Total pension liability, beginning of year</b>	34,409,193	33,608,796	32,679,114
<b>Total pension liability, end of year (a)</b>	<u>\$ 35,290,751</u>	<u>\$ 34,409,193</u>	<u>\$ 33,608,796</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 847,999	\$ 796,584	\$ 722,318
Employee contributions	282,250	216,055	211,925
Pension plan net investment income (loss)	1,433,405	2,615,086	1,138,147
Benefit payments and refunds	(2,017,258)	(1,921,258)	(1,843,385)
Pension plan administrative expense	(40,872)	(40,024)	(39,007)
Other	(8,325)	(12,200)	(392)
Net change in plan fiduciary net position	497,199	1,654,243	189,606
<b>Plan fiduciary net position, beginning of year</b>	27,354,482	25,700,239	25,510,633
<b>Plan fiduciary net position, end of year (b)</b>	<u>\$ 27,851,681</u>	<u>\$ 27,354,482</u>	<u>\$ 25,700,239</u>
<b>City's net pension liability, end of year (a) - (b)</b>	<u>\$ 7,439,070</u>	<u>\$ 7,054,711</u>	<u>\$ 7,908,557</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	78.92%	79.50%	76.47%
<b>Covered payroll</b>	\$ 3,945,127	\$ 3,847,552	\$ 3,788,940
<b>Net pension liability as a percentage of covered payroll</b>	188.56%	183.36%	208.73%

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.

2016	2015
\$ 639,140	\$ 681,104
2,213,262	2,146,300
-	-
(496,231)	140,728
(1,951,044)	(2,030,031)
405,127	938,101
32,273,987	31,335,886
\$ 32,679,114	\$ 32,273,987
\$ 738,836	\$ 679,715
210,403	210,742
(233,064)	(87,422)
(1,951,044)	(2,030,031)
(37,541)	(36,507)
-	-
(1,272,410)	(1,263,503)
26,783,043	28,046,546
\$ 25,510,633	\$ 26,783,043
\$ 7,168,481	\$ 5,490,944
78.06%	82.99%
\$ 3,940,937	\$ 3,826,833
181.90%	143.49%

**CITY OF ALPENA**

Required Supplementary Information  
Defined Benefit Pension System Trust  
Schedule of Contributions

June 30, 2019

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<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%

**Notes to Schedule of Contributions:**

Valuation date	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.
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**Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2019:**

Actuarial cost method	Individual entry age normal
Amortization method	Level percent of pay for "open" groups Level dollar for closed groups
Remaining amortization period	24 years for the General and Police groups 22 years for the Fire group
Asset valuation method	4-year smoothed market
Price inflation	3.50%
Salary increases	3.50% to 7.34%, including inflation
Investment rate of return	7.00%
Retirement age	Experienced-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, 2019

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

(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,

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 191,628	\$ 207,582
Interest on the total OPEB liability	205,337	198,002
Difference between expected and actual experience due to benefit payments	(1,638,914)	(116,263)
Changes of assumptions	416,550	(35,336)
Benefit payments	(150,199)	(120,960)
Net change in total OPEB liability	(975,598)	133,025
<b>Total OPEB liability, beginning of year</b>	5,651,580	5,518,555
<b>Total OPEB liability, end of year (a)</b>	<u>\$ 4,675,982</u>	<u>\$ 5,651,580</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 277,033	\$ 91,828
Employee contributions	-	-
OPEB plan net investment income (loss)	20,688	(187)
Benefit payments and refunds	(150,199)	(120,960)
OPEB plan administrative expense	(12,700)	(17,000)
Other	-	(3,853)
<b>Net change in plan fiduciary net position</b>	134,822	(50,172)
<b>Plan fiduciary net position, beginning of year</b>	1,118,040	1,168,212
<b>Plan fiduciary net position, end of year (b)</b>	<u>\$ 1,252,862</u>	<u>\$ 1,118,040</u>
<b>City's net OPEB liability, end of year (a) - (b)</b>	<u>\$ 3,423,120</u>	<u>\$ 4,533,540</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	26.79%	19.78%
<b>Covered payroll</b>	\$ 4,157,173	\$ 4,377,658
<b>Net OPEB liability as a percentage of covered employee payroll</b>	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

### Nonmajor Governmental Funds

#### Description of Funds

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#### **Special Revenue Funds**

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

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

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

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

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

#### **Debt Service Funds**

Debt service funds are used to record the funding and payment of principal and interest on debt.

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

#### **Capital Project Funds**

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

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

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

**Department of Public Works (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, 2019

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park
		Improvement
<b>ASSETS</b>		
Cash and cash equivalents	\$ 147,314	\$ 20,628
Investments, at fair value	-	-
Accounts receivable, net	26,140	-
Due from other governmental units	-	-
Due from other funds	-	-
Interest receivable	-	-
Advance to other funds	-	-
Prepaid expenditures	399	-
Total assets	<u>\$ 173,853</u>	<u>\$ 20,628</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 3,125	\$ -
Accrued payroll	870	-
Due to other funds	42	-
Total liabilities	<u>4,037</u>	<u>-</u>
Fund balances:		
Nonspendable	399	-
Restricted	-	20,628
Committed	169,417	-
Total fund balances	<u>169,816</u>	<u>20,628</u>
Total liabilities and fund balances	<u>\$ 173,853</u>	<u>\$ 20,628</u>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ 422,552	\$ 26,255	\$ 108	\$ 430	\$ 286,950
-	-	-	-	-
-	-	-	-	-
58,502	-	-	-	-
-	-	-	-	-
-	-	-	-	1,639
-	-	-	-	80,000
1,655	915	-	-	-
<u>\$ 482,709</u>	<u>\$ 27,170</u>	<u>\$ 108</u>	<u>\$ 430</u>	<u>\$ 368,589</u>
\$ 29,506	\$ 5,711	\$ -	\$ -	\$ -
3,955	2,699	-	-	-
2,853	-	-	-	-
<u>36,314</u>	<u>8,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,655	915	-	-	-
444,740	17,845	-	-	-
-	-	108	430	368,589
<u>446,395</u>	<u>18,760</u>	<u>108</u>	<u>430</u>	<u>368,589</u>
\$ 482,709	\$ 27,170	\$ 108	\$ 430	\$ 368,589

(continued)

**CITY OF ALPENA**

Combining Balance Sheet - Nonmajor Governmental Funds (continued)

June 30, 2019

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
	Building Authority Debt	Perpetual Lot Care	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,511	\$ 718,392	\$ 1,636,140
Investments, at fair value	-	250,112	250,112
Accounts receivable, net	-	580	26,720
Due from other governmental units	-	-	58,502
Due from other funds	-	2,271	2,271
Interest receivable	-	1,270	2,909
Advance to other funds	-	-	80,000
Prepaid expenditures	-	-	2,969
Total assets	<u>\$ 13,511</u>	<u>\$ 972,625</u>	<u>\$ 2,059,623</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 38,342
Accrued payroll	-	-	7,524
Due to other funds	-	-	2,895
Total liabilities	<u>-</u>	<u>-</u>	<u>48,761</u>
Fund balances:			
Nonspendable	-	971,263	974,232
Restricted	13,511	1,362	498,086
Committed	-	-	538,544
Total fund balances	<u>13,511</u>	<u>972,625</u>	<u>2,010,862</u>
Total liabilities and fund balances	<u>\$ 13,511</u>	<u>\$ 972,625</u>	<u>\$ 2,059,623</u>



# CITY OF ALPENA

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

For the Year Ended June 30, 2019

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
<b>REVENUES</b>		
Licenses and permits	\$ 4,179	\$ -
State revenue	19,140	-
Charges for services	-	-
Investment income and rents	25,876	301
Other	12,033	-
Total revenues	61,228	301
<b>EXPENDITURES</b>		
Current operations:		
General government	-	-
Public safety	-	-
Public works	-	-
Recreation and culture	138,109	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	138,109	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(76,881)	301
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	90,000	-
Transfers out	-	(29,231)
Total other financing sources (uses)	90,000	(29,231)
<b>NET CHANGE IN FUND BALANCES</b>	13,119	(28,930)
<b>FUND BALANCES, beginning of year</b>	156,697	49,558
<b>FUND BALANCES, end of year</b>	\$ 169,816	\$ 20,628



Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ -	\$ 214,037	\$ -	\$ -	\$ -
357,815	-	-	-	-
-	-	-	-	-
3,717	301	8	4	2,997
5,242	1,705	-	-	11,698
366,774	216,043	8	4	14,695
-	-	-	-	-
-	196,029	-	-	-
699,534	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
699,534	196,029	-	-	-
(332,760)	20,014	8	4	14,695
163,940	-	-	-	-
-	(24,985)	-	-	-
163,940	(24,985)	-	-	-
(168,820)	(4,971)	8	4	14,695
615,215	23,731	100	426	353,894
\$ 446,395	\$ 18,760	\$ 108	\$ 430	\$ 368,589

(continued)

# CITY OF ALPENA

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

For the Year Ended June 30, 2019

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Licenses and permits	\$ -	\$ -	\$ 218,216
State revenue	-	-	376,955
Charges for services	-	20,981	20,981
Investment income and rents	122	12,765	46,091
Other	-	-	30,678
	<u>122</u>	<u>33,746</u>	<u>692,921</u>
Total revenues	<u>122</u>	<u>33,746</u>	<u>692,921</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	-	11,403	11,403
Public safety	-	-	196,029
Public works	-	-	699,534
Recreation and culture	-	-	138,109
Debt service:			
Principal retirement	90,000	-	90,000
Interest and fees	32,581	-	32,581
	<u>122,581</u>	<u>11,403</u>	<u>1,167,656</u>
Total expenditures	<u>122,581</u>	<u>11,403</u>	<u>1,167,656</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(122,459)</u>	<u>22,343</u>	<u>(474,735)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	121,735	-	375,675
Transfers out	-	-	(54,216)
	<u>121,735</u>	<u>-</u>	<u>321,459</u>
Total other financing sources (uses)	<u>121,735</u>	<u>-</u>	<u>321,459</u>
<b>NET CHANGE IN FUND BALANCES</b>	(724)	22,343	(153,276)
<b>FUND BALANCES, beginning of year</b>	<u>14,235</u>	<u>950,282</u>	<u>2,164,138</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 13,511</u></u>	<u><u>\$ 972,625</u></u>	<u><u>\$ 2,010,862</u></u>

**CITY OF ALPENA**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>MARINA</b>				
Revenues				
Licenses and permits	\$ 4,700	\$ 4,000	\$ 4,179	\$ 179
State revenue	46,140	21,140	19,140	(2,000)
Investment income and rents	25,800	26,100	25,876	(224)
Donations	200	-	-	-
Other	-	12,033	12,033	-
Total revenues	<u>76,840</u>	<u>63,273</u>	<u>61,228</u>	<u>(2,045)</u>
Expenditures				
Recreation and culture	<u>206,927</u>	<u>161,739</u>	<u>138,109</u>	<u>23,630</u>
Total expenditures	<u>206,927</u>	<u>161,739</u>	<u>138,109</u>	<u>23,630</u>
Excess (deficiency) of revenues over expenditures	(130,087)	(98,466)	(76,881)	21,585
Other financing sources (uses)				
Transfers in	<u>130,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net change in fund balances	(87)	(8,466)	13,119	21,585
Fund balances, beginning of the year	<u>136,641</u>	<u>156,697</u>	<u>156,697</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 136,554</u></u>	<u><u>\$ 148,231</u></u>	<u><u>\$ 169,816</u></u>	<u><u>\$ 21,585</u></u>

**CITY OF ALPENA**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>TREE/PARK IMPROVEMENT</b>				
Revenues				
Investment income and rents	\$ 100	\$ 180	\$ 301	\$ 121
Total revenues	<u>100</u>	<u>180</u>	<u>301</u>	<u>121</u>
Expenditures				
Recreation and culture	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers out	<u>(19,616)</u>	<u>(49,738)</u>	<u>(29,231)</u>	<u>20,507</u>
Net change in fund balances	<u>(19,516)</u>	<u>(49,558)</u>	<u>(28,930)</u>	<u>20,628</u>
Fund balances, beginning of the year	<u>19,516</u>	<u>49,558</u>	<u>49,558</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,628</u></u>	<u><u>\$ 20,628</u></u>
<b>LOCAL STREET</b>				
Revenues				
State revenue	\$ 341,373	\$ 349,373	\$ 357,815	\$ 8,442
Investment income and rents	1,300	2,400	3,717	1,317
Other	<u>400</u>	<u>5,200</u>	<u>5,242</u>	<u>42</u>
Total revenues	<u>343,073</u>	<u>356,973</u>	<u>366,774</u>	<u>9,801</u>
Expenditures				
Public works	<u>697,247</u>	<u>744,808</u>	<u>699,534</u>	<u>45,274</u>
Total expenditures	<u>697,247</u>	<u>744,808</u>	<u>699,534</u>	<u>45,274</u>
Excess (deficiency) of revenues over expenditures	<u>(354,174)</u>	<u>(387,835)</u>	<u>(332,760)</u>	<u>55,075</u>
Other financing sources (uses)				
Transfers in	<u>254,516</u>	<u>154,516</u>	<u>163,940</u>	<u>9,424</u>
Net change in fund balances	<u>(99,658)</u>	<u>(233,319)</u>	<u>(168,820)</u>	<u>64,499</u>
Fund balances, beginning of the year	<u>380,564</u>	<u>615,215</u>	<u>615,215</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 280,906</u></u>	<u><u>\$ 381,896</u></u>	<u><u>\$ 446,395</u></u>	<u><u>\$ 64,499</u></u>

**CITY OF ALPENA**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>BUILDING INSPECTION</b>				
Revenues				
Licenses and permits	\$ 188,000	\$ 223,000	\$ 214,037	\$ (8,963)
Investment income and rents	30	210	301	91
Other	<u>1,700</u>	<u>1,705</u>	<u>1,705</u>	<u>-</u>
Total revenues	<u>189,730</u>	<u>224,915</u>	<u>216,043</u>	<u>(8,872)</u>
Expenditures				
Public safety	<u>193,407</u>	<u>195,815</u>	<u>196,029</u>	<u>(214)</u>
Total expenditures	<u>193,407</u>	<u>195,815</u>	<u>196,029</u>	<u>(214)</u>
Excess (deficiency) of revenues over expenditures	(3,677)	29,100	20,014	(9,086)
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>(24,985)</u>	<u>(24,985)</u>	<u>-</u>
Net change in fund balances	(3,677)	4,115	(4,971)	(9,086)
Fund balances, beginning of the year	<u>15,706</u>	<u>23,731</u>	<u>23,731</u>	<u>-</u>
Fund balances, end of the year	<u><u>\$ 12,029</u></u>	<u><u>\$ 27,846</u></u>	<u><u>\$ 18,760</u></u>	<u><u>\$ (9,086)</u></u>



## CITY OF ALPENA

### Internal Service Funds

#### Description of Funds

---

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

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

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

**CITY OF ALPENA**

Combining Statement of Net Position - Internal Service Funds

June 30, 2019

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,176,129	\$ 60,068	\$ 1,236,197
Investments, at fair value	303,768	-	303,768
Accounts receivable, net	1,336	-	1,336
Interest receivable	5,047	-	5,047
Due from other funds	20,299	-	20,299
Advance to other funds	106,000	-	106,000
Inventories	-	260,187	260,187
Prepaid expenditures	711	-	711
Total current assets	<u>1,613,290</u>	<u>320,255</u>	<u>1,933,545</u>
Noncurrent assets:			
Capital assets being depreciated, net	702,372	-	702,372
Total noncurrent assets	<u>702,372</u>	<u>-</u>	<u>702,372</u>
Total assets	<u>2,315,662</u>	<u>320,255</u>	<u>2,635,917</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,824	2,883	9,707
Accrued payroll	2,460	-	2,460
Total current liabilities	<u>9,284</u>	<u>2,883</u>	<u>12,167</u>
<b>NET POSITION</b>			
Net investment in capital assets	702,372	-	702,372
Unrestricted	1,604,006	317,372	1,921,378
Total net position	<u>\$ 2,306,378</u>	<u>\$ 317,372</u>	<u>\$ 2,623,750</u>



# CITY OF ALPENA

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

For the Year Ended June 30, 2019

	Equipment	Stores	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 829,947	\$ 254,914	\$ 1,084,861
Total operating revenues	<u>829,947</u>	<u>254,914</u>	<u>1,084,861</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	77,957	-	77,957
Employee benefits	46,839	-	46,839
Supplies and durable goods	2,013	211,901	213,914
Gas and oil	82,256	-	82,256
Professional and contractual	2,036	-	2,036
Administrative services	319,218	65,537	384,755
Insurance	26,147	-	26,147
Repairs and maintenance	133,349	-	133,349
Equipment rental	181	-	181
Miscellaneous	1,218	-	1,218
Depreciation	174,583	-	174,583
Total operating expenses	<u>865,797</u>	<u>277,438</u>	<u>1,143,235</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(35,850)</u>	<u>(22,524)</u>	<u>(58,374)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income and rents	26,712	-	26,712
Gain (loss) on sale of assets	500	-	500
Total nonoperating revenues (expenses)	<u>27,212</u>	<u>-</u>	<u>27,212</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(8,638)</u>	<u>(22,524)</u>	<u>(31,162)</u>
<b>TRANSFERS</b>			
Transfers in	<u>-</u>	<u>74,263</u>	<u>74,263</u>
<b>CHANGE IN NET POSITION</b>	(8,638)	51,739	43,101
<b>NET POSITION, beginning of year</b>	<u>2,315,016</u>	<u>265,633</u>	<u>2,580,649</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 2,306,378</u></u>	<u><u>\$ 317,372</u></u>	<u><u>\$ 2,623,750</u></u>

**CITY OF ALPENA**

Combining Statement of Cash Flows  
Internal Service Funds

For the Year Ended June 30, 2019

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund service provided	\$ 833,328	\$ 254,914	\$ 1,088,242
Payments to suppliers	(248,993)	(242,336)	(491,329)
Payments to employees	(126,454)	-	(126,454)
Payments for interfund services used	(208,935)	(65,537)	(274,472)
Net cash provided (used) by operating activities	<u>248,946</u>	<u>(52,959)</u>	<u>195,987</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	<u>-</u>	<u>74,263</u>	<u>74,263</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>74,263</u>	<u>74,263</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the sale of capital assets	500	-	500
Acquisition of capital assets	(62,072)	-	(62,072)
Net cash provided (used) by capital and related financing activities	<u>(61,572)</u>	<u>-</u>	<u>(61,572)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(300,000)	-	(300,000)
Proceeds from sale of investments	300,000	-	300,000
Interest and dividends received	<u>18,085</u>	<u>-</u>	<u>18,085</u>
Net cash provided (used) by investing activities	<u>18,085</u>	<u>-</u>	<u>18,085</u>
Net increase (decrease) in cash and cash equivalents	205,459	21,304	226,763
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>970,670</u>	<u>38,764</u>	<u>1,009,434</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,176,129</u></u>	<u><u>\$ 60,068</u></u>	<u><u>\$ 1,236,197</u></u>

(continued)

**CITY OF ALPENA**

Combining Statement of Cash Flows  
Internal Service Funds (continued)

For the Year Ended June 30, 2019

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (35,850)	\$ (22,524)	\$ (58,374)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	174,583	-	174,583
(Increase) decrease in receivables	3,381	-	3,381
(Increase) decrease in due from other funds	6,283	-	6,283
(Increase) decrease in advance to other funds	104,000	-	104,000
(Increase) decrease in inventories	-	(33,318)	(33,318)
(Increase) decrease in prepaid expenditures	(711)	-	(711)
Increase (decrease) in accounts payable	(1,793)	2,883	1,090
Increase (decrease) in accrued payroll	(947)	-	(947)
Net cash provided (used) by operating activities	<u>\$ 248,946</u>	<u>\$ (52,959)</u>	<u>\$ 195,987</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Increase (decrease) in fair value of investments	<u>\$ 7,326</u>	<u>\$ -</u>	<u>\$ 7,326</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,	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,924,468	\$ 1,150,803
Investments, at fair value	860,303	856,373
Accounts receivable, net	474,261	635,019
Taxes receivable	192,689	138,797
Interest receivable	21,480	9,501
Due from other governmental units	29,550	639,208
Due from other funds	-	115
Prepaid expenditures	50,276	-
Total assets	<u>\$ 3,553,027</u>	<u>\$ 3,429,816</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 179,382	\$ 338,414
Accrued payroll	179,353	196,790
Due to component units	37,455	12,862
Due to other funds	32,945	9,863
Advance from other funds	186,000	210,403
Total liabilities	<u>615,135</u>	<u>768,332</u>
Deferred inflows of resources		
Unavailable revenue, property taxes	<u>191,689</u>	<u>138,797</u>
Fund balances		
Nonspendable	50,276	-
Committed for:		
Capital outlay	111,259	102,604
Budget stabilization	30,000	25,000
Unassigned	<u>2,554,668</u>	<u>2,395,083</u>
Total fund balances	<u>2,746,203</u>	<u>2,522,687</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,553,027</u>	<u>\$ 3,429,816</u>

**CITY OF ALPENA**

General Fund

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

	For the Year Ended June 30, 2019			
	Budgeted Amounts		Actual	2018
	Original	Final	Amounts	Actual
REVENUES				
TAXES:				
Current property	\$ 3,789,600	\$ 3,661,650	\$ 3,663,595	\$ 3,642,878
Other	76,500	80,000	84,393	77,282
	<u>3,866,100</u>	<u>3,741,650</u>	<u>3,747,988</u>	<u>3,720,160</u>
LICENSES AND PERMITS	<u>63,100</u>	<u>60,475</u>	<u>57,957</u>	<u>54,111</u>
STATE REVENUE:				
State shared revenue	1,710,000	1,844,331	1,832,274	1,689,708
Grants	17,800	39,794	60,420	182,336
	<u>1,727,800</u>	<u>1,884,125</u>	<u>1,892,694</u>	<u>1,872,044</u>
FEDERAL REVENUE	<u>93,797</u>	<u>7,350</u>	<u>7,350</u>	<u>229,977</u>
LOCAL GRANT REVENUE	<u>997,833</u>	<u>864,478</u>	<u>859,882</u>	<u>852,771</u>
CHARGES FOR SERVICES:				
Ambulance	1,650,000	1,850,000	1,714,277	1,649,311
Cemetery	75,000	54,506	68,833	43,202
Sidewalks and trees	8,000	3,000	4,030	5,361
Other	49,650	48,270	50,002	40,309
Administrative-equipment fund	319,218	319,218	319,218	309,921
Administrative-water fund	216,431	216,431	216,430	210,127
Administrative-sewage fund	216,431	216,431	216,431	210,127
Administrative-stores fund	65,537	65,537	65,537	63,629
Administrative-perpetual lot care fund	2,700	6,000	11,255	5,966
Administrative-retirement fund	35,266	35,266	35,266	34,239
Administrative-other	9,208	9,421	9,421	8,414
	<u>2,647,441</u>	<u>2,824,080</u>	<u>2,710,700</u>	<u>2,580,606</u>
INVESTMENT INCOME AND RENTS	<u>93,936</u>	<u>76,735</u>	<u>113,421</u>	<u>80,594</u>
FINES AND FORFEITURES	<u>19,000</u>	<u>17,000</u>	<u>17,716</u>	<u>22,151</u>
OTHER:				
Sale of assets	-	-	1,900	-
Scrap and salvage sales	100	250	392	328
Donations	41,886	53,725	39,825	330,882
Reimbursements and refunds	31,200	65,800	103,269	78,619
Miscellaneous	37,953	31,816	29,977	41,150
	<u>111,139</u>	<u>151,591</u>	<u>175,363</u>	<u>450,979</u>
Total revenues	9,620,146	9,627,484	9,583,071	9,863,393

# CITY OF ALPENA

## General Fund

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

	For the Year Ended June 30, 2019			
	Budgeted Amounts		Actual	2018
	Original	Final	Amounts	Actual
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
GENERAL GOVERNMENT:				
Salaries and wages	\$ 750,000	\$ 780,000	\$ 742,029	\$ 846,504
Employee benefits	368,936	365,102	345,560	400,295
Supplies and durable goods	41,000	34,762	39,165	42,840
Professional and contractual	173,631	158,134	162,514	189,329
Administrative services	500	525	525	479
Continuing education	12,000	13,516	14,686	12,895
Community promotion	61,000	64,904	58,649	54,156
Insurance and bonds	13,000	7,480	6,652	939
Utilities	39,000	43,000	39,074	39,441
Repairs and maintenance	12,000	26,000	57,787	10,638
Equipment rental	3,500	6,500	7,040	4,170
Miscellaneous	19,900	20,045	39,882	226,446
Capital outlay	17,500	10,000	-	-
Debt service	11,500	11,500	1,500	2,000
	<u>1,523,467</u>	<u>1,541,468</u>	<u>1,515,063</u>	<u>1,830,132</u>
INFORMATION TECHNOLOGY:				
Salaries and wages	22,475	21,675	22,425	22,066
Employee benefits	12,082	12,171	11,884	6,473
Supplies and durable goods	36,000	47,500	42,798	19,306
Professional and contractual	95,336	94,600	94,524	92,448
Insurance and bonds	5,500	4,517	4,517	5,377
Utilities	2,200	2,400	2,405	2,354
Repairs and maintenance	62,000	58,000	51,481	58,601
Miscellaneous	755	1,260	1,259	24
Capital outlay	53,400	39,700	41,884	32,466
Other operating	2,484	2,484	2,484	2,484
	<u>292,232</u>	<u>284,307</u>	<u>275,661</u>	<u>241,599</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, 2019			
	Budgeted Amounts		Actual	2018
	Original	Final	Amounts	Actual
<b>EXPENDITURES</b> (continued)				
CEMETERY:				
Salaries and wages	\$ 66,300	\$ 66,300	\$ 66,808	\$ 64,828
Employee benefits	27,412	29,694	28,845	28,900
Supplies and durable goods	3,000	3,000	3,127	2,544
Professional and contractual	200	200	245	225
Continuing education	350	-	-	-
Insurance and bonds	4,560	4,291	4,291	4,162
Utilities	12,400	13,500	10,797	13,449
Repairs and maintenance	10,600	10,600	10,888	11,053
Equipment rental	22,245	22,245	21,695	19,373
Miscellaneous	200	1	1	-
Capital outlay	85,000	85,000	68,311	68,778
	<u>232,267</u>	<u>234,831</u>	<u>215,008</u>	<u>213,312</u>
Total general government	<u>2,047,966</u>	<u>2,060,606</u>	<u>2,005,732</u>	<u>2,285,043</u>
<b>PUBLIC SAFETY</b>				
POLICE:				
Salaries and wages	1,253,000	1,253,000	1,217,396	1,171,328
Employee benefits	510,846	523,168	511,007	443,260
Supplies and durable goods	16,100	16,100	14,420	10,608
Professional and contractual	19,500	15,000	10,435	17,135
Continuing education	10,000	10,500	9,158	6,857
Insurance and bonds	50,000	47,712	47,712	49,378
Utilities	38,900	38,900	40,619	41,976
Repairs and maintenance	49,500	47,250	45,871	44,464
Equipment rental	900	1,900	1,236	1,671
Miscellaneous	4,000	4,500	3,725	4,621
Capital outlay	47,000	4,700	4,691	72,296
	<u>1,999,746</u>	<u>1,962,730</u>	<u>1,906,270</u>	<u>1,863,594</u>



**CITY OF ALPENA**

General Fund

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

	For the Year Ended June 30, 2019			
	Budgeted Amounts		Actual	2018
	Original	Final	Amounts	Actual
EXPENDITURES				
FIRE:				
Salaries and wages	\$ 988,590	\$ 988,590	\$ 1,020,629	\$ 948,127
Employee benefits	410,785	476,309	471,907	408,323
Supplies and durable goods	22,000	12,845	12,899	18,334
Professional and contractual	4,500	4,500	7,720	6,931
Continuing education	5,500	5,500	4,147	5,418
Insurance and bonds	47,000	36,382	36,382	42,130
Utilities	18,200	24,000	22,638	20,579
Repairs and maintenance	21,350	20,550	17,290	25,031
Equipment rental	164,000	164,000	162,484	162,071
Miscellaneous	2,500	5,000	4,235	2,036
Capital outlay	17,000	13,350	12,967	11,468
	1,701,425	1,751,026	1,773,298	1,650,448
AMBULANCE:				
Salaries and wages	972,856	972,856	983,603	980,286
Employee benefits	451,655	466,926	463,018	401,336
Supplies and durable goods	87,800	67,175	63,177	69,251
Professional and contractual	100,500	129,000	113,430	99,704
Continuing education	16,000	22,000	21,227	11,113
Insurance and bonds	53,000	49,787	49,787	48,228
Utilities	22,000	24,000	22,419	27,806
Repairs and maintenance	76,600	80,200	78,388	84,281
Equipment rental	6,200	6,200	5,948	6,415
Miscellaneous	3,600	3,600	3,999	2,015
Capital outlay	50,000	131,075	131,071	122,151
Debt service	72,800	72,800	4,800	7,520
	1,913,011	2,025,619	1,940,867	1,860,106
Total public safety	5,614,182	5,739,375	5,620,435	5,374,148

(continued)

**CITY OF ALPENA**

General Fund

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

EXPENDITURES (continued)	For the Year Ended June 30, 2019			2018 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
PUBLIC WORKS				
PUBLIC WORKS:				
Salaries and wages	\$ 176,734	\$ 171,000	\$ 193,724	\$ 166,052
Employee benefits	195,304	115,378	87,855	79,146
Supplies and durable goods	28,000	28,000	24,960	27,586
Professional and contractual	44,550	45,050	44,424	44,880
Continuing education	5,800	5,515	5,995	1,608
Insurance and bonds	14,322	5,500	5,486	5,579
Utilities	42,000	42,500	42,747	40,781
Repairs and maintenance	28,300	28,300	27,705	28,910
Equipment rental	72,000	82,500	108,484	85,989
Miscellaneous	-	-	(1,388)	(153)
Capital outlay	40,500	63,000	18,020	15,441
	647,510	586,743	558,012	495,819
HIGHWAYS, STREETS AND LIGHTS:				
Salaries and wages	16,800	13,500	11,834	11,889
Employee benefits	2,634	8,238	6,414	6,782
Supplies and durable goods	5,000	3,300	3,253	3,575
Professional and contractual	14,500	13,000	14,099	19,409
Insurance and bonds	540	306	306	519
Utilities	110,000	105,000	100,398	104,387
Repairs and maintenance	40,000	75,000	29,918	97,026
Equipment rental	10,000	10,500	10,433	6,702
Miscellaneous	-	-	-	-
Capital outlay	45,000	-	-	29,414
	244,474	228,844	176,655	279,703
Total public works	891,984	815,587	734,667	775,522

**CITY OF ALPENA**

General Fund

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

	For the Year Ended June 30, 2019			
	Budgeted Amounts		Actual	2018
	Original	Final	Amounts	Actual
<b>EXPENDITURES</b>				
<b>RECREATION AND CULTURE</b>				
PARKS AND RECREATION:				
Salaries and wages	\$ 140,413	\$ 140,413	\$ 123,650	\$ 139,070
Employee benefits	73,955	84,753	84,012	61,556
Supplies and durable goods	10,000	8,000	9,644	7,463
Professional and contractual	30,300	6,450	364	445
Insurance and bonds	17,125	13,003	13,003	16,769
Utilities	65,500	116,500	96,038	37,320
Repairs and maintenance	45,000	75,000	71,490	105,663
Equipment rental	78,000	78,000	83,973	78,958
Miscellaneous	20,500	20,100	20,003	20,250
Capital outlay	325,500	150,121	93,561	582,306
Debt service	26,520	26,520	520	1,560
Total recreation and culture	832,813	718,860	596,258	1,051,360
Total expenditures	9,386,945	9,334,428	8,957,092	9,486,073
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	233,201	293,056	625,979	377,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Tree/Park Improvement Fund	-	-	8,550	-
Building Inspection Fund	-	24,985	24,985	-
DPW Construction Fund	-	80,000	-	-
Transfers out:				
Local Street Fund	(150,000)	(150,000)	(150,000)	(250,000)
Major Street Fund	-	-	-	-
Building Inspection Fund	-	-	-	-
Capital Improvement Fund	-	-	-	(69,971)
Marina Fund	(130,000)	(90,000)	(90,000)	(95,000)
Building Authority Debt Fund	(121,735)	(121,135)	(121,735)	(123,108)
Stores Fund	(74,263)	(74,263)	(74,263)	(72,100)
Total other financing sources (uses)	(475,998)	(330,413)	(402,463)	(610,179)
<b>NET CHANGE IN FUND BALANCE</b>	(242,797)	(37,357)	223,516	(232,859)
<b>FUND BALANCES, beginning of year</b>	2,724,575	2,522,687	2,522,687	2,755,546
<b>FUND BALANCES, end of year</b>	\$ 2,481,778	\$ 2,485,330	\$ 2,746,203	\$ 2,522,687

## CITY OF ALPENA

### Enterprise Funds

#### Description of Funds

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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,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,047,484	\$ 1,860,987
Accounts receivable, net	983,440	979,321
Prepaid expense	328	-
Total current assets	<u>3,031,252</u>	<u>2,840,308</u>
Noncurrent assets:		
Capital assets not being depreciated	444,588	98,976
Capital assets being depreciated, net	<u>15,619,736</u>	<u>15,801,259</u>
Total noncurrent assets	<u>16,064,324</u>	<u>15,900,235</u>
Total assets	<u>19,095,576</u>	<u>18,740,543</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	25,590	33,636
Accrued payroll	1,782	76,284
Accrued interest payable	10,689	12,217
Due to other funds	1,304	-
Bonds and notes payable - current portion	<u>180,000</u>	<u>312,500</u>
Total current liabilities	<u>219,365</u>	<u>434,637</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,985,659</u>	<u>2,165,659</u>
Total liabilities	<u>2,205,024</u>	<u>2,600,296</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,898,665	13,422,076
Restricted for:		
Debt service	31,016	180,523
Unrestricted	<u>2,960,871</u>	<u>2,537,648</u>
Total net position	<u>\$ 16,890,552</u>	<u>\$ 16,140,247</u>

**CITY OF ALPENA**

Sewage Fund

Comparative Schedule of Revenues, Expenses  
and Changes in Net Position

	For the Years Ended June 30,	
	2019	2018
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,097,220	\$ 3,069,901
Other services	11,472	7,239
Total operating revenues	<u>3,108,692</u>	<u>3,077,140</u>
<b>OPERATING EXPENSES</b>		
Treatment plant:		
Salaries and wages	-	70,000
Employee benefits	10	5,365
Supplies and durable goods	33,088	32,453
Professional and contractual	691,556	683,975
Administrative services	216,431	210,127
Insurance	29,802	19,280
Utilities	261,749	258,508
Repairs and maintenance	4,531	5,525
Equipment rental	3,848	3,848
Miscellaneous	8,688	173,566
Depreciation	233,584	232,114
	<u>1,483,287</u>	<u>1,694,761</u>
Collection system:		
Salaries and wages	39,146	28,356
Employee benefits	16,637	7,924
Professional and contractual	319,757	305,290
Administrative services	1,838	1,676
Utilities	18,301	17,915
Repairs and maintenance	19,222	7,067
Equipment rental	52,596	42,276
Miscellaneous	492	4,496
Other operating expenses	-	-
Depreciation	379,670	365,393
	<u>847,659</u>	<u>780,393</u>
Total operating expenses	<u>2,330,946</u>	<u>2,475,154</u>
<b>OPERATING INCOME (LOSS)</b>	<u>777,746</u>	<u>601,986</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income and rents	17,391	15,211
Judgment interest	-	43,865
Interest expense	(44,832)	(50,950)
Total nonoperating revenues (expenses)	<u>(27,441)</u>	<u>8,126</u>

**CITY OF ALPENA**

**Sewage Fund**

**Comparative Schedule of Revenues, Expenses  
and Changes in Net Position**

	For the Years Ended June 30,	
	2019	2018
Income before special item	\$ 750,305	\$ 610,112
Special item revenue adjustment	-	(1,112,348)
<b>CHANGE IN NET POSITION</b>	750,305	(502,236)
<b>NET POSITION</b> , beginning of year	16,140,247	16,642,483
<b>NET POSITION</b> , end of year	<u>\$ 16,890,552</u>	<u>\$ 16,140,247</u>

**CITY OF ALPENA**

Sewage Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,104,573	\$ 3,629,189
Payments to suppliers	(1,452,004)	(1,571,843)
Payments to employees	(130,295)	(37,245)
Payments for interfund services used	(216,965)	(211,803)
Net cash provided (used) by operating activities	1,305,309	1,808,298
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	-	(2,743,439)
Net cash provided (used) by noncapital financing activities	-	(2,743,439)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(777,343)	(1,071,522)
Principal paid on capital debt	(312,500)	(312,500)
Interest paid on capital debt	(46,360)	(52,482)
Net cash provided (used) by capital and related financing activities	(1,136,203)	(1,436,504)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	17,391	15,211
Net cash provided (used) by investing activities	17,391	15,211
Net increase (decrease) in cash and cash equivalents	186,497	(2,356,434)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,860,987	4,217,421
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,047,484	\$ 1,860,987

(continued)



**CITY OF ALPENA**

Sewage Fund

Comparative Schedule of Cash Flows (continued)

	For the Years Ended June 30,	
	2019	2018
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 777,746	\$ 601,986
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	613,254	597,506
Book value of disposed assets	-	874
(Increase) decrease in accounts receivable	(4,119)	966,565
(Increase) decrease in prepaid expense	(328)	-
Increase (decrease) in accounts payable	(8,046)	(18,517)
Increase (decrease) in accrued payroll	(74,502)	74,400
Increase (decrease) in due to other funds	1,304	-
Increase (decrease) in unearned revenue	-	(414,516)
Net cash provided (used) by operating activities	<u>\$ 1,305,309</u>	<u>\$ 1,808,298</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>



**CITY OF ALPENA****Water Fund****Comparative Schedule of Net Position**

	June 30,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,027,195	\$ 1,249,848
Accounts receivable, net	2,021,353	1,677,682
Due from other funds	20,564	-
Prepaid expense	433	-
Total current assets	<u>3,069,545</u>	<u>2,927,530</u>
Noncurrent assets:		
Capital assets not being depreciated	786,521	166,929
Capital assets being depreciated, net	<u>11,477,762</u>	<u>11,360,653</u>
Total noncurrent assets	<u>12,264,283</u>	<u>11,527,582</u>
Total assets	<u>15,333,828</u>	<u>14,455,112</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	22,075	46,836
Accrued payroll	2,018	929
Accrued interest payable	12,534	14,257
Due to other funds	936	-
Bonds and notes payable - current portion	<u>185,000</u>	<u>312,500</u>
Total current liabilities	<u>222,563</u>	<u>374,522</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,883,160</u>	<u>2,068,160</u>
Total liabilities	<u>2,105,723</u>	<u>2,442,682</u>
<b>NET POSITION</b>		
Net investment in capital assets	10,196,123	9,146,922
Restricted for:		
Debt service	31,016	170,108
Unrestricted	<u>3,000,966</u>	<u>2,695,400</u>
Total net position	<u>\$ 13,228,105</u>	<u>\$ 12,012,430</u>

# CITY OF ALPENA

## Water Fund

### Comparative Schedule of Revenues, Expenses and Changes in Net Position

	For the Years Ended June 30,	
	2019	2018
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,354,209	\$ 3,102,646
Other services	19,465	27,647
Total operating revenues	<u>3,373,674</u>	<u>3,130,293</u>
<b>OPERATING EXPENSES</b>		
Production:		
Supplies and durable goods	133,952	138,431
Professional and contractual	636,155	618,061
Utilities	126,017	114,943
Repairs and maintenance	9,834	-
Miscellaneous	10,308	181,243
Depreciation	108,579	104,843
	<u>1,024,845</u>	<u>1,157,521</u>
Distribution:		
Salaries and wages	43,029	37,004
Employee benefits	10,711	2,644
Professional and contractual	266,951	273,553
Administrative services	1,838	1,676
Repairs and maintenance	166,069	136,121
Equipment rental	23,295	15,014
Miscellaneous	511	777
Loss on disposal of assets	1,260	79,456
Depreciation	274,294	254,218
	<u>787,958</u>	<u>800,463</u>
Commercial and general:		
Employee benefits	9,013	8,153
Professional and contractual	46,253	44,626
Administrative services	216,430	210,127
Insurance	27,047	17,349
	<u>298,743</u>	<u>280,255</u>
Total operating expenses	<u>2,111,546</u>	<u>2,238,239</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,262,128</u>	<u>892,054</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income and rents	5,953	40
Judgment interest	-	120,239
Interest expense	(52,406)	(59,321)
Total nonoperating revenues (expenses)	<u>(46,453)</u>	<u>60,958</u>

**CITY OF ALPENA**

Water Fund

Comparative Schedule of Revenues, Expenses  
and Changes in Net Position

	For the Years Ended June 30,	
	2019	2018
Income before special item	\$ 1,215,675	\$ 953,012
Special item revenue adjustment	-	(664,698)
<b>CHANGE IN NET POSITION</b>	1,215,675	288,314
<b>NET POSITION</b> , beginning of year	12,012,430	11,724,116
<b>NET POSITION</b> , end of year	<u>\$ 13,228,105</u>	<u>\$ 12,012,430</u>

**CITY OF ALPENA**

Water Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,030,003	\$ 1,788,841
Payments to suppliers	(1,471,586)	(1,531,533)
Payments to employees	(61,664)	(47,700)
Payments for interfund services used	(237,896)	(211,803)
Net cash provided (used) by operating activities	1,258,857	(2,195)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	-	2,743,439
Net cash provided (used) by noncapital financing activities	-	2,743,439
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,120,834)	(1,214,405)
Principal paid on capital debt	(312,500)	(317,500)
Interest paid on capital debt	(54,129)	(61,068)
Net cash provided (used) by capital and related financing activities	(1,487,463)	(1,592,973)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	5,953	40
Net cash provided (used) by investing activities	5,953	40
Net increase (decrease) in cash and cash equivalents	(222,653)	1,148,311
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,249,848	101,537
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,027,195	\$ 1,249,848

(continued)

**CITY OF ALPENA****Water Fund****Comparative Schedule of Cash Flows (continued)**

	For the Years Ended June 30,	
	2019	2018
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 1,262,128	\$ 892,054
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	382,873	359,061
Book value of disposed assets	1,260	79,461
(Increase) decrease in accounts receivable	(343,671)	(926,940)
(Increase) decrease in due from other funds	(20,564)	-
(Increase) decrease in prepaid expenditures	(433)	-
Increase (decrease) in accounts payable	(24,761)	8,584
Increase (decrease) in accrued payroll	1,089	101
Increase (decrease) in due to other funds	936	-
Increase (decrease) in unearned revenue	-	(414,516)
Net cash provided (used) by operating activities	<u>\$ 1,258,857</u>	<u>\$ (2,195)</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>





## CITY OF ALPENA

### Fiduciary Funds

#### Description of Funds

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#### **Pension Trust Funds**

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

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

#### **Agency Funds**

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

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

# CITY OF ALPENA

## Combining Statement of Net Position - Fiduciary Funds

June 30, 2019

	Pension (and Other Employee Benefit)		
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	Totals
<b>ASSETS</b>			
Investments, at fair value:			
Short-term investment funds	\$ 712,843	\$ 758,286	\$ 1,471,129
Brokerage certificates	-	497,104	497,104
Fixed income	7,493,618	-	7,493,618
Equity securities	19,600,236	-	19,600,236
Interest receivable	82,956	173	83,129
Total assets	27,889,653	1,255,563	29,145,216
<b>LIABILITIES</b>			
Accounts payable	37,972	2,701	40,673
	37,972	2,701	40,673
<b>NET POSITION</b>			
Net position restricted for pension/OPEB	\$ 27,851,681	\$ 1,252,862	\$ 29,104,543

**CITY OF ALPENA**

Combining Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2019

	Pension (and other employee benefit)		
	Trust Funds		
	Pension	Employee Health	
	Trust Fund	Care Fund	Totals
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 847,999	\$ 277,033	\$ 1,125,032
Employees	233,921	-	233,921
Total contributions	1,081,920	277,033	1,358,953
Investment income:			
Net increase (decrease) in fair value of investments	(2,054,163)	8,219	(2,045,944)
Gain (loss) on securities sold	2,954,486	-	2,954,486
Interest and dividends	631,750	12,470	644,220
	1,532,073	20,689	1,552,762
Less investment expense	98,669	-	98,669
Net investment income	1,433,404	20,689	1,454,093
Total additions	2,515,324	297,722	2,813,046
<b>DEDUCTIONS</b>			
Benefits	1,897,247	150,200	2,047,447
Lump-sum retirement payments	120,011	-	120,011
Administrative expense	40,872	12,700	53,572
Miscellaneous	(40,005)	-	(40,005)
Total deductions	2,018,125	162,900	2,181,025
<b>CHANGE IN NET POSITION</b>	497,199	134,822	632,021
<b>NET POSITION</b> , beginning of year	27,354,482	1,118,040	28,472,522
<b>NET POSITION</b> , end of year	\$ 27,851,681	\$ 1,252,862	\$ 29,104,543

**CITY OF ALPENA**

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

For the Year Ended June 30, 2019

	<u>Balances, July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances, June 30, 2019</u>
<b>GENERAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,885	\$ 6,707,043	\$ 6,725,239	\$ 3,689
Taxes receivable	<u>140,766</u>	<u>84,068</u>	<u>36,361</u>	<u>188,473</u>
	<u><u>\$ 162,651</u></u>	<u><u>\$ 6,791,111</u></u>	<u><u>\$ 6,761,600</u></u>	<u><u>\$ 192,162</u></u>
<b>LIABILITIES</b>				
Due to other governmental units	<u>\$ 162,651</u>	<u>\$ 6,762,877</u>	<u>\$ 6,733,366</u>	<u>\$ 192,162</u>
	<u><u>\$ 162,651</u></u>	<u><u>\$ 6,762,877</u></u>	<u><u>\$ 6,733,366</u></u>	<u><u>\$ 192,162</u></u>
<b>SPECIAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 92,310</u>	<u>\$ 1,171,078</u>	<u>\$ 1,191,209</u>	<u>\$ 72,179</u>
	<u><u>\$ 92,310</u></u>	<u><u>\$ 1,171,078</u></u>	<u><u>\$ 1,191,209</u></u>	<u><u>\$ 72,179</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 65,566	\$ 1,171,448	\$ 1,175,969	\$ 61,045
Due to other governmental units	<u>26,744</u>	<u>24,740</u>	<u>40,350</u>	<u>11,134</u>
	<u><u>\$ 92,310</u></u>	<u><u>\$ 1,196,188</u></u>	<u><u>\$ 1,216,319</u></u>	<u><u>\$ 72,179</u></u>
<b>TOTALS, ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 114,195	\$ 7,878,121	\$ 7,916,448	\$ 75,868
Taxes receivable	<u>140,766</u>	<u>84,068</u>	<u>36,361</u>	<u>188,473</u>
	<u><u>\$ 254,961</u></u>	<u><u>\$ 7,962,189</u></u>	<u><u>\$ 7,952,809</u></u>	<u><u>\$ 264,341</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 65,566	\$ 1,171,448	\$ 1,175,969	\$ 61,045
Due to other governmental units	<u>189,395</u>	<u>6,787,617</u>	<u>6,773,716</u>	<u>203,296</u>
	<u><u>\$ 254,961</u></u>	<u><u>\$ 7,959,065</u></u>	<u><u>\$ 7,949,685</u></u>	<u><u>\$ 264,341</u></u>

## CITY OF ALPENA

### Component Units

#### Description of Funds

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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, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>DOWNTOWN DEVELOPMENT AUTHORITY NO. 2</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 283,592	\$ -	\$ 283,592
Loan receivable	4,306	-	4,306
Due from primary government	37,455	-	37,455
Capital assets not being depreciated	-	93,756	93,756
Capital assets being depreciated, net	-	143,675	143,675
Total assets	<u>\$ 325,353</u>	<u>237,431</u>	<u>562,784</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 3,836	-	3,836
Accrued payroll	1,390	-	1,390
Unearned revenue	4,306	-	4,306
Long-term liabilities:			
Due within one year			
Bonds and loans	-	3,040	3,040
Due in more than one year			
Bonds and loans	-	45,164	45,164
Total liabilities	<u>9,532</u>	<u>48,204</u>	<u>57,736</u>
Fund Balance			
Unassigned	<u>315,821</u>	<u>(315,821)</u>	<u>-</u>
Total fund balance	<u>315,821</u>	<u>(315,821)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 325,353</u>		
<b>NET POSITION</b>			
Net investment in capital assets		189,227	189,227
Unrestricted		<u>315,821</u>	<u>315,821</u>
Total net position		<u>\$ 505,048</u>	<u>\$ 505,048</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, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>DOWNTOWN DEVELOPMENT AUTHORITY NO. 2</b>			
<b>REVENUES</b>			
Property taxes	\$ 132,633	\$ -	\$ 132,633
State shared revenue	5,703	-	5,703
Investment income and rents	4,147	-	4,147
Other	7,440	-	7,440
Total revenues	149,923	-	149,923
<b>EXPENDITURES</b>			
Current operations			
Community and economic development	131,917	(10,989)	120,928
Total expenditures	131,917	(10,989)	120,928
<b>CHANGE IN NET POSITION</b>	18,006	10,989	28,995
<b>NET POSITION, beginning of year</b>	297,815	178,238	476,053
<b>NET POSITION, end of year</b>	\$ 315,821	\$ 189,227	\$ 505,048

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

June 30, 2019

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
<b>DOWNTOWN DEVELOPMENT AUTHORITY NO. 5</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,394	\$ -	\$ 20,394
Taxes receivable	<u>49</u>	<u>-</u>	<u>49</u>
Total assets	<u><u>\$ 20,443</u></u>	<u>-</u>	<u>20,443</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 64	-	64
Accrued payroll	<u>1,660</u>	<u>-</u>	<u>1,660</u>
Total liabilities	<u>1,724</u>	<u>-</u>	<u>1,724</u>
Fund Balance			
Unassigned	<u>18,719</u>	<u>(18,719)</u>	<u>-</u>
Total fund balance	<u>18,719</u>	<u>(18,719)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 20,443</u></u>		
<b>NET POSITION</b>			
Unrestricted		<u>18,719</u>	<u>18,719</u>
Total net position		<u><u>\$ 18,719</u></u>	<u><u>\$ 18,719</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, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>DOWNTOWN DEVELOPMENT AUTHORITY NO. 5</b>			
<b>REVENUES</b>			
Property taxes	\$ 21,123	\$ (366)	\$ 20,757
Investment income and rents	10,204	-	10,204
Total revenues	31,327	(366)	30,961
<b>EXPENDITURES</b>			
Current operations			
Community and economic development	51,287	-	51,287
Total expenditures	51,287	-	51,287
<b>CHANGE IN NET POSITION</b>	(19,960)	(366)	(20,326)
<b>NET POSITION</b> , beginning of year	38,679	366	39,045
<b>NET POSITION</b> , end of year	\$ 18,719	\$ -	\$ 18,719

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

June 30, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>BROWNFIELD REDEVELOPMENT AUTHORITY</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 219,625	\$ -	\$ 219,625
Loan receivable	10,205	-	10,205
Total assets	<u>\$ 229,830</u>	<u>-</u>	<u>229,830</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 31,048	-	31,048
Unearned revenue	10,205	-	10,205
Total liabilities	<u>41,253</u>	<u>-</u>	<u>41,253</u>
Fund Balance			
Unassigned	<u>188,577</u>	<u>(188,577)</u>	<u>-</u>
Total fund balance	<u>188,577</u>	<u>(188,577)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 229,830</u>		
<b>NET POSITION</b>			
Unrestricted		<u>188,577</u>	<u>188,577</u>
Total net position		<u>\$ 188,577</u>	<u>\$ 188,577</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, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>BROWNFIELD REDEVELOPMENT AUTHORITY</b>			
<b>REVENUES</b>			
Taxes	\$ 99,570	\$ -	\$ 99,570
Other	1,895	-	1,895
Total revenues	101,465	-	101,465
<b>EXPENDITURES</b>			
Current operations			
Community and economic development	122,597	-	122,597
Total expenditures	122,597	-	122,597
<b>CHANGE IN NET POSITION</b>	(21,132)	-	(21,132)
<b>NET POSITION</b> , beginning of year	209,709	-	209,709
<b>NET POSITION</b> , end of year	\$ 188,577	\$ -	\$ 188,577

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

June 30, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>ECONOMIC DEVELOPMENT CORPORATION</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,709	\$ -	\$ 3,709
Total assets	<u>\$ 3,709</u>	<u>-</u>	<u>3,709</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Unassigned	<u>3,709</u>	<u>(3,709)</u>	<u>-</u>
Total fund balance	<u>3,709</u>	<u>(3,709)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,709</u>		
<b>NET POSITION</b>			
Unrestricted		<u>3,709</u>	<u>3,709</u>
Total net position		<u>\$ 3,709</u>	<u>\$ 3,709</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, 2019

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>ECONOMIC DEVELOPMENT CORPORATION</b>			
<b>REVENUES</b>			
Investment income and rents	\$ 2	\$ -	\$ 2
Total revenues	2	-	2
<b>EXPENDITURES</b>			
Current operations			
Community and economic development	-	-	-
Total expenditures	-	-	-
<b>CHANGE IN NET POSITION</b>	2	-	2
<b>NET POSITION, beginning of year</b>	3,707	-	3,707
<b>NET POSITION, end of year</b>	\$ 3,709	\$ -	\$ 3,709



### III. STATISTICAL SECTION

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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.

<b>Contents</b>	<b><u>Page</u></b>
 <i><b>Financial Trends</b></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><b>Revenue Capacity</b></i>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	192
 <i><b>Debt Capacity</b></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><b>Demographic and Economic Information</b></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><b>Operating Information.</b></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,

	2019	2018	2017	2016
Governmental activities:				
Net investment in capital assets	\$ 29,357,887	\$ 29,130,937	\$ 26,846,092	\$ 26,865,755
Restricted	2,193,935	3,035,026	2,508,760	3,011,227
Unrestricted (deficit)	<u>(6,766,856)</u>	<u>(7,206,268)</u>	<u>(4,711,433)</u>	<u>(2,759,674)</u>
Total governmental activities net position	<u>\$ 24,784,966</u>	<u>\$ 24,959,695</u>	<u>\$ 24,643,419</u>	<u>\$ 27,117,308</u>
Business-type activities:				
Net investment in capital assets	\$ 24,094,788	\$ 22,568,997	\$ 20,689,973	\$ 19,657,320
Restricted	62,032	350,631	227,050	227,050
Unrestricted	<u>5,961,837</u>	<u>5,233,049</u>	<u>7,449,577</u>	<u>6,416,536</u>
Total business-type activities net position	<u>\$ 30,118,657</u>	<u>\$ 28,152,677</u>	<u>\$ 28,366,600</u>	<u>\$ 26,300,906</u>
Primary government:				
Net investment in capital assets	\$ 53,452,675	\$ 51,699,934	\$ 47,536,065	\$ 46,523,075
Restricted	2,255,967	3,385,657	2,735,810	3,238,277
Unrestricted	<u>(805,019)</u>	<u>(1,973,219)</u>	<u>2,738,144</u>	<u>3,656,862</u>
Total primary government net position	<u><u>\$ 54,903,623</u></u>	<u><u>\$ 53,112,372</u></u>	<u><u>\$ 53,010,019</u></u>	<u><u>\$ 53,418,214</u></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

2015	2014	2013	2012	2011	2010
\$ 22,427,381	\$ 22,654,358	\$ 22,941,089	\$ 24,422,397	\$ 25,785,814	\$ 25,934,441
3,235,956	3,220,811	3,318,030	3,359,648	2,945,213	3,210,477
(1,883,488)	2,746,139	3,181,073	3,408,727	3,512,184	3,984,586
\$ 23,779,849	\$ 28,621,308	\$ 29,440,192	\$ 31,190,772	\$ 32,243,211	\$ 33,129,504
\$ 19,769,556	\$ 19,524,442	\$ 19,185,172	\$ 18,985,864	\$ 18,681,182	\$ 17,675,374
236,932	281,374	1,081,374	1,246,586	1,546,586	1,284,250
4,187,213	2,756,908	2,116,301	1,980,723	2,104,069	3,664,265
\$ 24,193,701	\$ 22,562,724	\$ 22,382,847	\$ 22,213,173	\$ 22,331,837	\$ 22,623,889
\$ 42,196,937	\$ 42,178,800	\$ 42,126,261	\$ 43,408,261	\$ 44,466,996	\$ 43,609,815
3,472,888	3,502,185	4,399,404	4,606,234	4,491,799	4,494,727
2,303,725	5,503,047	5,297,374	5,389,450	5,616,253	7,648,851
\$ 47,973,550	\$ 51,184,032	\$ 51,823,039	\$ 53,403,945	\$ 54,575,048	\$ 55,753,393

# CITY OF ALPENA

Changes in Net Position (accrual basis of accounting)

Last Ten Fiscal Years Ended June 30,

	2019	2018	2017	2016
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 3,245,641	\$ 3,357,377	\$ 4,069,620	\$ 3,838,100
Public safety	6,495,399	6,533,086	6,766,066	6,415,452
Public works	3,557,186	3,338,349	3,410,282	2,512,624
Recreation and culture	583,812	990,632	779,257	772,420
Interest on long-term debt	32,351	34,090	35,029	42,702
Total governmental activities	<u>13,914,389</u>	<u>14,253,534</u>	<u>15,060,254</u>	<u>13,581,298</u>
Business-type activities:				
Sewage	2,375,778	2,526,104	2,277,385	2,245,516
Water	2,163,952	2,297,564	2,011,412	1,941,631
Total business-type activities	<u>4,539,730</u>	<u>4,823,668</u>	<u>4,288,797</u>	<u>4,187,147</u>
Total primary government expenses	<u>18,454,119</u>	<u>19,077,202</u>	<u>19,349,051</u>	<u>17,768,445</u>
<b>Program Revenues:</b>				
Governmental activities:				
Charges for services:				
General government	1,988,411	1,738,227	1,805,609	1,945,973
Public safety	2,049,239	2,058,064	1,860,565	1,958,438
Public works	272,992	342,806	354,552	276,385
Recreation and culture	106,129	283,775	53,280	50,803
Operating grants and contributions	2,515,409	2,758,757	2,971,115	3,028,615
Capital grants and contributions	1,072,018	191,778	13,661	7,835
Total governmental activities	<u>8,004,198</u>	<u>7,373,407</u>	<u>7,058,782</u>	<u>7,268,049</u>
Business-type activities:				
Charges for services:				
Sewage	3,108,692	3,077,140	3,133,993	3,237,582
Water	3,373,674	3,130,296	3,205,054	3,046,528
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>6,482,366</u>	<u>6,207,436</u>	<u>6,339,047</u>	<u>6,284,110</u>
Total primary government program revenues	<u>14,486,564</u>	<u>13,580,843</u>	<u>13,397,829</u>	<u>13,552,159</u>
<b>Net (Expense) Revenue:</b>				
Governmental activities	(5,910,191)	(6,880,127)	(8,001,472)	(6,313,249)
Business-type activities	<u>1,942,636</u>	<u>1,383,768</u>	<u>2,050,250</u>	<u>2,096,963</u>
Total net expense	<u>(3,967,555)</u>	<u>(5,496,359)</u>	<u>(5,951,222)</u>	<u>(4,216,286)</u>

Table 2

2015	2014	2013	2012	2011	2010
\$ 3,351,040	\$ 3,776,182	\$ 3,497,482	\$ 3,230,508	\$ 3,908,791	\$ 3,455,571
5,954,321	5,300,599	5,101,481	4,792,773	4,897,726	4,398,793
2,801,754	2,875,197	2,806,364	2,785,725	2,925,851	3,112,959
554,321	652,101	727,117	968,657	548,128	713,890
41,405	42,394	164,734	87,962	105,588	117,094
<u>12,702,841</u>	<u>12,646,473</u>	<u>12,297,178</u>	<u>11,865,625</u>	<u>12,386,084</u>	<u>11,798,307</u>
2,236,402	2,293,358	2,197,641	2,156,398	2,124,986	2,127,417
1,986,621	1,961,415	2,058,101	2,042,470	2,042,856	1,734,845
<u>4,223,023</u>	<u>4,254,773</u>	<u>4,255,742</u>	<u>4,198,868</u>	<u>4,167,842</u>	<u>3,862,262</u>
<u>16,925,864</u>	<u>16,901,246</u>	<u>16,552,920</u>	<u>16,064,493</u>	<u>16,553,926</u>	<u>15,660,569</u>
1,819,769	1,788,728	1,651,058	1,869,049	1,748,453	1,536,270
1,839,835	1,611,281	1,801,501	1,519,167	1,484,685	850,739
493,200	316,994	14,516	44,027	68,801	291,753
56,286	226,079	37,623	41,808	161,079	55,071
2,021,808	2,353,912	2,048,395	1,750,608	2,265,840	932,920
21,243	531,882	6,770	160,529	163,923	1,320,297
<u>6,252,141</u>	<u>6,828,876</u>	<u>5,559,863</u>	<u>5,385,188</u>	<u>5,892,781</u>	<u>4,987,050</u>
2,897,812	2,305,112	2,374,420	2,209,450	2,118,334	2,042,229
2,949,849	2,119,726	2,025,051	1,860,186	1,741,591	1,649,436
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,847,661</u>	<u>4,424,838</u>	<u>4,399,471</u>	<u>4,069,636</u>	<u>3,859,925</u>	<u>3,691,665</u>
<u>12,099,802</u>	<u>11,253,714</u>	<u>9,959,334</u>	<u>9,454,824</u>	<u>9,752,706</u>	<u>8,678,715</u>
(6,450,700)	(5,817,597)	(6,737,315)	(6,480,437)	(6,493,303)	(6,811,257)
1,624,638	170,065	143,729	(129,232)	(307,917)	(170,597)
<u>(4,826,062)</u>	<u>(5,647,532)</u>	<u>(6,593,586)</u>	<u>(6,609,669)</u>	<u>(6,801,220)</u>	<u>(6,981,854)</u>

(continued)

# CITY OF ALPENA

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

Last Ten Fiscal Years Ended June 30,

	2019	2018	2017	2016
<b>General Revenues:</b>				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 3,800,880	\$ 3,760,951	\$ 3,811,792	\$ 3,917,618
Property taxes, levied for debt service	-	-	-	-
State sales tax	1,832,274	1,689,706	1,682,923	1,239,267
Investment earnings	101,808	43,855	32,068	39,115
Miscellaneous	-	-	-	-
Gain on sale of capital assets	500	45	800	8,300
Transfers (in/out)	-	-	-	-
Total Governmental Activities	<u>5,735,462</u>	<u>5,494,557</u>	<u>5,527,583</u>	<u>5,204,300</u>
Business-type Activities:				
Property taxes, levied for general purposes	-	-	-	-
Investment earnings	23,344	179,355	15,444	10,242
Gain on sale of capital assets	-	-	-	-
Transfers (in/out)	-	-	-	-
Special item - revenue adjustment	-	(1,777,046)	-	-
Total Business-type Activities	<u>23,344</u>	<u>(1,597,691)</u>	<u>15,444</u>	<u>10,242</u>
Total primary government	<u>5,758,806</u>	<u>3,896,866</u>	<u>5,543,027</u>	<u>5,214,542</u>
<b>Change in Net Position</b>				
Governmental activities	(174,729)	(1,385,570)	(2,473,889)	(1,108,949)
Business-type activities	1,965,980	(213,923)	2,065,694	2,107,205
Total primary government	<u>\$ 1,791,251</u>	<u>\$ (1,599,493)</u>	<u>\$ (408,195)</u>	<u>\$ 998,256</u>

Table 2

2015	2014	2013	2012	2011	2010
\$ 3,808,509	\$ 3,830,486	\$ 3,837,297	\$ 4,103,798	\$ 4,270,183	\$ 4,373,032
-	-	-	123,312	133,634	123,384
1,157,360	1,126,128	1,090,489	1,153,459	1,138,191	1,160,848
42,524	38,055	42,368	47,429	65,002	93,393
-	4,044	16,581	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,008,393	4,998,713	4,986,735	5,427,998	5,607,010	5,750,657
-	-	-	-	-	-
6,339	9,812	25,945	10,568	15,865	31,832
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,339	9,812	25,945	10,568	15,865	31,832
5,014,732	5,008,525	5,012,680	5,438,566	5,622,875	5,782,489
(1,442,307)	(818,884)	(1,750,580)	(1,052,439)	(886,293)	(1,060,600)
1,630,977	179,877	169,674	(118,664)	(292,052)	(138,765)
\$ 188,670	\$ (639,007)	\$ (1,580,906)	\$ (1,171,103)	\$ (1,178,345)	\$ (1,199,365)

# CITY OF ALPENA

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

For the Last Ten Years June 30,

	2019	2018	2017	2016
General Fund:				
Nonspendable	\$ 50,276	\$ -	\$ -	\$ -
Committed	141,259	127,604	147,093	172,270
Unassigned	2,554,668	2,395,083	2,615,457	3,043,593
Total General Fund	2,746,203	2,522,687	2,762,550	3,215,863
All other governmental funds:				
Nonspendable-permanent fund	971,263	950,282	933,179	918,495
Nonspendable-special revenue funds	5,015	-	-	-
Restricted-special revenue funds	1,207,799	1,431,788	894,144	1,309,190
Restricted-debt service	13,511	14,235	14,855	15,597
Restricted permanent fund	1,362	-	-	-
Committed-capital projects	369,127	354,420	519,489	595,675
Committed-special revenue funds	169,417	156,697	-	-
Total all other governmental funds	2,737,494	2,907,422	2,361,667	2,838,957
Total governmental funds	\$ 5,483,697	\$ 5,430,109	\$ 5,124,217	\$ 6,054,820

Table 3

2015	2014	2013	2012	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
216,330	300,090	393,337	414,980	398,433	492,009
2,715,810	2,684,308	2,738,391	2,680,758	2,076,532	2,071,127
2,932,140	2,984,398	3,131,728	3,095,738	2,474,965	2,563,136
910,113	900,625	889,577	887,971	881,694	874,791
-	-	-	-	-	-
1,264,876	723,645	989,664	713,490	812,600	945,963
18,641	19,348	20,430	17,653	20,024	22,296
-	-	-	-	-	-
825,996	777,002	774,762	767,520	616,782	595,809
-	500,000	250,000	291,805	-	-
3,019,626	2,920,620	2,924,433	2,678,439	2,331,100	2,438,859
\$ 5,951,766	\$ 5,905,018	\$ 6,056,161	\$ 5,774,177	\$ 4,806,065	\$ 5,001,995

# CITY OF ALPENA

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

For the Last Ten Years June 30,

	2019	2018	2017	2016
<b>REVENUES</b>				
Property taxes	\$ 3,747,988	\$ 3,720,159	\$ 3,725,689	\$ 3,915,140
Licenses and permits	276,173	263,315	235,823	168,531
State revenue	4,227,469	3,557,495	3,003,534	2,712,098
Federal revenue	332,350	229,977	807,701	495,317
Local grant revenue	859,882	852,771	856,464	1,068,302
Charges for services	2,736,409	2,628,470	2,623,058	2,668,974
Investment income and rents	163,745	120,414	237,685	282,313
Fines and forfeitures	17,716	22,151	20,748	20,755
Other	212,963	492,187	144,863	181,835
Total revenues	<u>12,574,695</u>	<u>11,886,939</u>	<u>11,655,565</u>	<u>11,513,265</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,017,135	2,291,002	2,854,048	2,474,655
Public safety	5,816,464	5,812,048	5,965,724	5,815,908
Public works	3,756,297	2,297,586	2,688,806	2,093,688
Recreation and culture	734,367	1,179,900	877,618	750,763
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	90,000	90,000	95,000	179,923
Interest and fees	32,581	33,798	34,972	43,874
Total expenditures	<u>12,446,844</u>	<u>11,704,334</u>	<u>12,516,168</u>	<u>11,358,811</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE</b>	<u>127,851</u>	<u>182,605</u>	<u>(860,603)</u>	<u>154,454</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond and loan proceeds	-	-	-	13,600
Payment to escrow agent	-	-	-	-
Transfers from other funds	415,951	538,079	534,097	480,000
Transfers to other funds	(490,214)	(610,179)	(604,097)	(545,000)
Total other financing sources (uses)	<u>(74,263)</u>	<u>(72,100)</u>	<u>(70,000)</u>	<u>(51,400)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 53,588</u>	<u>\$ 110,505</u>	<u>\$ (930,603)</u>	<u>\$ 103,054</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>1.23%</u>	<u>1.24%</u>	<u>1.23%</u>	<u>2.34%</u>
Debt service expenditures	<u>122,581</u>	<u>123,798</u>	<u>129,972</u>	<u>223,797</u>
Total expenditures	12,446,844	11,704,334	12,516,168	11,358,811
Capital Outlay (Reconciliation)	<u>(2,520,730)</u>	<u>(1,730,395)</u>	<u>(1,920,693)</u>	<u>(1,793,165)</u>
	<u>9,926,114</u>	<u>9,973,939</u>	<u>10,595,475</u>	<u>9,565,646</u>

Source: City of Alpena's annual financial statements.



Table 4

2015	2014	2013	2012	2011	2010
\$ 3,809,318	\$ 3,836,046	\$ 3,837,569	\$ 4,225,091	\$ 4,405,734	\$ 4,494,373
147,919	174,175	198,329	166,285	127,927	138,223
2,183,325	2,702,127	2,149,179	2,262,436	2,693,659	2,517,881
2,825	451,233	50,291	23,813	131,894	103,853
1,014,261	858,562	946,183	778,347	742,401	758,989
2,551,843	2,302,485	2,333,103	2,184,978	2,064,428	1,625,283
264,180	246,302	249,398	122,903	156,699	188,051
24,272	16,581	16,589	20,251	21,255	29,720
627,213	378,764	124,669	446,244	297,179	78,500
10,625,156	10,966,275	9,905,310	10,230,348	10,641,176	9,934,873
2,017,603	2,351,816	2,250,956	1,947,995	2,456,152	2,162,103
5,454,878	5,219,945	5,061,295	4,598,400	5,001,581	4,249,671
2,342,653	2,011,874	1,489,438	1,583,102	1,971,549	2,243,623
548,908	1,326,553	569,142	725,109	986,986	648,551
-	-	-	-	-	-
121,582	125,185	81,290	370,914	370,563	350,811
42,784	41,541	175,755	92,048	109,330	121,747
10,528,408	11,076,914	9,627,876	9,317,568	10,896,161	9,776,506
96,748	(110,639)	277,434	912,780	(254,985)	158,367
-	-	1,525,000	-	-	-
-	-	(1,425,000)	-	-	-
312,254	324,500	287,616	710,955	704,074	1,414,565
(362,254)	(365,004)	(383,066)	(655,623)	(645,019)	(851,880)
(50,000)	(40,504)	4,550	55,332	59,055	562,685
\$ 46,748	\$ (151,143)	\$ 281,984	\$ 968,112	\$ (195,930)	\$ 721,052
1.81%	1.76%	2.74%	5.20%	5.21%	5.31%
164,366	166,726	257,045	462,962	479,893	472,558
10,528,408	11,076,914	9,627,876	9,317,568	10,896,161	10,062,445
(1,460,977)	(1,597,199)	(260,737)	(413,334)	(1,682,284)	(1,171,261)
9,067,431	9,479,715	9,367,139	8,904,234	9,213,877	8,891,184

# 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
06/30/10	2009	236,386,806	501,156,000	47,294,900	94,589,800
06/30/11	2010	227,622,617	472,682,800	47,565,000	95,130,000
06/30/12	2011	219,073,355	441,318,800	47,605,300	95,210,600
06/30/13	2012	201,196,355	407,699,000	48,527,800	97,055,600
06/30/14	2013	199,934,022	404,689,400	47,592,400	95,184,800
06/30/15	2014	201,389,451	410,242,000	44,655,300	89,330,600
06/30/16	2015	204,757,450	422,850,000	49,834,600	99,669,200
06/30/17	2016	205,853,419	430,580,600	30,081,000	60,162,000
06/30/18	2017	209,249,826	449,021,400	28,542,800	57,085,600
06/30/19	2018	213,143,284	454,441,600	26,630,000	53,260,000

(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	
06/30/10	2009	4,430,076	4,237,662	95.66%	7,677
06/30/11	2010	4,336,901	4,143,981	95.55%	2,503
06/30/12	2011	4,160,752	3,999,835	96.13%	3,847
06/30/13	2012	3,885,773	3,882,794	99.92%	2,507
06/30/14	2013	3,877,367	3,870,538	99.82%	4,583
06/30/15	2014	3,854,962	3,852,086	99.93%	2,168
06/30/16	2015	3,950,378	3,946,172	99.89%	3,330
06/30/17	2016	3,770,926	3,681,232	97.62%	35,585
06/30/18	2017	3,758,013	3,679,858	97.92%	4,261
06/30/19	2018	3,803,575	3,738,674	98.29%	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		
283,681,706	595,745,800	47.62%	17.3316
275,187,617	567,812,800	48.46%	17.3816
266,678,655	536,529,400	49.70%	17.3616
249,724,155	504,754,600	49.47%	16.8816
247,526,422	499,874,200	49.52%	16.8816
246,044,751	499,572,600	49.25%	16.8816
254,592,050	522,519,200	48.72%	16.8816
235,934,419	490,742,600	48.08%	16.8816
237,792,626	506,107,000	46.98%	16.7516
239,773,284	507,701,600	47.23%	16.7516

Table 6

Total Collections to Date	
Amount	Percentage of Levy
4,245,339	95.83%
4,146,484	95.61%
4,003,682	96.22%
3,885,301	99.99%
3,875,121	99.94%
3,854,254	99.98%
3,949,502	99.98%
3,716,817	98.57%
3,684,119	98.03%
3,738,674	98.29%

# CITY OF ALPENA

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

Last Ten Fiscal Years Ended June 30

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

(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	8.0481	6.0000	37.8179
2.5000	2.1882	8.0481	6.0000	55.8179
2.5000	2.1882	8.6911	6.0000	38.5109
2.5000	2.1882	8.6911	6.0000	56.5109
2.5000	2.1882	8.6931	6.0000	38.4929
2.5000	2.1882	8.6931	6.0000	56.4929
2.5000	2.1882	8.6931	6.0000	38.0129
2.5000	2.1882	8.6931	6.0000	56.0129
2.5000	2.1882	8.6931	6.0000	38.0129
2.5000	2.1882	8.6931	6.0000	56.0129
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	7.9474	6.0000	37.3172
2.5000	2.1882	7.9474	6.0000	55.3172
2.5000	2.1882	7.9474	6.0000	37.1872
2.5000	2.1882	7.9474	6.0000	55.1872
2.5000	2.1882	9.0324	6.0000	38.2722
2.5000	2.1882	9.0324	6.0000	56.2722

## CITY OF ALPENA

### Principal Taxpayers - Top Ten

Current Year and Nine Years Ago

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

- (1) The taxable values indicated above were established as of April 4, 2017 to be used in computing the tax levy for the fiscal year July 1, 2018 through June 30, 2019.

Source: City Assessor's office.

Table 8

June 30, 2019			June 30, 2010		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 17,813,459	1	7.43%	\$ 38,599,906	1	13.61%
6,805,696	2	2.84%	4,918,771	4	1.73%
5,383,100	3	2.25%	-	-	
5,067,889	4	2.11%	4,941,700	3	1.74%
4,758,100	5	1.98%	-	-	
2,526,997	6	1.05%	-	-	
2,310,097	7	0.96%	7,108,318	2	2.51%
2,162,838	8	0.90%	-	-	
1,958,111	9	0.82%	2,138,937	9	0.75%
1,770,400	10	0.74%	-	-	
-	-	-	3,134,600	6	1.10%
-	-	-	3,531,019	5	1.24%
-	-	-	2,294,800	8	0.82%
-	-	-	2,131,000	10	0.75%
-	-	-	2,312,400	7	0.82%
50,556,687		21.09%	71,111,451		25.07%
189,216,597		78.91%	212,570,255		74.93%
<u>\$ 239,773,284</u>		<u>100.00%</u>	<u>\$ 283,681,706</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
06/30/10	2,485,000	171,577	-	950,000	8,878,819
06/30/11	2,020,000	126,014	-	925,000	8,338,819
06/30/12	1,695,000	80,100	-	900,000	7,723,819
06/30/13	1,610,000	33,810	-	850,000	7,158,819
06/30/14	1,720,000	13,625	-	800,000	6,613,819
06/30/15	1,540,000	7,043	53,090	750,000	6,018,819
06/30/16	1,395,000	-	38,810	700,000	5,423,819
06/30/17	1,300,000	-	9,700	650,000	4,838,819
06/30/18	1,210,000	-	5,800	600,000	4,258,819
06/30/19	1,120,000	-	10,361	550,000	3,683,819

## Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Governmental Activities				Business-type Activities
	Unlimited Tax Refunding	Building Authority	Other Debt	Amounts Available in Debt Service Funds	General Obligation Bonds
06/30/10	490,000	1,855,000	155,178	(22,296)	950,000
06/30/11	245,000	1,775,000	126,014	(20,024)	925,000
06/30/12	-	1,695,000	80,100	(17,653)	900,000
06/30/13	-	1,610,000	33,810	(20,430)	850,000
06/30/14	-	1,720,000	13,625	(19,348)	800,000
06/30/15	-	1,540,000	7,043	(18,641)	750,000
06/30/16	-	1,395,000	-	(15,597)	700,000
06/30/17	-	1,300,000	-	(14,855)	650,000
06/30/18	-	1,210,000	-	(14,235)	600,000
06/30/19	-	1,120,000	-	(13,511)	550,000

(1) - Per Table 13

(2) - Per Table 5



Table 9

Total Primary Government	(1) Personal Income (In Thousands)	Percentage of Personal Income	(1) Population	Per Capita
12,485,396	303,683	4.11%	10,364	1,205
11,409,833	195,167	5.85%	10,483	1,088
10,398,919	196,822	5.28%	10,410	999
9,652,629	197,701	4.88%	10,340	934
9,147,444	204,675	4.47%	10,295	889
8,368,952	205,975	4.06%	10,247	817
7,557,629	197,736	3.82%	10,175	743
6,798,519	207,380	3.28%	10,122	671
6,074,619	215,035	2.82%	9,997	608
5,364,180	214,304	2.50%	9,963	538

Table 10

Total Primary Government	Taxable Value (2)	Percentage of Actual Taxable Value of Property	(1) Population	Per Capita
3,427,882	283,681,706	1.21%	10,364	331
3,050,990	275,187,617	1.11%	10,483	291
2,657,447	266,678,655	1.00%	10,410	255
2,473,380	249,724,155	0.99%	10,340	239
2,514,277	247,526,422	1.02%	10,295	244
2,278,402	246,044,751	0.93%	10,247	222
2,079,403	254,592,050	0.82%	10,175	204
1,935,145	235,934,419	0.82%	10,122	191
1,795,765	237,792,626	0.76%	9,997	180
1,656,489	239,773,284	0.69%	9,963	166

# CITY OF ALPENA

## Legal Debt Margin Information

Last Ten Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt limit	\$ 23,977,328	\$ 23,245,276	\$ 23,593,442	\$ 25,459,205
Total net debt applicable to limit	<u>5,349,093</u>	<u>6,060,384</u>	<u>6,783,664</u>	<u>7,542,032</u>
Legal debt margin	<u>\$ 18,628,235</u>	<u>\$ 17,184,892</u>	<u>\$ 16,809,778</u>	<u>\$ 17,917,173</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>22.31%</u>	<u>26.07%</u>	<u>28.75%</u>	<u>29.62%</u>

Table 11

2015	2014	2013	2012	2011	2010
\$ 24,604,475	\$ 24,752,642	\$ 24,972,416	\$ 26,356,336	\$ 27,518,762	\$ 28,368,171
8,350,311	9,128,096	9,632,199	10,381,266	11,389,809	12,323,100
<u>\$ 16,254,164</u>	<u>\$ 15,624,546</u>	<u>\$ 15,340,217</u>	<u>\$ 15,975,070</u>	<u>\$ 16,128,953</u>	<u>\$ 16,045,071</u>
<u>33.94%</u>	<u>36.88%</u>	<u>38.57%</u>	<u>39.39%</u>	<u>41.39%</u>	<u>43.44%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2019

Total taxable assessed valuation		\$ 239,773,284
Charter debt limit - 10% of total taxable value		23,977,328
Total debt applicable to the limit	\$ 5,362,604	
Less: amount available in debt funds	<u>13,511</u>	
Total net debt applicable to limit		<u>5,349,093</u>
Legal debt margin		<u>\$ 18,628,235</u>

# CITY OF ALPENA

## Computation of Direct and Overlapping Governmental Activities Debt

June 30, 2019

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	\$ 1,120,000	100.00%	\$ 1,120,000
Installment loans	8,785	100.00%	8,785
			<u>1,128,785</u>
Overlapping Debt			
Alpena County	\$ 13,830,000	25.49%	3,525,267
Alpena Public Schools	4,365,000	22.32%	974,268
Alpena Community College	860,000	22.32%	191,952
			<u>4,691,487</u>
Total direct and overlapping debt			<u><u>\$ 5,820,272</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

Fiscal Year Ended	(1) Population	(2) Personal Income (In Thousands)	(3) Per Capita Income	(4) Median Age	(5) Education Attainment High School or Above	(6) School Enrollment	(7) Unemployment Rate
06/30/10	10,364	303,683	29,302	39.6	89.6%	1,500	13.3%
06/30/11	10,483	195,167	18,617	42.5	89.6%	1,627	13.0%
06/30/12	10,410	196,822	18,907	42.5	89.3%	1,415	9.9%
06/30/13	10,340	197,701	19,120	42.5	89.3%	1,232	8.8%
06/30/14	10,295	204,675	19,881	42.5	89.3%	1,373	8.5%
06/30/15	10,247	205,975	20,101	45.6	88.6%	1,443	6.1%
06/30/16	10,175	197,736	19,434	46.2	89.9%	1,476	5.5%
06/30/17	10,122	207,380	20,488	41.6	90.9%	1,474	5.6%
06/30/18	9,997	215,035	21,510	42.1	91.9%	1,406	4.1%
6/30/19	9,963	214,304	21,510	42.1	91.9%	1390*	3.3%

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](https://quickfacts.census.gov/qfd/states/26/2601749.html)

(4) 2012-16 Amerian Community Survey 5-yr Estimate; [factfinder2.census.gov](https://factfinder2.census.gov)

(6) Alpena Public Schools

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

\* Based on an estimate

## CITY OF ALPENA

### Principal Employers

Current Year and Nine Years Ago

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Taxpayer	Type of Business
MidMichigan Medical Center	Hospital
Alpena Public Schools	Education
Northeast Michigan Community Mental Health	Multi-county authority
Lafarge North America / Midwest, Inc.	Cement production
Decorative Panels, Intl.	Hardboard manufacturing
Besser Company	Concrete block making machines
Tendercare Michigan Inc.	Long term care facility
County of Alpena, Michigan	Local government
Alpena Community College	Community college
North Eastern Michigan Rehabilitation and Opportunity Center, Inc.	Manufacturing
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](https://datausa.io/profile/geo/alpena-county-mi)  
Most recent data is for 2017.

Table 14

June 30, 2019			June 30, 2010		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of County of Alpena Employment
808	1	6.38%	960	1	7.21%
519	2	4.10%	550	2	4.13%
380	3	3.00%	463	3	3.48%
233	4	1.84%	212	5	1.59%
180	5	1.42%	190	6	1.43%
175	6	1.38%	94	9	0.71%
160	7	1.26%	162	8	1.22%
142	8	1.12%	180	7	1.35%
134	9	1.06%	253	4	1.90%
112	10	0.88%			-
		-	31	10	0.23%
2,843		22.45%	3,095		23.26%
9,822		77.55%	10,212		76.74%
12,665		100.00%	13,307		100.00%

# CITY OF ALPENA

## Full-Time Equivalent City Government Employees by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General government	17	19	20	17
Police protection				
Officers	17	16	16	17
Civilians	2	2	2	2
Crossing Guard	1	1	1	1
Fire protection				
Firefighters and officers	28	28	28	29
DPW	12	15	15	15
Total	<u>77</u>	<u>81</u>	<u>82</u>	<u>81</u>

Source: City Manager's Office

## Operating Indicators by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Police protection				
Physical arrests	688	541	613	605
Traffic violations	488	633	625	566
Traffic violations - O.W.I.	41	50	39	55
Parking violations	879	1,276	1,179	1,485
Fire protection				
Calls answered (City EMS & Fire)	1,420	1,987	1,309	1,227
Inspections conducted	616	182	200	200
Ambulance runs	4,602	5,020	4,926	5,183
Sewage system				
Number of service connections	4,639	4,574	4,659	4,798
Average daily treatment-in gallons	3,500,000	2,980,000	2,000,000	2,895,082
Water system				
Number of service connections	4,640	4,578	4,665	4,798
Average daily treatment-in gallons	1,690,000	1,536,000	1,530,000	2,020,000

Sources: Various City departments

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



Table 15

2015	2014	2013	2012	2011	2010
17	17	21	20	23	22
17	17	16	16	15	16
2	2	-	-	-	-
1	1	-	-	-	-
29	29	26	25	24	23
15	15	13	12	13	13
81	81	76	73	75	74

Table 16

2015	2014	2013	2012	2011	2010
592	620	580	575	507	572
574	494	459	477	455	547
30	45	49	47	44	45
1,184	690	326	428	862	923
1,076	1,067	1,197	1,225	1,178	1,260
200	219	250	292	307	269
5,213	5,216	5,195	5,071	4,470	3,459
4,798	4,774	4,774	4,774	4,774	4,774
2,914,166	2,590,000	2,590,000	2,590,000	2,590,000	2,590,000
4,798	4,770	4,770	4,770	4,770	4,770
2,169,166	2,190,000	2,190,000	2,190,000	2,190,000	2,190,000

# CITY OF ALPENA

## Capital Assets Statistics by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</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	3	3	3	2
Public squares	1	1	1	1
DDA parks	2	2	2	2
Fire stations	1	1	1	1
Police protection				
Stations	1	1	1	1
Marked patrol units	8	8	7	6
Unmarked patrol units	4	4	3	7
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	81.31	81.31
Fire hydrants	610	610	610	610
Treatment capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000

Sources: Various City of Alpena departments

Table 17

2015	2014	2013	2012	2011	2010
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	16.45	16.45
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
6	7	7	7	7	6
3	3	3	3	3	4
82.60	82.60	82.60	82.60	82.60	82.60
35.90	35.90	35.90	35.90	35.90	35.90
15,200,000	15,200,000	15,200,000	15,200,000	15,200,000	15,200,000
81.31	81.31	81.31	81.31	81.31	81.31
610	610	610	610	610	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, 2019

Table 18

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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: 108

City: 66

Number of Secondary Schools

School District: 3

City: 2

Number of Secondary School Instructors

School District: 120

City: 74

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

**ORDINANCE NO. 19-452**

AN ORDINANCE OF THE CITY OF ALPENA, MICHIGAN, AMENDING CHAPTER 62 – PERSONNEL; ARTICLE III. RETIREMENT SYSTEM; DIVISION 1, GENERALLY, BY AMENDING SECTION 62-136. BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF ALPENA, STATE OF MICHIGAN, AS FOLLOWS:

Chapter 62 – Personnel; Article III. Retirement System; Division 1, Section 62-136. Annual report to the council, shall be amended as follows:

**Section 62-136: Annual report to the council.**

The board of trustees shall render a report to the council, on or before December 31 of each year, showing the fiscal condition of the retirement system for the year ended the preceding June 30. The board shall also render an actuarial valuation of the system's assets and liabilities on or before June 30 showing the financial condition of the retirement system for the preceding **fiscal** year.

**EFFECTIVE DATE**

THE PROVISIONS OF THIS ORDINANCE SHALL TAKE EFFECT TEN (10) DAYS AFTER BEING ADOPTED BY THE MUNICIPAL COUNCIL AND DULY PUBLISHED.

I HEREBY CERTIFY THAT THE ABOVE ORDINANCE WAS ADOPTED BY THE MUNICIPAL COUNCIL OF THE CITY OF ALPENA, MICHIGAN, AT A REGULAR MEETING HELD ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 2020.

---

Matthew J. Waligora  
Mayor

---

Anna Soik  
City Clerk/Treasurer/Finance Director

First Presented: December 16, 2019  
Adopted: January 6, 2020  
Published: \_\_\_\_\_, 2020

William A. Pfeifer, City Attorney

**SUMMARY OF SERVICE ON BOARDS**  
**APPOINTED FOR 2020-2021**

Waligora	Johnson	Hess	Mitchell	Nowak
H.U.N.T.	PARK FOUNDATION	CITY PROPERTY	D.A.R.E.	HISTORIC DISTRICT
I.G. COMMUNICATIONS	RETIREMENT BOARD	BUILDING STRONG CONSENSUS – VISIONING	MEDICAL MARIHUANA	ALPENA COUNTY CENTRAL DISPATCH
NAT. RESOURCES– VISIONING	JAIL COMMITTEE	MACNE	NEMCOG	I.G. PUBLIC SAFETY
CLEAR TARGET MARKET VISIONING	I.G. ROADS	MEDICAL MARIHUANA	HURON HUMANE SOCIETY	TARGET
JLUS POLICY COMMITTEE	I.G. RECYCLING	I.G. AIR/WATER QUALITY	T.B. SANCTUARY	B.O.R. POVERTY REVIEW
	NAT. RESOURCES VISIONING	EC. DEV. VISIONING	BUILDING STRONG CONSENSUS - VISIONING	POLICIES & PROCEDURES VISIONING
	POLICIES & PROCEDURES VISIONING		CLEAR TARGET MARKET VISIONING	RETIREMENT BOARD
ALTERNATE				
MACNE		I.G. RECYCLING	B.O.R. POVERTY REVIEW	
NEMCOG BOARD		T.B. SANCTUARY	TARGET	
			H.U.N.T.	

I.G. – All council attend Intergovernmental Meetings. The I.G. meetings above are subcommittees.

Visioning – All council participate in the Visioning & Goals Setting Sessions. The visioning meetings above are subcommittees and have not been active in several years.

**ORDINANCE NO. 20-453**

AN ORDINANCE OF THE CITY OF ALPENA, MICHIGAN, AMENDING CHAPTER 86 – TAXATION; ARTICLE I – IN GENERAL, BY ADDITION OF SEC. 1 DEFINITIONS. BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF ALPENA, STATE OF MICHIGAN, AS FOLLOWS:

Sec. 86-1. – Definitions.

- (a) “Taxpayer” is defined as any individual person, business, corporation or other entity that owns property to be assessed and taxed, whether real or personal in the City of Alpena.
- (b) The term “substantially delinquent” for purposes of real or personal property taxes owed to the City of Alpena shall be defined as any taxpayer as described in Section 86-1(a) who is at least one preceding tax year behind on March 1<sup>st</sup> for payment of either their real or personal property taxes.

Secs. 86-2 - 86-30. - Reserved.

**EFFECTIVE DATE**

THE PROVISIONS OF THIS ORDINANCE SHALL TAKE EFFECT TEN (10) DAYS AFTER BEING ADOPTED BY THE MUNICIPAL COUNCIL AND DULY PUBLISHED.

I HEREBY CERTIFY THAT THE ABOVE ORDINANCE WAS ADOPTED BY THE MUNICIPAL COUNCIL OF THE CITY OF ALPENA, MICHIGAN, AT A REGULAR MEETING HELD ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 2020.

\_\_\_\_\_  
Matthew J. Waligora  
Mayor

\_\_\_\_\_  
Anna Soik  
City Clerk/Treasurer/Finance Director

First Presented: January 6, 2020  
Adopted: January 20, 2020  
Published: \_\_\_\_\_, 2020

William A. Pfeifer, City Attorney