



**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

Fiscal Year Ended  
June 30, 2023

# CITY OF ALPENA, MICHIGAN

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2023

### **City Council**

Matthew Waligora, Mayor

Cindy Johnson, Mayor Pro-Tem  
Michael Nowak, Councilmember  
Danny Mitchell, Councilmember  
Karol Walchak, Councilmember

### **City Manager**

Rachel Smolinski

### **Clerk/Treasurer/Finance Director**

Anna Soik

### **Prepared by:**

City Clerk/Treasurer/Finance Director's Office

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For the Fiscal Year Ended June 30, 2023

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# **I. INTRODUCTORY SECTION**

## **The Introductory Section Contains:**

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





City Hall  
208 North First Avenue  
Alpena, Michigan 49707  
[www.alpena.mi.us](http://www.alpena.mi.us)

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**Clerk/Treasurer**

December 27, 2023

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Alpena, Michigan for the fiscal year ended June 30, 2023. 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 Annual Comprehensive Financial Report of the City of Alpena, Michigan for the fiscal year ended June 30, 2023.

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, 2023. The independent auditor’s report is located at the front of the financial section of the ACFR.

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 located in 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 Holcim, Besser Company and Decorative Panels International all make the City of Alpena their headquarters.

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

Most recent data show the median age is 44 years old and the average income per capita is \$30,936. The average income per capita has increased steadily since 2016.

The unemployment level for Alpena County was 4.0%, which is a decrease of 0.2% from the previous year.

School enrollment within the City has been decreasing since 2016, however in 2023, enrollment increased to 1,269. This is an increase of 78 students from the previous year.

There are 2,926 workers employed by the principal employers in the City with the largest percentage employed by MyMichigan Medical Center, followed by Northeast Michigan Community Mental Health, Holcim, and Alpena Public Schools.

The taxable value of real property in the City for tax year 2022 was \$242,961,703 and personal property was \$26,810,500 for a total taxable value of \$269,772,203. The real property values increased from the tax year 2021 value of \$230,562,366, and the personal property increased from the taxable value of \$23,578,400. The total taxable value for tax year 2022 resulted in an increase of \$15,631,437 over 2021.

Municipal services provided to its taxpayers include General Government functions such as legislative, executive, financial and tax administration along with elections and Human Resources. Other functions also include Public Safety, Public Works, Community and Economic Development, and Recreation and Culture. In addition, the City maintains two enterprise funds, which provide water and sewer. Other funds include an equipment fund for transportation rental services, and a stores fund. The City also has a marina fund, a tree/park improvement fund, and a building authority fund.

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

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

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

Today, Alpena serves as the commercial and healthcare hub for a four-county area. National retailers and service providers have opened and created employment. Healthcare services have produced the largest growth. In 2016, the Alpena Regional Medical Center joined MidMichigan Health and changed its name to MidMichigan Medical Center – Alpena. The facility has grown from a local primary care county-based hospital into a regional secondary healthcare center. In 2017, the Medical Center was recognized as a Top Rural Community Hospital and received Michigan's Quality Improvement Organization Governor's Award for Excellence. In 2019, the hospital received the Governor's Award of Excellence for outstanding achievement in effective reporting and measurement. In 2020, ground was broken for a \$59 million inpatient tower featuring private patient rooms. It is now known as MyMichigan Medical Center Alpena.

Education, small-specialized industries, and tourism are other sources of new jobs and economic development. Alpena Community College's spring 2023 enrollment was approximately 2,371. Fairly steady enrollment has allowed the college to create more jobs and train many people to take advantage of new technology, healthcare, marketing, and new industrial applications. Likewise, organizations like the Alpena Area Convention and Visitors Bureau, the Alpena Downtown Development Authority, and the Alpena Area Chamber of Commerce have created and promoted many successful events that include the Michigan Brown Trout Festival, Great Lakes Lighthouse Festival, Maritime Festival, and other similar events that attract tourism dollars to the community's motels, eateries, and specialty shops. Efforts are being made to attract new technology and specialized industries to new industrial and commercial parks in the City and at the Alpena County Regional Airport.

Local Property Taxes and State Revenue Sharing Funds are the primary source of local government revenue. The City of Alpena will collect 15.9779 mills for operations in the fiscal year 2024, which is a decrease as compared to last fiscal year. This tax revenue funds a General Fund budget of \$12.7 million for fiscal year 2023/24 with a fund balance of \$4.9 million. The City will also levy 0.9957 mills for Dial-A-Ride operations and an additional 1.9812 mills in the Downtown Development District area. The County currently levies 4.7763 mills, which have been rolled back from 5.4800 mills allowed under State Law by the Headlee Amendment. This has limited County government by restricting expansion of non-mandated services, unless provided by voter approval (EMS millage, 911 surcharge, Senior Citizen millages, etc.). The County also levies 0.9949 mills for library services, 0.9950 mills for jail operations, 1.4925 mills for ambulance services, 0.5500 mills for senior services, 0.2100 mills for veterans' services, and 0.5000 mills for recreation.

Alpena recognizes the importance of housing in our community and continues to work with potential developers on housing projects for all stages of life. 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; Besser Senior Living Community was completed in early 2020 and includes 48 assisted living units. The senior housing project at the former Bingham School driven by Hope Network continues to progress.

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. The space previously occupied by the U.S. Fish and Wildlife Service is now vacant and the City, in partnership with the property owner, continue to look for ways to eliminate the blighted portion of the mill.

The City continues in its effort to sell and develop the 100-acre US 23 North property across from North Industrial Park. 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. A four-acre section was sold in 2023 to the owner of the Boat House for marine storage.

The City has utilized MSHDA's Neighborhood Rental Rehabilitation and Downtown Rental Development Programs in the past. The Downtown Rental Development program resulted in the construction of many new residential rental units, primarily in underutilized second floors of downtown commercial buildings.

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. The most recent service agreement between the City and Target Alpena has been executed and went into effect July 1, 2023. 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 2023, Target Alpena, in partnership with the City, hired a grant writer to assist the community with grant applications. The first successful grant because of the partnership is the renovation to Culligan Plaza. Additional requests have been submitted for other projects and are under review.

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.

There have been significant investments within the City in both the public and private sectors. The most recent investments range from significant hospital improvements to public school upgrades, a new Boys and Girls Club facility, Jesse Besser Museum upgrades, an Alpena Community College Center for Manufacturing Excellence Welding and Machine Shop Lab, the demolition of the former Alpena County Jail, and the complete renovation of the Sanctuary Cinema.

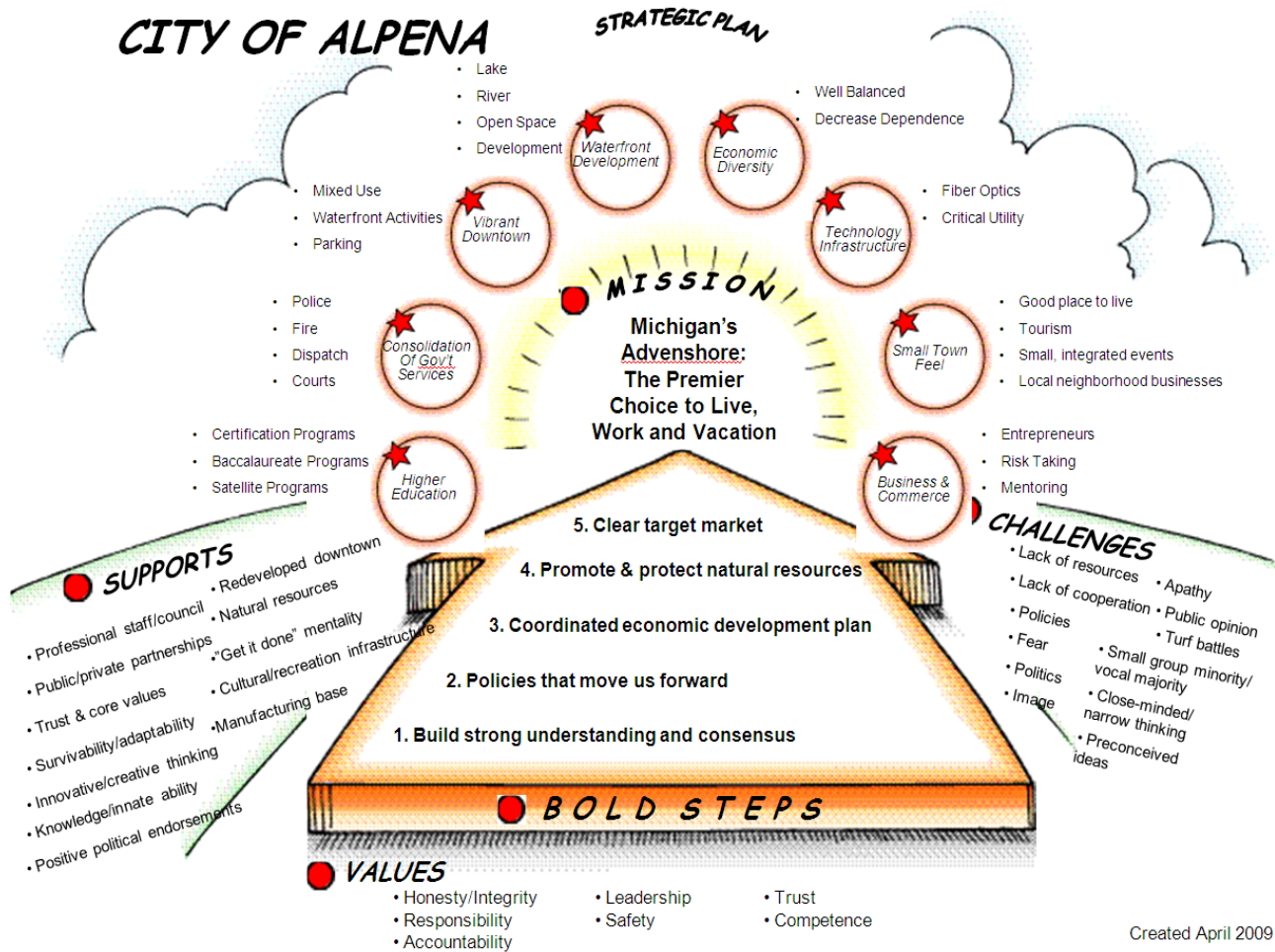
Placemaking or creating public areas that attract visitors is another goal. To that end, individual and corporate volunteers from the area partnered to upgrade park infrastructure by replacing the deteriorating bridge that connected Duck Park to Island Park to a new covered style bridge. The bridge reflects the dedication of Alpena area residents. Other improvements have been made throughout the City such as the addition of landscaped wildflower gardens, fishing areas, and kayak launches. The Wildlife Sanctuary Board continues to pursue the operation of an educational interpretive center at Duck Park to educate the public on the City's unique natural resources. Additional placemaking projects include the Downtown Development Authority's ongoing Fresh Waves Program which partners with business owners on unique placements of murals throughout the downtown. The program has been very well received with multiple installations in 2023, particularly in Center Alley. The Thunder Bay Arts Council continues their sculpture development program throughout the City. A Water and Limestone sculpture will be placed at Culligan Plaza with the 2024 renovation. A fishing sculpture was placed at Sytek Park in 2023. Additional installments remain for 2024 and 2025, with the final installation planned for 2026.



## VISION STATEMENT AND GOALS

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

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



## City of Alpena

### CREATING THE FUTURE

#### Executive Summary

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

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

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

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

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

#### Values

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

#### Honesty and Integrity

We are transparent—always.

#### As Individuals ....

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

#### As a City ....

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

## Accountability

We accept responsibility for our actions.

### As individuals ...

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

### As a City ...

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

## Responsibility

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

### As individuals...

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

### As a City...

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

## Trust

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

### As individuals...

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

### As a City ...

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

## Safety

We protect our community and employees from harm.

### As individuals ...

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

### As a City ...

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

## Leadership

We are willing to take responsibility for making things happen.

### As individuals ...

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

### As a City ...

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

## Competence

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

### As individuals ...

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

### As a City ...

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



## Vision

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

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



## Creating the Future

### Obstacles

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

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

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

## Enablers

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

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

The group identified the following enablers.

- Professional staff & council
- Partnerships
  - Public
  - Private
- Built trust and core values
- Survival ability/adaptability
- Innovative and creative thinking
- Knowledge and innate ability
- Redeveloped downtown
- Natural resources
- Positive political endorsements
- "Get it done" mentality
- Cultural/recreational infrastructure
- Leadership
- Safety
- Manufacturing base
- Trust
- Volunteers/community spirit
- Technology
- Better service
- Cooperation amongst "powers that be"
- Grants

## **Strategic Profile**

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

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

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

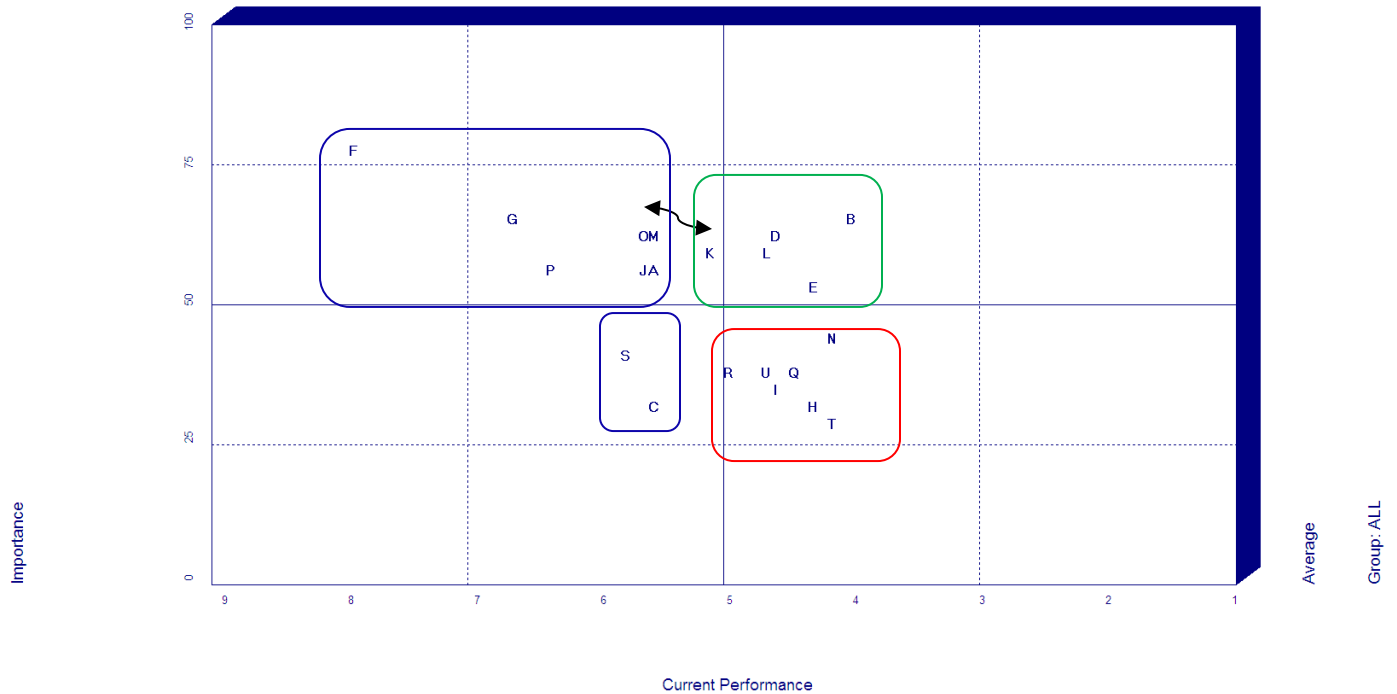
## **Strategic Rankings**

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

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

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

Strategic Opportunity Profile



### Profile Interpretation

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

### High-Leverage Opportunities

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

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

## **Foundational Strategies**

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

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

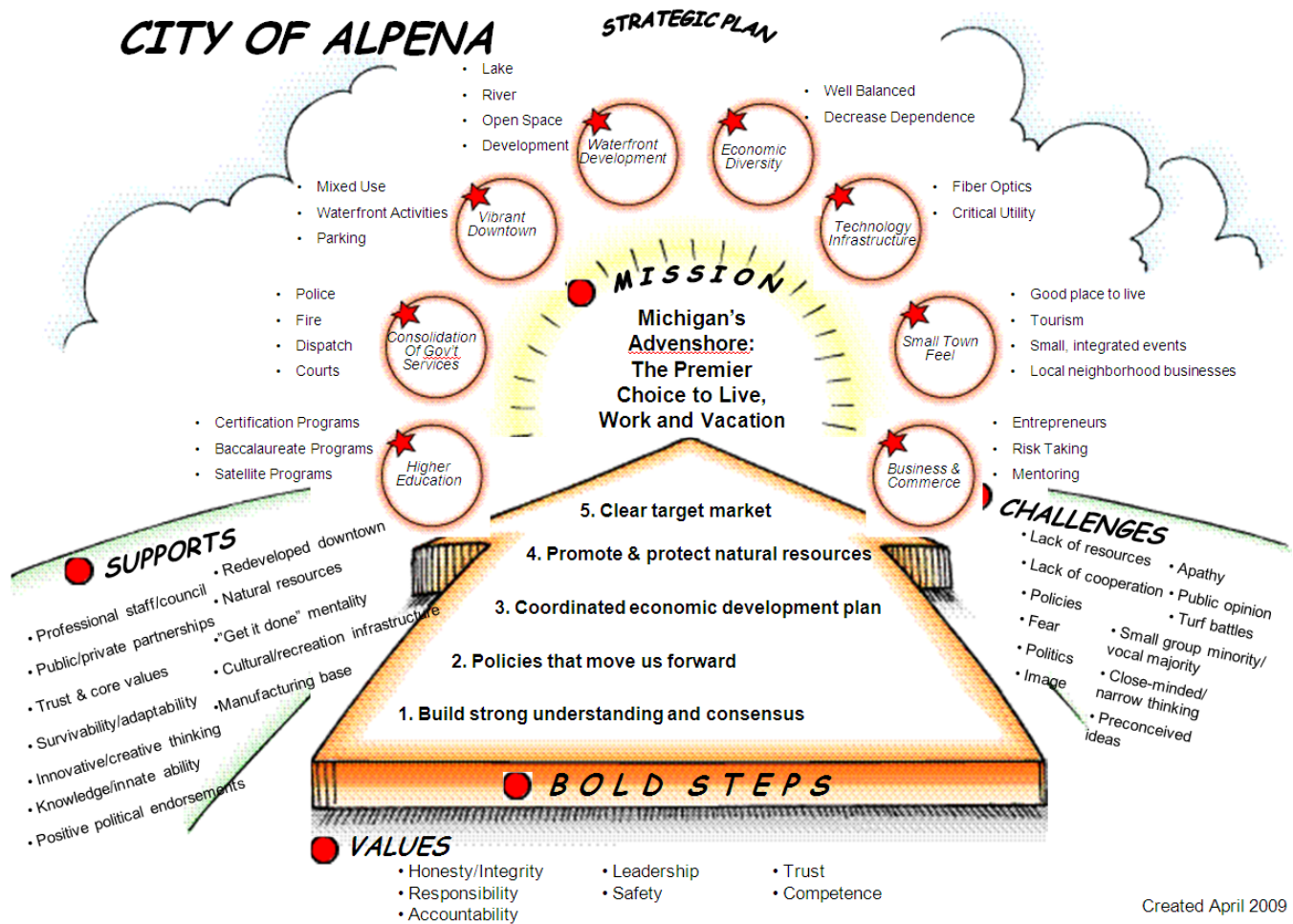
## **Mid-Term Opportunities (24-36 months)**

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

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

## Five Bold Steps

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



Created April 2009

## Action Plans

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

### Build Strong Understanding and Consensus

<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
<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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. 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 Annual Comprehensive Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

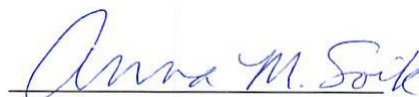
A *Certificate of Achievement* is valid for a period of one year only. The City of Alpena has received a *Certificate of Achievement* for the last 29 consecutive years (fiscal years ended June 30, 1994 through 2022). We believe our current report continues to conform to the *Certificate of Achievement* 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 Annual Comprehensive Financial Report (ACFR) and annual independent audit. We wish to express our appreciation to all members of the City's departments. We would also like to thank the members of the Alpena City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Rachel Smolinski  
City Manager



Anna M. Soik  
City Clerk/Treasurer/Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Alpena  
Michigan**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

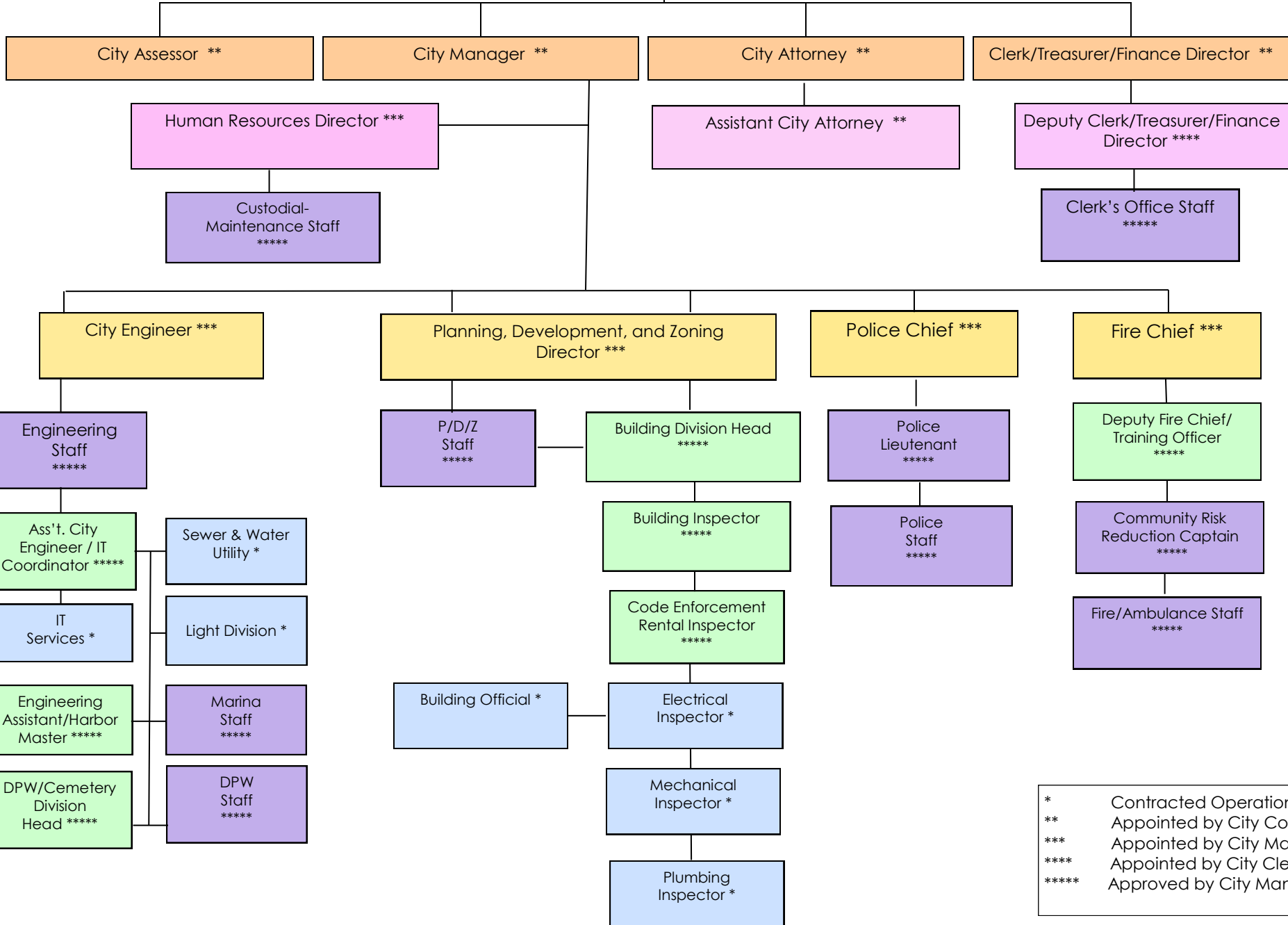
June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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

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



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

## ADMINISTRATIVE STAFF

### City Council Appointees

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

### City Manager Appointees

City Planning, Development, & Zoning Director	Montiel Birmingham
City Engineer	Stephen Shultz
Assistant City Engineer	Charles Kendziorski
Police Chief	Eric Hamp
Fire Chief	Robert Edmonds
Deputy Fire Chief	Vacant
Deputy Clerk/Treasurer/Finance Director	Leilan Bruning
Human Resources Administrator	Kathy Himes
City Building Official	Donald Gilmet

### Division Head

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

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

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





## Independent Auditor's Report

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

### Report on the Financial Statements

#### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Alpena, Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Alpena, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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.

### ***Supplementary 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 other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the City of Alpena, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Straley Kamp & Kraenzlein P.C.*

Alpena, Michigan  
December 27, 2023

## 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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-24 of this report.

#### Financial Highlights

- The total assets of the City of Alpena are \$84,495,183, composed of \$57,558,879 in capital assets and \$26,936,304 in other assets. The total deferred outflows of resources are \$3,519,299. Total liabilities are \$22,315,618, composed of \$17,071,618 in long-term liabilities and \$5,244,000 in current liabilities. Total deferred inflows of resources for the City are \$2,525,133.
- The total net position for the City is \$63,173,731 (*net position*). Of this amount, \$6,208,223 is unrestricted, of which \$(4,181,973) relates to governmental activities and \$10,390,196 relates to business-type activities.
- The City of Alpena's primary government total net position increased by \$2,229,724. This was the result of positive net changes in position of \$3,876 in the governmental activities and \$2,225,848 in business-type activities.
- The City of Alpena provided services of \$15,546,813 in governmental activities and \$4,723,188 of business-type activities for expenses totaling \$20,270,001 during the year ended June 30, 2023.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$8,779,046, an increase of \$819,481 in comparison with the prior year. Approximately 52% 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 \$4,640,891, or 43% of total General Fund expenditures and transfers to other funds, in comparison to \$4,170,767 at the close of the prior year, an increase of \$470,124.
- The City's total outstanding long-term debt obligations increased by \$666,342 from the prior year, primarily due to an increase in the net pension liability. Total debt obligations at June 30, 2023 were \$17,654,588, which consisted of bonds and loans of \$3,523,819, compensated absences of \$238,244, a lease liability of \$353,660, a net pension obligation of \$12,234,453; and a net OPEB obligation of \$1,304,412.

#### Overview of the Financial Statements

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

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

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

## City of Alpena

### Management's Discussion and Analysis

---

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

Both of the government-wide financial statements distinguish functions of the City of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Alpena include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City of Alpena include sewage and water operations.

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

The government-wide financial statements can be found on pages 49-51 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, and American Rescue Plan Act Funds, all 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, Major Street, and American Rescue Plan Act 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 52-59 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 60-67 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 68-69 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 74-125 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 127-139 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 142-191 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 194-222 of this report.

### Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Alpena, Michigan, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63,173,731 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	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 13,400,571	\$ 12,260,485	\$ 13,535,733	\$ 8,231,662	\$ 26,936,304	\$ 20,492,147
Capital assets	27,325,030	27,240,617	30,233,849	30,715,743	57,558,879	57,956,360
Total assets	40,725,601	39,501,102	43,769,582	38,947,405	84,495,183	78,448,507
<b>Deferred outflows of resources</b>	3,519,299	4,076,721	-	-	3,519,299	4,076,721
<b>Liabilities</b>						
Current liabilities	1,783,775	1,645,374	3,460,225	483,896	5,244,000	2,129,270
Noncurrent liabilities	14,702,799	13,733,447	2,368,819	2,748,819	17,071,618	16,482,266
Total liabilities	16,486,574	15,378,821	5,829,044	3,232,715	22,315,618	18,611,536
<b>Deferred inflows of resources</b>	2,525,133	2,969,685	-	-	2,525,133	2,969,685
<b>Net position</b>						
Net investment in capital assets	26,217,067	26,378,681	27,485,030	27,591,924	53,702,097	53,970,605
Restricted	3,198,099	2,972,727	65,312	58,750	3,263,411	3,031,477
Unrestricted (deficit)	(4,181,973)	(4,122,091)	10,390,196	8,064,016	6,208,223	3,941,925
Total net position	\$ 25,233,193	\$ 25,229,317	\$ 37,940,538	\$ 35,714,690	\$ 63,173,731	\$ 60,944,007

The largest portion of the City of Alpena's net position, \$53,702,097 (85%), 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 totaling \$3,263,411 (5%) represents resources that have restrictions on how they may be used, (e.g. bond payments, perpetual lot care). The remaining portion of net position of \$6,208,223 (10%) represents the unrestricted net position.

## City of Alpena

### Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,798,350	\$ 4,745,597	\$ 6,753,174	\$ 6,424,654	\$ 11,551,524	\$ 11,170,251
Operating grants and contributions	3,176,893	3,086,219	-	-	3,176,893	3,086,219
Capital grants and contributions	519,079	3,660	-	-	519,079	3,660
General revenues:						
Property taxes	4,472,051	4,090,366	-	-	4,472,051	4,090,366
Unrestricted state revenue	2,181,223	2,191,938	-	-	2,181,223	2,191,938
Investment earnings	403,605	(236,635)	176,950	26,297	580,555	(210,338)
Gain (loss) on sale of capital asset	(512)	-	18,912	-	18,400	-
<b>Total revenues</b>	<b>15,550,689</b>	<b>13,881,145</b>	<b>6,949,036</b>	<b>6,450,951</b>	<b>22,499,725</b>	<b>20,332,096</b>
<b>Expenses</b>						
General government	5,016,982	3,996,966	-	-	5,016,982	3,996,966
Public safety	5,720,724	5,408,877	-	-	5,720,724	5,408,877
Public works	3,966,810	3,948,154	-	-	3,966,810	3,948,154
Health and welfare	20,000	-	-	-	20,000	-
Recreation and culture	634,969	543,436	-	-	634,969	543,436
Community and economic development	165,180	138,146	-	-	165,180	138,146
Interest on long-term debt	22,148	27,196	-	-	22,148	27,196
Sewage	-	-	2,440,297	2,391,017	2,440,297	2,391,017
Water	-	-	2,282,891	2,137,054	2,282,891	2,137,054
<b>Total expenses</b>	<b>15,546,813</b>	<b>14,062,775</b>	<b>4,723,188</b>	<b>4,528,071</b>	<b>20,270,001</b>	<b>18,590,846</b>
<b>Change in net position</b>	<b>3,876</b>	<b>(181,630)</b>	<b>2,225,848</b>	<b>1,922,880</b>	<b>2,229,724</b>	<b>1,741,250</b>
<b>Net position, beginning</b>	<b>25,229,317</b>	<b>25,410,947</b>	<b>35,714,690</b>	<b>33,791,810</b>	<b>60,944,007</b>	<b>59,202,757</b>
<b>Net position, ending</b>	<b>\$ 25,233,193</b>	<b>\$ 25,229,317</b>	<b>\$ 37,940,538</b>	<b>\$ 35,714,690</b>	<b>\$ 63,173,731</b>	<b>\$ 60,944,007</b>

The City of Alpena's net position increased \$2,229,724 during the current fiscal year. Key elements of this increase are as follows:

Governmental activities experienced an increase in net position during the current fiscal year of \$3,876 while business-type activities had a positive change of \$2,225,848.

The revenues of governmental activities increased by \$1,669,544 for the current fiscal year. Revenue generated from investment earnings and capital grants and contributions were the primary reasons for the increase in revenue, increasing by \$640,240 and \$515,419, respectively. The increase in investment earnings was due to an increase in the investment market in 2023. The increase in capital grants and contributions was due to the City receiving a large grant for a major street project. In addition, property taxes increased by \$381,685, mainly due to an increase in taxable values. The City, Village, and Township Revenue Sharing, CVTRS, experienced a slight increase of \$15,320, while the local community stabilization share experienced a slight decrease of \$26,035, netting to an overall unrestricted state revenue decrease of \$10,715.

## City of Alpena

### Management's Discussion and Analysis

Governmental activities expenses increased by \$1,484,038 in 2023 from the previous year. The majority of departments experienced an increase with the most significant being the general government function, \$1,020,016, followed by an increase of \$311,847 in public safety and an increase of \$91,533 in recreation and culture. The remaining governmental functions, public works, health and welfare, community and economic development and interest on long-term debt, remained relatively consistent with the prior year, increasing in aggregate \$60,642. The main reason for the increase in the general government was due to an increase in pension liability, resulting in an increase in the pension expense for GASB Statement No. 68. The increase in public safety was mainly due to an increase in salaries and wages.

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

The net cost of services for governmental activities increased \$825,192 from the 2021-22 fiscal year's net cost of \$6,227,299. Program revenue increased from 2021-22 by \$658,846 primarily due to public works, which was mainly due to an increase in federal revenue for streets of almost \$375,000. In addition, public works increase which, as previously discussed, was primarily due to revenue received from another local government for the purchase of an ambulance. Expenses increased \$1,484,038, which was discussed previously.

#### Cost of Services – Governmental Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2023	2022	2023	2022	2023	2022
Functions/Programs:						
General government	\$ 5,016,982	\$ 3,996,966	\$ 1,716,307	\$ 1,792,883	\$ 3,300,675	\$ 2,204,083
Public safety	5,720,724	5,408,877	3,315,360	3,048,769	2,405,364	2,360,108
Public works	3,966,810	3,948,154	3,399,447	2,939,921	567,363	1,008,233
Health and welfare	20,000	-	-	-	20,000	-
Recreation and culture	634,969	543,436	18,294	23,946	616,675	519,490
Community and economic development	165,180	138,146	44,914	29,957	120,266	108,189
Interest on long-term debt	22,148	27,196	-	-	22,148	27,196
<b>Total expenses</b>	<b>\$ 15,546,813</b>	<b>\$ 14,062,775</b>	<b>\$ 8,494,322</b>	<b>\$ 7,835,476</b>	<b>\$ 7,052,491</b>	<b>\$ 6,227,299</b>

The City's taxable value increased in 2022 by \$17,284,712. The real property taxable values increased by \$14,102,612 and personal property taxable values increased by \$3,182,100 for the 2022-23 fiscal year from the previous year. Taxable values have been increasing over the past several years. Revenue Sharing has remained fairly steady since 2013-14. The City received \$1,504,408 in 2022-23 and \$1,489,088 in 2021-22. A number of documents are required to be submitted annually to the State in order to receive the CVTRS.

Labor and benefit costs are approximately 65% of the final budget. The City has worked hard to keep health insurance costs from rising. Employees have paid 20% of their premiums for several years.

The City's pension system includes 106 retirees, 6 deferred retirees, and 48 active employees. The City has made pension contributions of \$983,398 for fiscal year 2020-21, \$1,072,812 for 2021-22, and \$1,035,096 for 2022-23. Along with health insurance, pensions are the most expensive employee benefits. Pension reform has been implemented for all employees. Administrative employees and DPW hired after July 1, 2009 and Clerical employees hired after July of 2010 will not be in the defined benefit plan, but rather a defined contribution plan. New hires in the Public Safety department will continue to be in the defined benefit plan but their multiplier was reduced from 3.00% to 2.25%. The City's Pension Fund is currently at a funding level of 69.21%.

## City of Alpena

### Management's Discussion and Analysis

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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 \$4,472,051 during fiscal year 2022-23. For 2023, the total City taxable valuation increased to \$266,746,297 from \$254,140,766 in 2022. In the previous few years, valuations were increasing at a slow rate, however the increase between 2022 and 2023 grew approximately 5%. 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 16.0373 mills. The 2022-23 total millage for the City of Alpena homestead property was 39.0049 mills and non-homestead property was 56.7818 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%. Some of the NEZ abatements are beginning to be phased back on to the tax roll at their full value.

State Revenue Sharing increased from \$1,489,088 in 2021-22 to \$1,504,408 in 2022-23. The revenue has increased annually over the last several years.

State and Federal Grants were used in 2022-23 for projects in the City. Federal grant revenue was lower in 2021-22 as compared to 2022-23. The City received a federal grant for a street project of almost \$375,000. In addition, the City utilized almost \$71,000 of ARPA funds for eligible expenditures. 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.

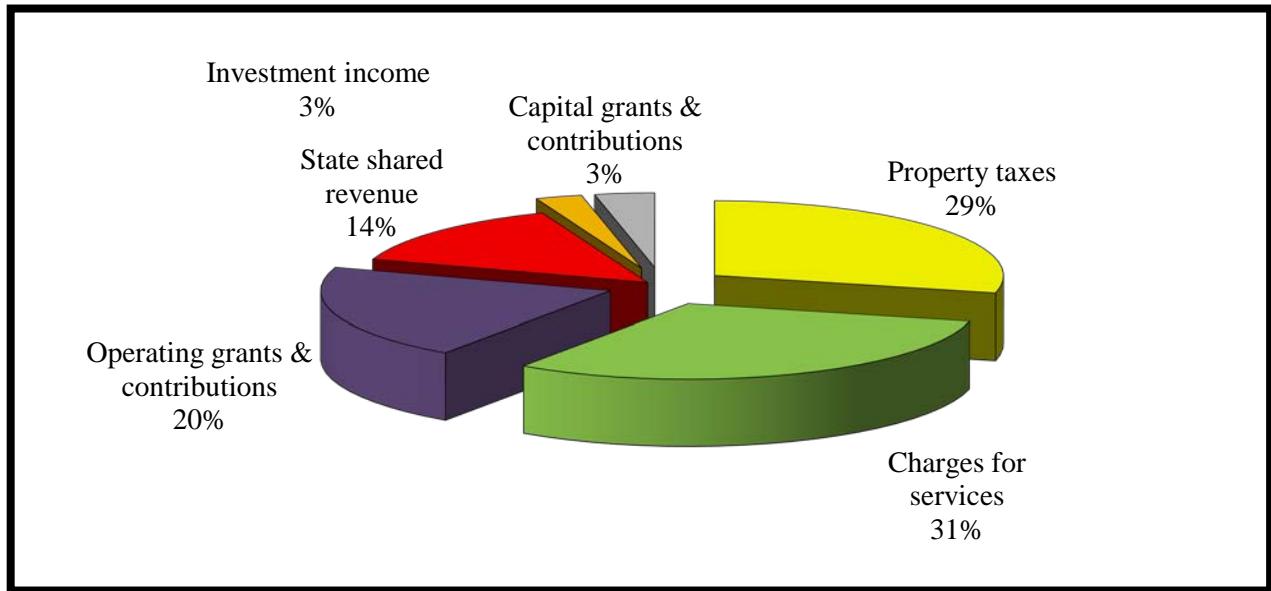
Investment income increased by approximately \$640,000 from the previous year, mainly due to the market increasing between the fiscal years.

The categories of fines and forfeitures and other revenue are fairly steady overall. Fluctuations occur for items such as 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, Veolia, formerly known as SUEZ. The operations agreement with Veolia was renewed for a 4-year period ending on June 30, 2024.

The total net position for business-type activities was \$37,940,538 at June 30, 2023, an increase of \$2,225,848 in the net position from \$35,714,690 where fiscal year 2022 ended. Detailed below are the results for the major business-type funds:

**Cost of Services – Business-type Activities**

Functions/Programs:	Total Cost of Services		Program Revenues		Net Cost of Services	
	2023	2022	2023	2022	2023	2022
Sewage	\$ 2,410,534	\$ 2,357,852	\$ 2,937,059	\$ 2,844,138	\$ (526,525)	\$ (486,286)
Water	2,248,685	2,098,728	3,816,115	3,580,516	(1,567,430)	(1,481,788)
<b>Total expenses</b>	<b>\$ 4,659,219</b>	<b>\$ 4,456,580</b>	<b>\$ 6,753,174</b>	<b>\$ 6,424,654</b>	<b>\$ (2,093,955)</b>	<b>\$ (1,968,074)</b>

*Sewage Fund.* At June 30, 2023, the Sewage Fund’s net position is \$19,339,389, an increase of \$600,943 from the prior year net position of \$18,738,446. The change in the Sewer Fund net position is due to \$526,525 of net operating income offset in addition to total nonoperating revenue and expenses of \$74,818 in fiscal year 2023.

The total operating income in the Sewage Fund is \$526,525 for the year ending June 30, 2023, an increase of \$40,239 from the prior year. Overall the Sewage Fund’s operating revenue and expenses remained relatively stable compared to the prior year, both increasing slightly. Operating revenue is \$2,937,059 for the year ending June 30, 2023, an increase of almost \$92,921 from the year ending June 30, 2022. The total operating revenue increase was primarily due to a slight increase charged for services. The two main areas of revenue were sales and septage treatment. The total operating expenses in the Sewage Fund are \$2,410,534 for the year ending June 30, 2023, an increase of \$52,682 from the prior year. The operating expense change was primarily caused by a \$75,947 increase

## City of Alpena

### Management's Discussion and Analysis

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in professional and contractual purchased services. The net non-operating revenues and expenses experienced an increase of about \$89,000, which was primarily due to an increase in investment income and rents of almost \$67,000.

*Water Fund.* The Water Fund had a net position of \$18,601,149 at June 30, 2023, an increase of \$1,624,905 from the prior year net position of \$16,976,244. The change in the Water Fund net position is caused by \$1,567,430 of net operating income offset in addition to total nonoperating revenue and expenses of \$57,475 in fiscal year 2023.

The total operating revenues were \$3,816,115 for the year ended June 30, 2023, an increase of \$235,599 from the prior year. The total operating revenues increase was primarily due to an increase in usage from the Township of Alpena, who the City supplies water to. The total operating expenses were \$2,248,685, an increase of almost \$150,000 from the prior year. The increase in operating expenses was primarily caused by a \$81,596 increase in repairs and maintenance as compared to the prior year, due to the prior year having large maintenance expenses for water intake cleaning and an increase in professional and contractual services provide, which increased \$59,407. The total operating income was \$1,567,430 for the year ended June 30, 2023, an increase of \$85,642. The net non-operating expenses increased by \$87,974.

The revenues in the Sewage and Water Funds are primarily derived from charges for services, 97.2%, while non-operating revenues derive the remaining 2.8%.

#### **Financial Analysis of the Governmental 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 2022-23, the City of Alpena's governmental funds reported combined ending fund balances of \$8,779,046 an increase of \$819,481 in comparison with the prior year. Approximately 52% of this total amount constitutes unassigned fund balance, \$4,575,545, which is available for spending at the government's discretion. The remainder of fund balance falls into four categories: nonspendable, restricted, committed, and assigned.

The General Fund is the chief operating fund of the City of Alpena. At the end of the fiscal year 2022-23, the fund balance of the General Fund was \$4,935,505, of which \$4,640,891 was unassigned, \$156,214 was committed for specific purposes, \$10,000 was restricted for specific purposes, and \$128,400 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 43% of total General Fund expenditures and operating transfers to other funds.

The fund balance of the City of Alpena's General Fund increased by \$506,668 during the 2022-23 fiscal year. This was an increase of fund balance of about 11%. Property tax revenues increased by approximately \$241,000 over fiscal year 2021-22 due to an increase in taxable valuations and receiving a large delinquent personal property tax payment. In addition, expenditures increased by about \$930,000. The main reason for the increase in expenditures was due to an increase in public safety for about \$604,000, which was mainly attributable to an increase in capital outlay or \$376,136 and salaries and wages and employee benefits of \$112,748.

The Major Street Fund has a fund balance of \$1,222,601, which is an increase from last year's fund balance by \$180,655. This was an increase of fund balance of about 17%. In the prior year, the fund experienced an increase

## City of Alpena

### Management's Discussion and Analysis

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of about \$182,000, which is very comparable to the current year. Both revenues and expenditures increased due to a significant street project that occurred during fiscal year 2022-23. The fund balance of the Major Street Fund represents funds restricted for streets and highways.

In March 2021, the American Rescue Plan Act (ARPA or the Act) was enacted to provide continued relief stemming from the COVID-19 pandemic. The City received approximately \$1,046,000 of federal monies through the Act. The funds received must be used in accordance with the ARPA rules, therefore the City established the American Rescue Plan Act Fund (a special revenue fund) to account for the restricted funds. During the year ending June 30, 2023 the City had utilized approximately \$91,000 of the restricted funds and recognized the remaining \$949,740 as unearned revenue as of June 30, 2023. The funding must be obligated by December 31, 2024 and expended by December 31, 2026. The ARPA Fund ended the fiscal year with a fund balance of \$21,852, which was the investment income earned on the funds. Under the ARPA regulation, interest earned is not subject to the requirements of the Cash Management improvement Act and Treasury's implementing regulations at 31 CFR part 205 or 2 CFR 200.305(b)(8). Consequently, the City is allowed to keep and use the interest earned, creating an assigned fund balance of \$21,852 at June 30, 2023.

The Debt Service Fund has a total fund balance of \$1,899, 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 \$8,899.

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

At year-end the revenue was \$163,935 less than the final budget and \$341,464 more than received last fiscal year. The two largest contributing factors for the increase were investment income and property taxes. Charges for services and state revenue decreased by \$133,549 and \$32,332, respectively, over the last fiscal year. Investment income and property taxes increased by \$234,199 and \$122,945, respectively over fiscal year 2021-22.

There was a net decrease of about \$233,000 between the original and final amended budget for expenditures, including transfers to other funds. The largest change in expenditures by function was recreation and culture and transfers out, which had budget amendments decreasing the expenditure by almost \$570,000 and \$120,000, respectively, between the original and final budget. In addition, the public safety and public works functions had budget amendments to increase the budget by about \$113,000 and \$71,000, respectively.

The City's General Fund actual expenditure amounts came in under the final budget by \$736,891. The largest variance from the final budget was for public works, which accounts for \$258,567 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	
	2023	2022	2023	2022	2023	2022
Historical cost:						
Land	\$ 3,112,864	\$ 3,237,864	\$ 12	\$ 12	\$ 3,112,876	\$ 3,237,876
Construction in progress	472,774	140,139	500,214	449,307	972,988	589,446
Land improvements	6,948,261	6,942,752	573,255	573,255	7,521,516	7,516,007
Buildings and improvements	10,409,254	10,350,858	7,516,477	7,482,004	17,925,731	17,832,862
Machinery and equipment	9,515,773	9,282,153	3,398,564	3,253,807	12,914,337	12,535,960
Infrastructure	52,414,391	51,511,986	46,764,060	46,421,207	99,178,451	97,933,193
ROU Vehicles	369,959	-	-	-	369,959	-
	<u>83,243,276</u>	<u>81,465,752</u>	<u>58,752,582</u>	<u>58,179,592</u>	<u>141,995,858</u>	<u>139,645,344</u>
Accumulated depreciation:						
Land improvements	(4,174,530)	(3,985,522)	(342,769)	(329,156)	(4,517,299)	(4,314,678)
Buildings and improvements	(5,623,267)	(5,408,639)	(3,833,523)	(3,682,856)	(9,456,790)	(9,091,495)
Machinery and equipment	(8,275,925)	(8,023,879)	(2,305,741)	(2,212,544)	(10,581,666)	(10,236,423)
Infrastructure	(37,807,528)	(36,807,095)	(22,036,700)	(21,239,293)	(59,844,228)	(58,046,388)
ROU Vehicles	(36,996)	-	-	-	(36,996)	-
	<u>(55,918,246)</u>	<u>(54,225,135)</u>	<u>(28,518,733)</u>	<u>(27,463,849)</u>	<u>(84,436,979)</u>	<u>(81,688,984)</u>
Net capital assets	<u>\$ 27,325,030</u>	<u>\$ 27,240,617</u>	<u>\$ 30,233,849</u>	<u>\$ 30,715,743</u>	<u>\$ 57,558,879</u>	<u>\$ 57,956,360</u>

**Capital assets.** The City of Alpena's net investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$57,558,879. 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, 2023 the City of Alpena had an overall increase of \$84,413 to its governmental activities capital assets, which was the result of capital asset additions exceeding depreciation charges. Business-type activities capital assets decreased by \$481,894 as a result of capital asset depreciation exceeding additions.

Additional information on the City of Alpena's capital assets can be found in the footnote disclosure in Note 6 on pages 95-97 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	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ -	\$ -	\$ 350,000	\$ 400,000	\$ 350,000	\$ 400,000
Building authority bonds	775,000	860,000	-	-	775,000	860,000
Installment contracts	-	1,936	-	-	-	1,936
State of MI Revolving Fund	-	-	2,398,819	2,723,819	2,398,819	2,723,819
Lease liability	353,660	-	-	-	353,660	-
	<u>\$1,128,660</u>	<u>\$ 861,936</u>	<u>\$2,748,819</u>	<u>\$3,123,819</u>	<u>\$3,877,479</u>	<u>\$3,985,755</u>

At the end of the current fiscal year, the City of Alpena (primary government) had total debt from bonds and loans outstanding of \$3,877,479. Of this amount, there was \$775,000 of building authority bonds and a lease liability of \$353,660. The remainder of the City of Alpena's debt of \$2,748,819 represents the long-term obligations of the Sewage and Water Funds. Of this amount, \$350,000 comprises general obligation bonds and \$2,398,819 is a direct borrowing through the State of Michigan revolving fund.

The City of Alpena decreased its total debt from bonds and loans by \$108,276 during the current fiscal year.

Additional information on the City of Alpena's long-term debt can be found in Note 7 on pages 98-101 of this report.

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

- Property tax revenue made up 39% of the 2022-23 final General Fund budget. The 2022-23 budgeted revenue increased by \$242,405 to \$4,444,614 from the 2021-22 level of \$4,202,209. The 2023-24 budget projects property tax revenues of \$4,674,364 which includes \$126,000 for the property tax administration fee that was assessed beginning in tax year 2019.
- The taxable value increased from \$254,140,766 for tax year 2021 to \$269,746,297 for 2022.
- The City has been successful in incorporating many economic development tools that attract businesses and residents 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.

## City of Alpena

### Management's Discussion and Analysis

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- 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. A purchase agreement currently exists with a developer for a prospective mixed-use development. The City was able to secure a grant and loan through EGLE to help support environmental conditions at the site.
- 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. Starlite Beach, which includes the splash park, continues to be one of the most visited City parks.
- Interest in Alpena continues to bring new businesses and activities to the area. We have seen new office buildings erected, several public art installations around the City, and the renovation of numerous buildings as well. Several businesses now have tables and chairs outside in the summer months. The City upgraded the downtown pocket park and opened a dog park in North Riverfront Park. The Downtown Development Authority's Fresh Waves mural program continues to revitalize the downtown. Additionally, in 2023, the DDA footprint officially expanded, which will provide additional opportunity for growth within the City in the coming years.
- The Thunder Bay National Marine Sanctuary and Underwater Preserve operated by NOAA attracts thousands of tourists annually to the facility and to 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 and also periodically hosts an international robotics competition in their outdoor diving tank. Teams from all over the world come to participate in the event. Over the last few years, NOAA has been the center of coordination and activity of various cruise ships that have visited the community interested in our unique natural recreation opportunities.
- The City utilized a State Land Bank grant for demolition of a blighted property in 2023 and worked in coordination with Alpena County to support the creation of an Alpena County Land Bank. The additional of this land bank will provide the City and County with additional opportunities to eliminate blight and redevelop property.
- In fiscal year 2023-24, the City formalized a renewed mission and values statement for the City, which incorporates strategic planning initiatives into the process. Additionally, the City is completing a full rewrite of the City's Zoning Ordinance. The City also partnered with Alpena County and NEMCOG to update the City's Recreation Plan a year early in order to foster more collaboration and alignment throughout the County.

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 2022-23 is \$4,935,505. The unassigned portion is \$4,640,891. The unassigned fund balance represents 43% of total General Fund expenditures, including transfers out. 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. The funding level of the retirement system as of the June 30, 2022, valuation date was 73.6%. The 2022-23 contribution to the retirement system was \$1,035,096. The 2023-24 contribution will be \$1,215,421. The City moved towards a phase-out of the defined benefit plan for new hires and has replaced it with a defined contribution plan. As of July 1, 2009, all new hires in Administration and DPW were enrolled in a defined contribution plan.

## City of Alpena

### Management's Discussion and Analysis

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rather than the defined benefit plan. As of July 1, 2010, all new hires in the Clerical department were enrolled in a defined contribution plan rather than the defined benefit plan. As of July 1, 2011, all new hires in the Public Safety Department are members of the defined benefit plan and have a multiplier of 2.25%. In December 2018, the City hired a new investment advisor to manage the pension assets.

The June 30, 2023, GASB Statement Nos. 74 and 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions reported the unfunded accrued liability at \$1,304,412. The City budgeted 5% of fiscal year 2023-24 payroll to be put into the Post-Retirement Health Care Fund. While this does not keep the fund at the suggested funding rate, it does help to stay ahead of the annual premium costs.

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

#### **Requests for Information**

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



**City of Alpena**

Statement of Net Position

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,982,303	\$ 9,446,713	\$ 14,429,016	\$ 495,715
Investments, at fair value	4,786,534	-	4,786,534	-
Beneficial interest	1,091,193	-	1,091,193	-
Receivables, net	1,519,815	4,073,993	5,593,808	1,499
Due from component units	8,765	-	8,765	-
Internal balances	838	(838)	-	-
Inventories	360,101	-	360,101	-
Prepaid expense	153,780	15,865	169,645	1,340
Capital assets not being depreciated	3,585,638	500,226	4,085,864	93,756
Capital assets being depreciated, net	23,739,392	29,733,623	53,473,015	134,855
Leases receivable - net of current portion	497,242	-	497,242	-
<b>Total assets</b>	<b>40,725,601</b>	<b>43,769,582</b>	<b>84,495,183</b>	<b>727,165</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	2,939,441	-	2,939,441	-
Deferred outflows related to OPEB	579,858	-	579,858	-
<b>Total deferred outflows of resources</b>	<b>3,519,299</b>	<b>-</b>	<b>3,519,299</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	307,681	61,058	368,739	1,492
Deposits payable	17,533	2,725	20,258	-
Accrued payroll	121,275	1,428	122,703	1,486
Accrued interest payable	5,704	15,014	20,718	-
Due to other governmental units	93,198	-	93,198	-
Due to primary government	-	-	-	8,765
Unearned revenue	1,035,414	3,000,000	4,035,414	9,184
Long-term liabilities:				
Due within one year	202,970	380,000	582,970	3,797
Due in more than one year				
Compensated absences	204,041	-	204,041	-
Bonds and loans	670,000	2,368,819	3,038,819	31,711
Lease liability	289,893	-	289,893	-
Net OPEB liability	1,304,412	-	1,304,412	-
Net pension liability	12,234,453	-	12,234,453	-
<b>Total liabilities</b>	<b>16,486,574</b>	<b>5,829,044</b>	<b>22,315,618</b>	<b>56,435</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to OPEB	1,948,076	-	1,948,076	-
Deferred inflows related to leases	577,057	-	577,057	-
<b>Total deferred inflows of resources</b>	<b>2,525,133</b>	<b>-</b>	<b>2,525,133</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	26,217,067	27,485,030	53,702,097	193,103
Restricted for:				
Cemetery care				
Nonexpendable	1,159,656	-	1,159,656	-
Streets and highways	2,019,728	-	2,019,728	-
Building inspection	6,250	-	6,250	-
Tree/park improvement	566	-	566	-
Debt service	1,899	65,312	67,211	-
Donor imposed	10,000	-	10,000	-
Unrestricted	(4,181,973)	10,390,196	6,208,223	477,627
<b>Total net position</b>	<b>\$ 25,233,193</b>	<b>\$ 37,940,538</b>	<b>\$ 63,173,731</b>	<b>\$ 670,730</b>

See accompanying notes to financial statements.

**City of Alpena**

Statement of Activities

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 5,016,982	\$ 1,709,615	\$ 6,692	\$ -
Public safety	5,720,724	1,895,515	1,275,602	144,243
Public works	3,966,810	1,136,762	1,887,849	374,836
Health and welfare	20,000	-	-	-
Recreation and culture	634,969	11,544	6,750	-
Community and economic development	165,180	44,914	-	-
Interest on long-term debt	22,148	-	-	-
Total governmental activities	<u>15,546,813</u>	<u>4,798,350</u>	<u>3,176,893</u>	<u>519,079</u>
Business-type activities:				
Sewage	2,440,297	2,937,059	-	-
Water	2,282,891	3,816,115	-	-
Total business-type activities	<u>4,723,188</u>	<u>6,753,174</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,270,001</u>	<u>\$ 11,551,524</u>	<u>\$ 3,176,893</u>	<u>\$ 519,079</u>
<b>Component Units</b>				
Downtown Development Authority No.2	\$ 286,938	\$ 23,009	\$ 71,416	\$ -
Downtown Development Authority No.5	3,897	-	-	-
Brownfield Redevelopment Authority	179,486	-	82,674	-
Economic Development Corporation	27	-	-	-
	<u>\$ 470,348</u>	<u>\$ 23,009</u>	<u>\$ 154,090</u>	<u>\$ -</u>

General revenues:  
Property taxes  
Unrestricted state revenue  
Investment earnings  
Gain (loss) on sale of capital asset  
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	
\$ (3,300,675)	\$ -	\$ (3,300,675)	\$ -
(2,405,364)	-	(2,405,364)	-
(567,363)	-	(567,363)	-
(20,000)	-	(20,000)	-
(616,675)	-	(616,675)	-
(120,266)	-	(120,266)	-
(22,148)	-	(22,148)	-
<u>(7,052,491)</u>	<u>-</u>	<u>(7,052,491)</u>	<u>-</u>
-	496,762	496,762	-
-	1,533,224	1,533,224	-
-	2,029,986	2,029,986	-
<u>(7,052,491)</u>	<u>2,029,986</u>	<u>(5,022,505)</u>	<u>-</u>
-	-	-	(192,513)
-	-	-	(3,897)
-	-	-	(96,812)
-	-	-	(27)
-	-	-	<u>(293,249)</u>
4,472,051	-	4,472,051	268,916
2,181,223	-	2,181,223	1,334
403,605	176,950	580,555	10,246
(512)	18,912	18,400	-
<u>7,056,367</u>	<u>195,862</u>	<u>7,252,229</u>	<u>280,496</u>
3,876	2,225,848	2,229,724	(12,753)
<u>25,229,317</u>	<u>35,714,690</u>	<u>60,944,007</u>	<u>683,483</u>
<u>\$ 25,233,193</u>	<u>\$ 37,940,538</u>	<u>\$ 63,173,731</u>	<u>\$ 670,730</u>

See accompanying notes to financial statements.



**City of Alpena**

Balance Sheet - Governmental Funds

June 30, 2023

	General	Major Street
<b>Assets</b>		
Cash and cash equivalents	\$ 1,459,886	\$ 1,112,452
Investments, at fair value	2,927,532	-
Beneficial interest	-	-
Accounts receivable, net	460,476	-
Taxes receivable	243,887	-
Lease receivable	511,984	-
Special assessment receivable	-	-
Interest receivable	83,785	-
Due from other governmental units	252,748	235,187
Due from component units	8,765	-
Due from other funds	-	-
Inventories	-	-
Prepaid expenditures	128,400	4,215
<b>Total assets</b>	<b>\$ 6,077,463</b>	<b>\$ 1,351,854</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 224,226	\$ 30,152
Deposits payable	17,533	-
Accrued payroll	110,081	3,132
Other liabilities	-	-
Due to other funds	67,881	2,771
Due to other governments	-	93,198
Unearned revenue	-	-
<b>Total liabilities</b>	<b>419,721</b>	<b>129,253</b>
Deferred inflows of resources:		
Unavailable revenue, property taxes	244,516	-
Unavailable revenue, leases	477,721	-
Unavailable revenue, special assessments	-	-
<b>Total deferred inflows of resources</b>	<b>722,237</b>	<b>-</b>
Fund balances:		
Nonspendable	128,400	4,215
Restricted	10,000	1,218,386
Committed	156,214	-
Assigned	-	-
Unassigned	4,640,891	-
<b>Total fund balances</b>	<b>4,935,505</b>	<b>1,222,601</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,077,463</b>	<b>\$ 1,351,854</b>

American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
\$ 428,304	\$ 1,330,226	\$ 4,330,868
541,996	97,380	3,566,908
-	1,091,193	1,091,193
-	33,424	493,900
-	-	243,887
-	106,610	618,594
-	2,052	2,052
1,292	953	86,030
-	70,965	558,900
-	-	8,765
-	63,599	63,599
-	28,610	28,610
-	10,334	142,949
<u>\$ 971,592</u>	<u>\$ 2,835,346</u>	<u>\$ 11,236,255</u>
\$ -	\$ 39,090	\$ 293,468
-	-	17,533
-	7,318	120,531
-	916	916
-	1,882	72,534
-	-	93,198
949,740	85,664	1,035,404
<u>949,740</u>	<u>134,870</u>	<u>1,633,584</u>
-	-	244,516
-	99,336	577,057
-	2,052	2,052
<u>-</u>	<u>101,388</u>	<u>823,625</u>
-	1,198,600	1,331,215
-	810,057	2,038,443
-	655,777	811,991
21,852	-	21,852
-	(65,346)	4,575,545
<u>21,852</u>	<u>2,599,088</u>	<u>8,779,046</u>
<u>\$ 971,592</u>	<u>\$ 2,835,346</u>	<u>\$ 11,236,255</u>

See accompanying notes to financial statements.



## City of Alpena

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

June 30, 2023

Fund balances - total governmental funds		\$ 8,779,046
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.</p>		
Capital assets not being depreciated	\$ 3,585,638	
Capital assets being depreciated, net	23,739,392	
Less capital assets accounted for in internal service funds	(570,138)	26,754,892
<p>Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds.</p>		
Compensated absences	(238,244)	
Bonds payable	(775,000)	
Lease liability	(353,660)	
Add lease liability accounted for in internal service funds	126,367	(1,240,537)
<p>Certain pension and OPEB related amounts, such as the net liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the governmental funds.</p>		
Net pension liability	(12,234,453)	
Deferred outflows related to the net pension liability	2,939,441	(9,295,012)
Net OPEB liability	(1,304,412)	
Deferred outflows related to the net OPEB liability	579,858	
Deferred inflows related to the net OPEB liability	(1,948,076)	(2,672,630)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(5,704)
Deferred inflows of resources in the governmental funds is susceptible to full accrual on the government-wide statements.		246,558
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		2,666,580
Net position of governmental activities		\$ 25,233,193

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, 2023

	General	Major Street
<b>Revenues</b>		
Property taxes	\$ 4,444,614	\$ -
Special assessment revenue	-	-
Licenses and permits	42,012	-
State revenue	2,251,273	1,444,524
Federal revenue	58,027	374,836
Local grant revenue	1,211,366	-
Charges for services	2,420,016	1,381
Investment income and rents	444,502	29,416
Fines and forfeitures	22,332	-
Other	104,287	5,400
Total revenues	10,998,429	1,855,557
<b>Expenditures</b>		
Current operations:		
General government	2,550,059	3,090
Public safety	5,802,069	-
Public works	1,352,188	1,504,812
Health and welfare	20,000	-
Community and economic development	171,230	-
Recreation and culture	544,187	-
Capital outlay	-	-
Debt service:		
Principal retirement	9,120	-
Interest and fees	2,325	-
Total expenditures	10,451,178	1,507,902
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	547,251	347,655
<b>Other Financing Sources (Uses)</b>		
Proceeds from sale of capital assets	123,874	-
Proceeds from lease issuance	166,793	-
Transfers in	38,660	8,000
Transfers out	(369,910)	(175,000)
Total other financing sources (uses)	(40,583)	(167,000)
<b>Net Change in Fund Balances</b>	506,668	180,655
<b>Fund Balances, beginning of year</b>	4,428,837	1,041,946
<b>Fund Balances, end of year</b>	\$ 4,935,505	\$ 1,222,601

American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,444,614
-	2,038	2,038
-	13,935	55,947
-	445,003	4,140,800
70,819	-	503,682
-	-	1,211,366
-	527,666	2,949,063
19,734	347,368	841,020
-	4,573	26,905
-	29,690	139,377
<u>90,553</u>	<u>1,370,273</u>	<u>14,314,812</u>
40,824	-	2,593,973
-	486,005	6,288,074
-	1,166,652	4,023,652
-	-	20,000
-	-	171,230
-	-	544,187
29,995	-	29,995
-	87,700	96,820
-	24,997	27,322
<u>70,819</u>	<u>1,765,354</u>	<u>13,795,253</u>
<u>19,734</u>	<u>(395,081)</u>	<u>519,559</u>
-	-	123,874
-	70,008	236,801
-	458,497	505,157
-	(21,000)	(565,910)
<u>-</u>	<u>507,505</u>	<u>299,922</u>
19,734	112,424	819,481
<u>2,118</u>	<u>2,486,664</u>	<u>7,959,565</u>
<u>\$ 21,852</u>	<u>\$ 2,599,088</u>	<u>\$ 8,779,046</u>

See accompanying notes to financial statements.



**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, 2023

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Net change in fund balances - total governmental funds	\$	819,481
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	\$ 1,844,756	
Depreciation expense	(1,641,078)	
Proceeds from sale of capital asset	(123,874)	
Loss on capital asset disposal	<u>(1,126)</u>	78,678

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.

Proceeds from lease issuance	(236,801)	
Lease liability payments	9,508	
Bond principal payments	85,000	
Installment contract payments	<u>1,936</u>	(140,357)

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		23,661
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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	593	
Change in long-term compensated absences	26,561	
Change in net pension liability	(1,484,903)	
Change in long-term OPEB obligations	<u>528,292</u>	(929,457)

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>3,876</u>
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See accompanying notes to financial statements.



## City of Alpena

### Statement of Net Position - Proprietary Funds

June 30, 2023

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,692,207	\$ 5,754,506
Investments, at fair value	-	-
Accounts receivable, net	1,043,666	3,030,327
Interest receivable	-	-
Due from other funds	-	-
Inventories	-	-
Prepaid expenditures	7,953	7,912
Total current assets	4,743,826	8,792,745
Noncurrent assets:		
Capital assets not being depreciated	319,733	180,493
Capital assets being depreciated, net	15,744,125	13,989,498
Total noncurrent assets	16,063,858	14,169,991
Total assets	20,807,684	22,962,736
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	38,976	22,082
Deposits payable	-	2,725
Accrued payroll	916	512
Accrued interest payable	6,974	8,040
Due to other funds	770	68
Unearned revenue	-	3,000,000
Lease liability, current portion	-	-
Bonds and notes payable, current portion	195,000	185,000
Total current liabilities	242,636	3,218,427
Noncurrent liabilities:		
Lease liability	-	-
Bonds and notes payable	1,225,659	1,143,160
Total liabilities	1,468,295	4,361,587
<b>Net Position</b>		
Net investment in capital assets	14,643,199	12,841,831
Restricted for:		
Debt service	32,656	32,656
Unrestricted	4,663,534	5,726,662
Total net position	\$ 19,339,389	\$ 18,601,149

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 9,446,713	\$ 651,435
-	1,219,626
4,073,993	-
-	13,694
-	9,773
-	331,491
15,865	10,831
<u>13,536,571</u>	<u>2,236,850</u>
500,226	-
29,733,623	570,138
<u>30,233,849</u>	<u>570,138</u>
<u>43,770,420</u>	<u>2,806,988</u>
61,058	13,297
2,725	-
1,428	744
15,014	-
838	-
3,000,000	-
-	23,092
380,000	-
<u>3,461,063</u>	<u>37,133</u>
-	103,275
2,368,819	-
<u>5,829,882</u>	<u>140,408</u>
27,485,030	450,296
65,312	-
<u>10,390,196</u>	<u>2,216,284</u>
<u>\$ 37,940,538</u>	<u>\$ 2,666,580</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, 2023

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>Operating Revenues</b>		
Charges for services	\$ 2,911,539	\$ 3,812,728
Other services	25,520	3,387
Total operating revenues	2,937,059	3,816,115
<b>Operating Expenses</b>		
Salaries and wages	54,329	47,550
Employee benefits	24,933	20,727
Supplies and durable goods	43,492	200,733
Gas and oil	-	-
Professional and contractual	1,064,331	974,567
Administrative services	189,138	189,138
Insurance	14,109	13,079
Utilities	301,645	132,639
Repairs and maintenance	46,501	173,989
Equipment rental	64,908	14,469
Interest on lease	-	-
Miscellaneous	1,587	1,587
Depreciation	605,561	480,207
Total operating expenses	2,410,534	2,248,685
<b>Operating Income (Loss)</b>	526,525	1,567,430
<b>Nonoperating Revenues (Expenses)</b>		
Investment income and rents	85,269	91,681
Interest expense	(29,763)	(34,206)
Gain (loss) on capital asset disposals	18,912	-
Total nonoperating revenues (expenses)	74,418	57,475
Net income (loss) before transfers and special item	600,943	1,624,905
<b>Transfers</b>		
Transfers in	-	-
Transfers out	-	-
Total transfers	-	-
<b>Change in Net Position</b>	600,943	1,624,905
<b>Net Position, beginning of year</b>	18,738,446	16,976,244
<b>Net Position, end of year</b>	\$ 19,339,389	\$ 18,601,149

Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,724,267	\$ 1,167,335
28,907	-
<u>6,753,174</u>	<u>1,167,335</u>
101,879	58,385
45,660	43,958
244,225	272,167
-	120,650
2,038,898	3,882
378,276	306,750
27,188	18,687
434,284	-
220,490	160,441
79,377	2,106
-	2,418
3,174	5,785
1,085,768	127,423
<u>4,659,219</u>	<u>1,122,652</u>
<u>2,093,955</u>	<u>44,683</u>
176,950	45,820
(63,969)	-
18,912	614
<u>131,893</u>	<u>46,434</u>
<u>2,225,848</u>	<u>91,117</u>
-	94,413
-	(33,660)
<u>-</u>	<u>60,753</u>
2,225,848	151,870
<u>35,714,690</u>	<u>2,514,710</u>
<u>\$ 37,940,538</u>	<u>\$ 2,666,580</u>

See accompanying notes to financial statements.

## City of Alpena

### Statement of Cash Flows Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 2,888,510	\$ 3,532,609
Receipts from interfund service provided	-	-
Payments to suppliers	(1,586,206)	(1,491,697)
Payments to employees	(78,614)	(68,033)
Payments for interfund services used	(188,368)	(189,070)
Net cash provided (used) by operating activities	1,035,322	1,783,809
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers to other funds	-	-
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(268,219)	(335,655)
Proceeds from capital grant	-	3,000,000
Proceeds from capital asset disposals	18,912	-
Proceeds from debt issuance	-	-
Principal paid on capital debt	(190,000)	(185,000)
Interest paid on capital debt	(30,708)	(35,330)
Net cash provided (used) by capital and related financing activities	(470,015)	2,444,015
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	-	-
Interest and dividends received	85,269	91,681
Net cash provided (used) by investing activities	85,269	91,681
Net increase (decrease) in cash and cash equivalents	650,576	4,319,505
<b>Cash and Cash Equivalents, beginning of year</b>	3,041,631	1,435,001
<b>Cash and Cash Equivalents, end of year</b>	\$ 3,692,207	\$ 5,754,506

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Enterprise Funds - Current Year Totals	Governmental Activities - Internal Service Funds
\$ 6,421,119	\$ -
-	1,170,581
(3,077,903)	(615,627)
(146,647)	(102,263)
(377,438)	(308,954)
<u>2,819,131</u>	<u>143,737</u>
-	(33,660)
-	94,413
<u>-</u>	<u>60,753</u>
(603,874)	(133,158)
3,000,000	-
18,912	614
-	133,158
(375,000)	(6,791)
(66,038)	-
<u>1,974,000</u>	<u>(6,177)</u>
-	(500,000)
176,950	47,605
<u>176,950</u>	<u>(452,395)</u>
4,970,081	(254,082)
<u>4,476,632</u>	<u>905,517</u>
<u>\$ 9,446,713</u>	<u>\$ 651,435</u>

**City of Alpena**

Statement of Cash Flows  
Proprietary Funds (continued)

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds	
	Sewage	Water
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ 526,525	\$ 1,567,430
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	605,561	480,207
(Increase) decrease in accounts receivable	(48,549)	(283,681)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid expenditures	(703)	(1,895)
Increase (decrease) in accounts payable	(48,930)	21,261
Increase (decrease) in deposits payable	-	175
Increase (decrease) in accrued payroll	648	244
Increase (decrease) in due to other funds	770	68
Net cash provided (used) by operating activities	\$ 1,035,322	\$ 1,783,809
<b>Non-Cash Investing, Capital and Financing Activities</b>		
Increase (decrease) in fair value of investments	\$ -	\$ -

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<u>Enterprise Funds - Current Year Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 2,093,955	\$ 44,683
1,085,768	127,423
(332,230)	3,246
-	(2,204)
-	(23,516)
(2,598)	(355)
(27,669)	(5,620)
175	-
892	80
838	-
<u>\$ 2,819,131</u>	<u>\$ 143,737</u>
<u>\$ -</u>	<u>\$ (13,442)</u>



**City of Alpena**

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2023

	Trust Funds	Custodial Fund
	Pension (and Other Employee Benefit)	Trust and Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 41,540
Investments, at fair value:		
Short-term investment funds	485,968	-
Fixed income	6,658,999	-
Equity securities	21,042,794	-
Alternative investments	1,475,596	-
Taxes receivable	-	253,997
Interest receivable	71,210	-
	29,734,567	295,537
Total assets	29,734,567	295,537
<b>Liabilities</b>		
Accounts payable	26,493	28,997
Due to other governmental units	-	266,540
	26,493	295,537
Total liabilities	26,493	295,537
<b>Net Position</b>		
Net position restricted for:		
Pension	27,496,512	-
OPEB	2,211,562	-
	\$ 29,708,074	\$ -

**City of Alpena**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended June 30, 2023

	Trust Funds	Custodial Fund
	Pension (and Other Employee Benefit)	Trust and Agency Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 1,349,460	\$ -
Employees	212,779	-
Total contributions	<u>1,562,239</u>	<u>-</u>
Investment income:		
Net increase (decrease) in fair value of investments	1,928,295	-
Gain (loss) on securities sold	(135,997)	-
Interest and dividends	1,001,427	-
	<u>2,793,725</u>	<u>-</u>
Less investment expense	142,162	-
Net investment income	<u>2,651,563</u>	<u>-</u>
Property taxes collected	-	8,021,536
Fines, fees and miscellaneous	-	2,217
Total contributions	<u>-</u>	<u>8,023,753</u>
Total additions	<u>4,213,802</u>	<u>8,023,753</u>
<b>Deductions</b>		
Benefits	2,836,102	-
Lump-sum retirement payments	313,809	-
Employee refunds	159,658	-
Administrative expense	48,205	-
Distributions to other governments	-	8,023,753
Total deductions	<u>3,357,774</u>	<u>8,023,753</u>
<b>Change in Net Position</b>	856,028	-
<b>Net Position, beginning of year</b>	<u>28,852,046</u>	<u>-</u>
<b>Net Position, end of year</b>	<u>\$ 29,708,074</u>	<u>\$ -</u>

## City of Alpena

### Statement of Net Position - Component Units

June 30, 2023

	Downtown Development Authority No. 2	Downtown Development Authority No. 5
<b>Assets</b>		
Cash and cash equivalents	\$ 248,168	\$ -
Accounts receivable	-	-
Taxes receivable	76	-
Prepaid items	1,340	-
Capital assets not being depreciated	93,756	-
Capital assets being depreciated, net	134,855	-
Total assets	478,195	-
<b>Liabilities</b>		
Accounts payable	69	-
Accrued payroll	1,486	-
Due to primary government	8,765	-
Unearned revenue	-	-
Long-term liabilities:		
Due within one year		
Bonds and loans	3,797	-
Due in more than one year		
Bonds and loans	31,711	-
Total liabilities	45,828	-
<b>Net Position</b>		
Net investment in capital assets	193,103	-
Unrestricted	239,264	-
Total net position	\$ 432,367	\$ -

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Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ 243,884	\$ 3,663	\$ 495,715
1,423	-	1,423
-	-	76
-	-	1,340
-	-	93,756
-	-	134,855
<u>245,307</u>	<u>3,663</u>	<u>727,165</u>
1,423	-	1,492
-	-	1,486
-	-	8,765
9,184	-	9,184
-	-	3,797
-	-	31,711
<u>10,607</u>	<u>-</u>	<u>56,435</u>
-	-	193,103
<u>234,700</u>	<u>3,663</u>	<u>477,627</u>
<u>\$ 234,700</u>	<u>\$ 3,663</u>	<u>\$ 670,730</u>

**City of Alpena**

Statement of Activities - Component Units

For the Year Ended June 30, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority No.2	\$ 286,938	\$ 23,009	\$ 71,416	\$ -
Downtown Development Authority No.5	3,897	-	-	-
Brownfield Redevelopment Authority	179,486	-	82,674	-
Economic Development Corporation	27	-	-	-
	<u>\$ 470,348</u>	<u>\$ 23,009</u>	<u>\$ 154,090</u>	<u>\$ -</u>

General revenues:

Property taxes

Unrestricted state shared revenues

Investment earnings

Total general revenues

**Change in Net Position**

**Net Position**, beginning of year

**Net Position**, end of year

Net (Expense) Revenue and Changes in Net Position

Downtown Development Authority No. 2	Downtown Development Authority No. 5	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (192,513)	\$ -	\$ -	\$ -	\$ (192,513)
-	(3,897)	-	-	(3,897)
-	-	(96,812)	-	(96,812)
-	-	-	(27)	(27)
<u>(192,513)</u>	<u>(3,897)</u>	<u>(96,812)</u>	<u>(27)</u>	<u>(293,249)</u>
181,841	-	87,075	-	268,916
1,334	-	-	-	1,334
10,246	-	-	-	10,246
<u>193,421</u>	<u>-</u>	<u>87,075</u>	<u>-</u>	<u>280,496</u>
908	(3,897)	(9,737)	(27)	(12,753)
<u>431,459</u>	<u>3,897</u>	<u>244,437</u>	<u>3,690</u>	<u>683,483</u>
<u>\$ 432,367</u>	<u>\$ -</u>	<u>\$ 234,700</u>	<u>\$ 3,663</u>	<u>\$ 670,730</u>

# 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 10,197 residents (2020 census) in many areas including law enforcement, fire, water, sewer, community enrichment and development, and human services.

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

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

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

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

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

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

The Downtown Development Authorities were organized to promote and rehabilitate the downtown area. The Authorities also sponsor downtown events. During the fiscal year 2022-23, the City rolled the DDA No. 5 into the DDA No. 2.

Brownfield Redevelopment Authority – (governmental fund type)

# City of Alpena

## Notes to Financial Statements

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

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

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

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

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

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

### **B. Government-Wide and Fund Financial Statements.**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# City of Alpena

## Notes to Financial Statements

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

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

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

The government reports the following major governmental funds:

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

**Major Street Fund.** This fund accounts for the resources of state gas and weight tax revenues that are restricted for use on City streets that have been designated as major by the Michigan Department of Transportation. This fund is deemed to be a major fund due to its importance to financial statement users.

**American Rescue Plan Act Fund.** This fund is used to account for the grant funds received under the American Rescue Plan Act.

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.

# City of Alpena

## Notes to Financial Statements

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

**Custodial Fund.** This fund is used to account for property taxes collected and distributed to other governments in an agency capacity.

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and OPEB plans as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Capital Assets.** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

Land improvements	20 to 25 years
Buildings	40 to 45 years
Building improvements	15 to 45 years
Machinery and equipment	3 to 45 years
Infrastructure	10 to 75 years
Right-of-use – Vehicles	5 years

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

Administrative and non-union employees hired prior to May 19, 2003 are granted 120 days of sick leave at the time of hire. If after using some or all of his/her sick leave, an employee goes six (6) months without missing a scheduled day of work, his/her sick leave bank is restored to 120 days. For employees hired on or after May 19, 2003, the number of sick days is 90. At termination, death, or retirement, no payment is made to an administrative or non-union employee (or heirs) for unused sick leave.

Clerical employees, Public Works employees, Police Patrol, and Police Command Officers earn sick leave at the rate of eight hours for each full month of service, and Firefighters/EMS employees earn sick leave at the rate of 12 hours for each full month of service or if they regularly work 40 hours per week, then they earn sick leave at the rate of eight hours for each month of service. The caps are as follows:

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

# City of Alpena

## Notes to Financial Statements

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

Upon retirement, clerical employees are paid for one-half of their accumulated sick leave based on their hourly straight-time rate of pay at the time of retirement. No payments for unused sick leave are made at termination or death.

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

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

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

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

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

**Deferred Inflows of Resources.** In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to 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.

**Leases.** *Lessor:* The City is the lessor for noncancelable leases of cellular towers. The City recognizes a lease receivable and a deferred inflow of resources in the governmental fund financial statements and the governmental activities in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

# City of Alpena

## Notes to Financial Statements

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

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee with escalation over the term of the lease.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

*Lessee:* The City is a lessee for noncancelable leases of vehicles. The City recognizes lease liabilities and intangible right-of-use lease assets in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be received during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease period or the estimated useful life.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term, and lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Subscription Based Information Technology Arrangements.** Subscription Based Information Technology Arrangements (SBITAs) are required to be recognized as a subscription liability and right-of-use SBITA asset for arrangements that meet the definition of a SBITA under GASB 96. The initial subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term. Right-of-use SBITA assets are initially measured at the amount equal to the initial measurement of the SBITA liability plus any SBITA payments made prior to the SBITA term, less incentives, and adding any ancillary charges necessary to place the SBITA into service. The City recognizes SBITAs with an initial, individual value of \$5,000 or more. The City did not have any material SBITAs that required recognition for the year ending June 30, 2023.

# City of Alpena

## Notes to Financial Statements

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

**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.

**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;

# City of Alpena

## Notes to Financial Statements

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

- **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.

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, 2023, the amount committed for budget stabilization was \$36,170. 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.

# City of Alpena

## Notes to Financial Statements

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

**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.

**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.

**Change in Accounting Principle.** The City adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, (SBITAs) as of July 1, 2022. This statement is required to be applied retroactively by restating financial statements for all prior periods presented. There was no restatement of fund balance or net position. The City did not have any material SBITA agreements to recognize as a subscription liability or a right-of-use SBITA asset.



# City of Alpena

## Notes to Financial Statements

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### **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.

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**City of Alpena**

Notes to Financial Statements

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

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

<u>Budget Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
<b>General Fund</b>			
General government			
Accounting department	\$ 170,902	\$ 174,477	\$ (3,575)
External audit	20,769	23,745	(2,976)
Elections	40,862	41,255	(393)
City Attorney	82,920	82,952	(32)
Retirement	962,437	962,890	(453)
Public works			
Cemetery	198,987	209,392	(10,405)
Debt service			
Interest	-	2,325	(2,325)
Other financing sources			
Transfers out	261,408	369,910	(108,502)
<b>Major Street Fund</b>			
General government	3,000	3,090	(90)
Public works			
Administration and engineering	50,980	52,070	(1,090)
Construction	442,987	762,671	(319,684)
Maintenance			
Traffic control	43,742	56,360	(12,618)
Streets	225,096	258,510	(33,414)

**Accumulated Fund Deficits.** The City of Alpena’s Perpetual Lot Care Fund has an unassigned deficit of \$65,346 as of June 30, 2023, however the City has committed \$65,347 of funds to the Perpetual Lot Care Fund to keep the fund out of a deficit. This was the result of the investment, which is to be invested in perpetuity (i.e. nonspendable fund balance) experiencing an investment loss during the fiscal year.

**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.

## City of Alpena

### Notes to Financial Statements

**Note 3--Cash and Investments.** (continued)

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.

Michigan Compiled Law, Section 128.4, authorizes the City of Alpena to establish and maintain an irrevocable endowment as a component fund within a community foundation to lessen the burden of investing the funds for the Perpetual Lot Care Fund. The City has established such an endowed fund with the local community foundation and the funds are to be invested in perpetuity, except that the community foundation shall annually authorize two distributions of interest and other earnings to the municipality for the care and maintenance of the cemetery.

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	\$ 14,429,016	\$ 495,715	\$ 14,924,731
Investments, at fair value	4,786,534	-	4,786,534
<b>Statement of fiduciary net position</b>			
Cash and cash equivalents	41,540	-	41,540
Investments, at fair value	29,663,357	-	29,663,357
Total	\$ 48,920,447	\$ 495,715	\$ 49,416,162

**City of Alpena**

Notes to Financial Statements

**Note 3--Cash and Investments.** (continued)

Cash and investments as of June 30, 2023 consisted of the following:

	Primary Government	Component Units	Total
Bank deposits (demand accounts)	\$ 13,817,786	\$ 495,715	\$ 14,313,501
Certificates of deposit due within one year	650,000	-	650,000
Cash on hand	2,770	-	2,770
Investments, at fair value			
Short-term investment funds	485,968	-	485,968
Brokerage certificates	2,156,052	-	2,156,052
Municipal bonds	1,011,441	-	1,011,441
Treasury bonds	1,619,041	-	1,619,041
Fixed income:			
Corporate bonds	1,692,826	-	1,692,826
Treasury bonds	1,055,608	-	1,055,608
Agency bonds	626,917	-	626,917
Mutual funds	1,248,952	-	1,248,952
Asset backed	544,642	-	544,642
ETF	1,490,054	-	1,490,054
Alternative investments - mutual funds	1,475,596	-	1,475,596
Equity securities	21,042,794	-	21,042,794
	\$ 48,920,447	\$ 495,715	\$ 49,416,162

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 \$14,963,501 and a bank balance of \$15,726,792. FDIC insurance provides \$250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank. From the bank balance, \$15,721,775 was covered by federal depository insurance and \$5,017 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.

	Amount	Balance	Insured	Uninsured
Cash and cash equivalents	\$ 13,817,786	\$ 14,576,790	\$ 14,576,784	\$ 6
Certificates of deposit	650,000	655,011	650,000	5,011
Downtown Development Authority No. 2	248,168	247,446	247,446	-
Brownfield Redevelopment Authority	243,884	243,885	243,885	-
Economic Development Authority	3,663	3,660	3,660	-
	\$ 14,963,501	\$ 15,726,792	\$ 15,721,775	\$ 5,017

**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	\$ 485,968	\$ 485,968	\$ -	\$ -	\$ -
Brokerage certificates	2,156,052	1,497,010	659,042	-	-
Municipal bonds	1,011,441	-	641,561	369,880	-
Corporate bonds	1,692,826	93,665	782,358	767,488	49,315
Treasury bonds	2,674,649	882,634	1,499,726	292,289	-
Agency bonds	626,917	-	-	71,623	555,294
Mutual funds - fixed income	1,248,952	1,248,952	-	-	-
Fixed income - Etf	1,490,054	-	-	1,490,054	-
Alternative investments - mutual funds	1,475,596	1,475,596	-	-	-
Asset backed	544,642	-	544,642	-	-
	<u>\$ 13,407,097</u>	<u>\$ 5,683,825</u>	<u>\$ 4,127,329</u>	<u>\$ 2,991,334</u>	<u>\$ 604,609</u>

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

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## City of Alpena

### Notes to Financial Statements

#### Note 3--Cash and Investments. (continued)

**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:

Investment Type	Fair Value of Investments	Rating	Rating Organization
City investment pool:			
Municipal bonds	\$ 411,044	Aa1	Moody's
Municipal bonds	369,880	A1	Moody's
Municipal bonds	230,517	AA	Standard and Poor's
Treasury bonds	1,082,724	Aaa	Moody's
Treasury bonds	536,317	Not rated	N/A
Brokerage certificates	2,156,052	Not rated	N/A
	<u>\$ 4,786,534</u>		
Pension trust fund:			
Fixed income:			
Corporate bonds	\$ 10,167	Aa2	Moody's
Corporate bonds	38,289	Aa3	Moody's
Corporate bonds	252,474	A1	Moody's
Corporate bonds	214,250	A2	Moody's
Corporate bonds	279,104	A3	Moody's
Corporate bonds	388,901	Baa1	Moody's
Corporate bonds	394,884	Baa2	Moody's
Corporate bonds	114,757	Baa3	Moody's
Treasury bonds	1,055,608	Aaa	Moody's
Agency bonds	626,917	Not rated	N/A
ETF	1,490,054	Not rated	N/A
Alternative investments - mutual funds	1,475,596	Not rated	N/A
Mutual funds - fixed income	1,248,952	Not rated	N/A
Asset backed	354,252	Aaa	Moody's
Asset backed	190,390	Not rated	N/A
	<u>\$ 8,134,595</u>		

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

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

**City of Alpena**

Notes to Financial Statements

**Note 3--Cash and Investments.** (continued)

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

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

	Balance at June 30, 2023	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
General Investments:				
Debt Securities:				
Brokerage certificates	\$ 2,156,052	\$ -	\$ 2,156,052	\$ -
Treasury bonds	1,619,041	1,619,041	-	-
Municipal bonds	1,011,441	-	1,011,441	-
Total investments by fair value level	<u>\$ 4,786,534</u>	<u>\$ 1,619,041</u>	<u>\$ 3,167,493</u>	<u>\$ -</u>
Pension and Employee Health Care Trust Funds:				
Equity Securities:				
ETF	\$ 7,464,829	\$ 7,464,829	\$ -	\$ -
Mutual funds	13,577,965	13,577,965	-	-
Total equity securities	<u>21,042,794</u>	<u>21,042,794</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Corporate bonds	1,692,826	-	1,692,826	-
Treasury bonds	1,055,608	-	1,055,608	-
Agency bonds	626,917	-	626,917	-
Alternative investments - mutual funds	1,475,596	-	1,475,596	-
Mutual funds - fixed income	1,248,952	1,248,952	-	-
Asset backed ETF	544,642	-	544,642	-
	1,490,054	1,490,054	-	-
Total fixed income	<u>8,134,595</u>	<u>2,739,006</u>	<u>5,395,589</u>	<u>-</u>
Other:				
Short-term investment funds	485,968	485,968	-	-
Total investments by fair value level	<u>\$ 29,663,357</u>	<u>\$ 24,267,768</u>	<u>\$ 5,395,589</u>	<u>\$ -</u>



**City of Alpena**

Notes to Financial Statements

**Note 3--Cash and Investments.** (continued)

Equity, exchange traded funds (ETF), and mutual funds are 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 (other than mutual funds and ETFs) at June 30, 2023 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, 2023 are as follows:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Receivables (net of allowance for uncollectables)	\$ 493,900	\$ 4,073,993	\$ 4,567,893	\$ 1,423
Taxes receivable	243,887	-	243,887	76
Special assessment receivable	2,052	-	2,052	-
Lease receivable	618,594	-	618,594	-
Interest receivable	99,724	-	99,724	-
Due from governmental units	558,900	-	558,900	-
	\$ 2,017,057	\$ 4,073,993	\$ 6,091,050	\$ 1,499

Amounts not expected to be collected within one year are \$497,242 of the lease receivable.

**City of Alpena**

Notes to Financial Statements

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

The composition of interfund receivable/payable balances at June 30, 2023 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Activities		
General Fund	\$ -	\$ 67,881
Special revenue funds:		
Major Street Fund	-	2,771
Local Street Fund	-	1,604
Marina Fund	-	278
Permanent fund:		
Perpetual Lot Care Fund	63,599	-
Internal service fund:		
Equipment Fund	9,773	-
Business-type Activities		
Enterprise funds:		
Sewage Fund	-	770
Water Fund	-	68
	<u>\$ 73,372</u>	<u>\$ 73,372</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.

**City of Alpena**

Notes to Financial Statements

**Note 5--Interfund Receivables, Payables, and Transfers.** (continued)

For the year ended June 30, 2023, interfund transfers consisted of the following:

	Transfer In	Transfer Out
General Fund	\$ 5,000	\$ -
Major Street Fund	8,000	-
Local Street Fund	8,000	-
Tree/Park Improvement Fund	-	21,000
Marina Fund	110,000	-
General Fund	-	110,000
Local Street Fund	175,000	-
Major Street Fund	-	175,000
Building Authority Debt Fund	100,150	-
General Fund	-	100,150
Perpetual Lot Care Fund	65,347	-
General Fund	-	65,347
General Fund	33,660	-
Equipment Fund	-	33,660
Equipment Fund	50,000	-
General Fund	-	50,000
Stores Fund	44,413	-
General Fund	-	44,413
	\$ 599,570	\$ 599,570

The transfer from the Tree/Park Improvement Fund to the General, Major Street and Local Street Fund represents the transfer of restricted resources for allowable expenditures in the General Fund; the transfer to the Local Street Fund from the Major Street Fund represents the transfer of restricted resources for local road projects; the transfer from the General Fund to the Building Authority Debt Fund represents the amount transferred to pay the bond payments; and the transfer from the General Fund to the Marina and Stores Funds represent cash flow assistance for the purpose of purchasing materials and supplies; the transfer from the General Fund to the Perpetual Lot Care Fund represents unrestricted resources transferred for a decrease in investment's fair value in the Perpetual Lot Care Fund; the transfer from the General Fund to the Equipment Fund represents the transfer of unrestricted resources for the purchase of equipment; and the transfer from the Equipment Fund to the General Fund represents the transfer of unused resources back to the General Fund.

**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, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,237,864	\$ -	\$ (125,000)	\$ 3,112,864
Construction in progress	140,139	335,388	(2,753)	472,774
	3,378,003	335,388	(127,753)	3,585,638
Capital assets being depreciated:				
Land improvements	6,942,752	5,509	-	6,948,261
Buildings and improvements	10,350,858	85,731	(27,335)	10,409,254
Machinery and equipment	9,282,153	309,010	(75,390)	9,515,773
Infrastructure	51,511,986	875,070	27,335	52,414,391
ROU Vehicles	-	369,959	-	369,959
	78,087,749	1,645,279	(75,390)	79,657,638
Accumulated depreciation:				
Land improvements	(3,985,522)	(189,008)	-	(4,174,530)
Buildings and improvements	(5,408,639)	(214,628)	-	(5,623,267)
Machinery and equipment	(8,023,879)	(327,436)	75,390	(8,275,925)
Infrastructure	(36,807,095)	(1,000,433)	-	(37,807,528)
ROU Vehicles	-	(36,996)	-	(36,996)
	(54,225,135)	(1,768,501)	75,390	(55,918,246)
Net capital assets being depreciated	23,862,614	(1,189,978)	-	23,739,392
Net governmental capital assets	\$ 27,240,617	\$ (854,590)	\$ (127,753)	\$ 27,325,030

**City of Alpena**

Notes to Financial Statements

**Note 6--Capital Assets.** (continued)

	Balance July 1, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	449,307	109,400	(58,493)	500,214
	449,319	109,400	(58,493)	500,226
Capital assets being depreciated:				
Land improvements	573,255	-	-	573,255
Buildings and improvements	7,482,004	34,473	-	7,516,477
Machinery and equipment	3,253,807	175,641	(30,884)	3,398,564
Infrastructure	46,421,207	342,853	-	46,764,060
	57,730,273	552,967	(30,884)	58,252,356
Accumulated depreciation:				
Land improvements	(329,156)	(13,613)	-	(342,769)
Buildings and improvements	(3,682,856)	(150,667)	-	(3,833,523)
Machinery and equipment	(2,212,544)	(124,081)	30,884	(2,305,741)
Infrastructure	(21,239,293)	(797,407)	-	(22,036,700)
	(27,463,849)	(1,085,768)	30,884	(28,518,733)
Net capital assets being				
Depreciated	30,266,424	(532,801)	-	29,733,623
Net business-type capital assets	\$ 30,715,743	\$ (423,401)	\$ (58,493)	\$ 30,233,849

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

Governmental activities:	
General government	\$ 76,509
Public safety	300,953
Public works	1,262,779
Recreation and culture	128,260
	\$ 1,768,501
Business-type activities:	
Sewage	\$ 605,561
Water	480,207
	\$ 1,085,768

**City of Alpena**

Notes to Financial Statements

**Note 6--Capital Assets.** (continued)

At year end the City has active construction projects in process. The remaining commitments with contractors for these projects as of June 30, 2023 are as follows:

	<b>Contract Amount</b>	<b>Commitment Remaining</b>
Water Recycling Plant replacement project Meridian Contracting	\$ 37,971	\$ 37,971
Water Production Plant engineering and design Hubble Roth & Clark	1,055,000	1,031,628
2023 carbon changeout project Calgon Carbon Corporation	345,576	280,856
2022 HMA patching project Goodrich Trucking	100,350	25,284
2023 HMA patching project Goodrich Trucking	116,810	99,764
2023 resurfacing project Everett Goodrich Trucking	483,110	151,747
2023 Utility system topographic project Huron Engineering	67,384	62,616
Modernization of intersection project Huron Engineering	76,094	16,743
2023 dock replacement project Kropf Industrial	231,250	231,250
2022 high efficiency lighting modification project Thunder Bay Electric	39,452	39,452
Total	\$ 2,552,997	\$ 1,977,311

**City of Alpena**

Notes to Financial Statements

**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.

Bond and contractual obligation activity can be summarized as follows:

	Balances, July 1, 2022	Additions	(Deductions)	Balances, June 30, 2023	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)	\$ 1,936	\$ -	\$ (1,936)	\$ -	\$ -
Total direct borrowings and direct placements	1,936	-	(1,936)	-	-
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)	860,000	-	(85,000)	775,000	105,000
Total direct borrowings and direct placements and other debt	861,936	-	(86,936)	775,000	105,000
Accumulated compensated absences	264,805	92,990	(119,551)	238,244	34,203
Lease liability	-	369,959	(16,299)	353,660	63,767
Total governmental activities	\$ 1,126,741	\$ 462,949	\$ (222,786)	\$ 1,366,904	\$ 202,970

**City of Alpena**

Notes to Financial Statements

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

	Balances, July 1, 2022	Additions	(Deductions)	Balances, June 30, 2023	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)					
	\$ 1,410,659	\$ -	\$ (165,000)	\$ 1,245,659	\$ 170,000
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)					
	1,313,160	-	(160,000)	1,153,160	160,000
Total direct borrowings and direct placements	2,723,819	-	(325,000)	2,398,819	330,000
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)					
	400,000	-	(50,000)	350,000	50,000
Total business-type activities	\$ 3,123,819	\$ -	\$ (375,000)	\$ 2,748,819	\$ 380,000



**City of Alpena**

Notes to Financial Statements

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

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

<u>Year Ended June 30,</u>	Governmental Activities				
	Lease liability		Other debt		<u>Total</u>
	Principal	Interest	Principal	Interest	
2024	\$ 63,767	\$ 26,816	\$ 105,000	\$ 21,503	\$ 217,086
2025	69,194	21,389	105,000	18,694	214,277
2026	75,133	15,450	100,000	15,773	206,356
2027	81,584	9,000	100,000	12,923	203,507
2028	63,982	2,330	125,000	9,529	200,841
2029 - thereafter	-	-	240,000	7,560	247,560
	\$ 353,660	\$ 74,985	\$ 775,000	\$ 85,982	\$ 1,289,627

<u>Year Ended June 30,</u>	Business-type Activities				
	Direct borrowings and direct placements		Other debt		<u>Total</u>
	Principal	Interest	Principal	Interest	
2024	\$ 330,000	\$ 41,666	\$ 50,000	\$ 15,313	\$ 436,979
2025	330,000	35,503	50,000	13,125	428,628
2026	335,000	29,300	50,000	10,938	425,238
2027	345,000	22,963	100,000	8,750	476,713
2028	350,000	16,478	100,000	4,375	470,853
2029 - thereafter	708,819	13,195	-	-	722,014
	\$ 2,398,819	\$ 159,105	\$ 350,000	\$ 52,501	\$ 2,960,425

# City of Alpena

## Notes to Financial Statements

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

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

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

**Lessee.** The City is the lessee of vehicles. All vehicle leases are five-year terms with no additional renewal terms. The interest rates vary between 6.38% to 7.30%. In addition, the leases do not contain residual value guarantees. The leases do not contain variable payments.

**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, 2023 that amount was \$269,772,203. As of June 30, 2023, the net total outstanding debt applicable to the limit was \$3,519,984 which is 13.05% of the total debt limit.

### Note 8--Lessor.

At June 30, 2023, the lease receivable outstanding was \$618,594, and the deferred inflows of resources related to the leases were \$577,057. During the year ended June 30, 2023, the City recognized the following related to its lessor agreements:

Lease revenue	\$ 42,552
Interest income related to leases	27,243

### Note 9--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, workers compensation, comprehensive general liability, comprehensive employee benefits, employment practices liability, law enforcement liability, commercial excess liability, commercial auto liability, public official liability, commercial property coverage (equipment, buildings and contents), commercial inland marine, electronic data processing (computers), and equipment breakdown coverage. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

**City of Alpena**

Notes to Financial Statements

**Note 9--Risk Management.** (continued)

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.

**Note 10--Governmental Fund Balances.**

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

	General Fund	Major Street Fund	American Rescue Plan Act	Other Nonmajor Governmental Funds	Total
Fund balances:					
Nonspendable:					
Perpetual care lot	\$ -	\$ -	\$ -	\$ 1,159,656	\$ 1,159,656
Inventories	-	-	-	28,610	28,610
Prepays	128,400	4,215	-	10,334	142,949
	<u>128,400</u>	<u>4,215</u>	<u>-</u>	<u>1,198,600</u>	<u>1,331,215</u>
Restricted for:					
Shoreline erosion	5,000	-	-	-	5,000
Mich-E-Ke-Wis Park pavilion	5,000	-	-	-	5,000
Building inspection	-	-	-	6,250	6,250
Debt service	-	-	-	1,899	1,899
Streets and highway	-	1,218,386	-	801,342	2,019,728
Tree/Park improvement	-	-	-	566	566
	<u>10,000</u>	<u>1,218,386</u>	<u>-</u>	<u>810,057</u>	<u>2,038,443</u>
Committed for:					
Budget stabilization	36,170	-	-	-	36,170
Capital outlay	110,762	-	-	-	110,762
Police department	9,282	-	-	-	9,282
Capital projects	-	-	-	445,865	445,865
Marina	-	-	-	144,565	144,565
Perpetual care lot	-	-	-	65,347	65,347
	<u>156,214</u>	<u>-</u>	<u>-</u>	<u>655,777</u>	<u>811,991</u>
Assigned for:					
American Rescue Plan Act	-	-	21,852	-	21,852
Unassigned	4,640,891	-	-	(65,346)	4,575,545
Total governmental funds	<u>\$ 4,935,505</u>	<u>\$ 1,222,601</u>	<u>\$ 21,852</u>	<u>\$ 2,599,088</u>	<u>\$ 8,779,046</u>

## City of Alpena

### Notes to Financial Statements

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#### **Note 11--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 2022 ad valorem tax is levied and collectible on July 1, 2022. 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 2022 taxable valuation of the City of Alpena amounted to \$239,985,797 on real property and \$26,760,500 on personal property for a total of \$266,746,297 on which ad valorem taxes of 16.0373 mills were levied for City operating purposes.

The 2022 tax levy raised \$4,117,770 for City General Operations. This amount is recognized in the General Fund financial statements as property taxes.

In addition, specific taxes are levied under the Industrial Facilities Tax Act, Tax Increment Financing Authority, Brownfield Redevelopment Authority, and the Downtown Development Authority. City residents are also assessed 9.5187 mills for County operations, .9957 mills for Dial-A-Ride transportation, 2.4806 mills for the community college, 2.1726 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 17.7769 mills for public schools.

#### **Note 12--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 2023 amounted to \$3,616.

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 2023 of \$29,390.

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 2023 amounted to \$7,059.

## City of Alpena

### Notes to Financial Statements

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#### **Note 12--Property Tax Abatements.** (continued)

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 \$8,193 related to PA 147 during fiscal year 2023.

#### **Note 13--Perpetual Lot Care Fund.**

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

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

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

#### **Note 14--Defined Contribution Retirement Plan.**

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

**Administration.** Each pay period, the City will contribute 6% of regular, non-overtime wages for hours actually worked, plus holiday, sick leave and vacation pay. Affected employees shall participate in a defined contribution plan with a mandatory 2% employee contribution.

**DPW.** Each pay period, the City will contribute 7% of regular, non-overtime wages for hours actually worked, plus holiday, sick, and vacation pay. 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.** Each pay period, the City will contribute 4% of regular, non-overtime wages for hours actually worked, plus holiday, sick leave, and vacation pay. 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 26 employees participating in DC plans as of June 30, 2023. The City's contributions to the plans for calendar year 2023 wages were calculated based on covered payroll of \$1,232,317 resulting in an employer contribution of \$78,728 and employee contributions of \$27,844.

# City of Alpena

## Notes to Financial Statements

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### Note 15--Defined Benefit Pension Plan.

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

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

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

Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market value are reported at estimated fair value.

**Plan Membership.** At June 30, 2023, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	106
Inactive plan members	6
Active plan members	<u>48</u>
	<u><u>160</u></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:

## City of Alpena

### Notes to Financial Statements

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#### Note 15--Defined Benefit Pension Plan. (continued)

##### General

##### Eligibility:

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

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

*DPW Union* - Age 60 with 10 years of service and effective 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.

*Police Chief* – 3.0% of final average compensation times total service through December 26, 2022 plus 2.5% times total service after December 26, 2022.

*Deputy Chief/Fire Marshal* – 3.0% of final average compensation times total service through September 23, 2019 plus 2.5% times total service after September 23, 2019.

##### 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.

## City of Alpena

### Notes to Financial Statements

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#### **Note 15--Defined Benefit Pension Plan.** (continued)

##### **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 (Tier 1). Hired on or after July 1, 2011, 2.25% of final average compensation times total service (Tier 2).

**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 (Tier 1). Hired on or after July 1, 2011, 2.25% of final average compensation times total service (Tier 2). 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.

##### **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.



## City of Alpena

### Notes to Financial Statements

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#### **Note 15--Defined Benefit Pension Plan.** (continued)

##### **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.

##### **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.

**City of Alpena**

Notes to Financial Statements

**Note 15--Defined Benefit Pension Plan.** (continued)

**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 30.30% of annual payroll and the actuarially determined contribution was \$1,035,096. System administrative costs are financed through investment earnings.

For the year ended June 30, 2023, the member contribution rates were as follows:

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

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

**Fire** - Contribute 6.5% of annual compensation.

**Investment Policy.** The City of Alpena Employees' Retirement System authorized the system's investment consultant to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes in accordance with Michigan Public Act 314 of 1965, as amended. The Plan's target asset allocations are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
<b>Domestic Equity</b>		
Large Cap	36.00%	8.30%
Mid Cap	8.00%	9.00%
Small Cap	4.00%	9.40%
<b>International Equity</b>		
Developed	12.00%	8.80%
Emergin Markets	4.00%	9.80%
<b>Fixed income</b>		
Domestic Fixed Incon	26.00%	4.50%
Cash	1.00%	3.00%
Hedge Funds	5.00%	5.60%
Private Debt	2.00%	7.70%
Private Equity	2.00%	10.65%
	100%	

\* The expected rates of return based on a 2.25% price inflation assumption.

**City of Alpena**

Notes to Financial Statements

**Note 15--Defined Benefit Pension Plan.** (continued)

**Rate of Return.** For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.64% 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, 2023, 2022, 2021, and 2020, respectively were \$27,496,512, \$26,970,818, \$32,803,665, and \$26,913,326.

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,			
	2023	2022	2021	2020
Employees' contributions (Annuity Savings Fund)	\$ 3,065,806	\$ 3,045,456	\$ 3,888,420	\$ 3,458,301
Employer contributions (Pension Reserve Fund)	6,130,422	4,742,682	4,650,339	5,286,043
Retired benefit payments (Retirement Reserve Fund)	17,588,911	18,471,307	23,554,226	17,464,279
Undistributed investment income (Income Fund)	711,373	711,373	710,680	704,703
	<u>\$27,496,512</u>	<u>\$26,970,818</u>	<u>\$32,803,665</u>	<u>\$26,913,326</u>

**Net Pension Liability of the City.** Effective July 1, 2014, the City adopted GASB Statement No. 68 which requires the measurement of pension expense as it is earned, rather than as it is funded. The City has chosen to use June 30, 2023 as its measurement date for the net pension liability. The June 30, 2023 total pension liability was determined by an actuarial valuation performed as of June 30, 2021. The components of the net pension liability of the City at June 30, 2023 were as follows:

Total pension liability	\$39,730,965
Plan fiduciary net position	<u>27,496,512</u>
Net pension liability	<u>\$ 12,234,453</u>
Plan fiduciary net position as a percentage of the total pension liability	69.21%
Covered payroll	\$ 3,415,821
Net pension liability as a percentage of covered payroll	358.17%

**City of Alpena**

Notes to Financial Statements

**Note 15--Defined Benefit Pension Plan.** (continued)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 38,207,133	\$ 26,970,818	\$ 11,236,315
Changes for the year:			
Service cost	544,380	-	544,380
Interest on the total pension liability	2,583,222	-	2,583,222
Changes in benefit terms	87,112	-	87,112
Differences between expected and actual experience	1,461,433	-	1,461,433
Contributions - employer	-	1,035,096	(1,035,096)
Contributions - employees	-	212,779	(212,779)
Net investment income	-	2,469,439	(2,469,439)
Benefit payments, including refunds	(3,152,315)	(3,152,315)	-
Pension plan administrative expense	-	(39,305)	39,305
Net changes	1,523,832	525,694	998,138
Balances at June 30, 2023	\$ 39,730,965	\$ 27,496,512	\$ 12,234,453

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2021 and a measurement date of June 30, 2023 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 open groups and level dollar for closed groups. The remaining amortization period for the general and police groups is 20 years and 18 years for the fire group for unfunded accrued liabilities.

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

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

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the year ended June 30, 2023, the City recognized pension expense of \$2,519,989. At June 30, 2023, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

**City of Alpena**

Notes to Financial Statements

**Note 15--Defined Benefit Pension Plan.** (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 1,551,392	\$ -	\$ 1,551,392
Changes in assumptions	108,818	-	108,818
Net difference between projected and actual earnings on pension plan investments	1,279,231	-	1,279,231
<b>Total</b>	<b>\$ 2,939,441</b>	<b>\$ -</b>	<b>\$ 2,939,441</b>

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
2024	\$ 1,135,801
2025	605,330
2026	1,328,211
2027	(129,901)
	<b>\$ 2,939,441</b>

**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 was based on the assumption that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**City of Alpena**

Notes to Financial Statements

**Note 15--Defined Benefit Pension Plan.** (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of June 30, 2023 is 3.86% for municipal bonds, 0% for cash, and 7.00% for the aggregate remaining investment categories.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total pension liability	\$ 44,254,464	\$ 39,730,965	\$ 36,219,746
Plan fiduciary net position	<u>27,496,512</u>	<u>27,496,512</u>	<u>27,496,512</u>
Net pension liability / (asset)	<u>\$ 16,757,952</u>	<u>\$ 12,234,453</u>	<u>\$ 8,723,234</u>

**Note 16--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 valuation as of June 30, 2022.

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

# City of Alpena

## Notes to Financial Statements

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### Note 16--Other Post Employment Benefit Disclosures. (continued)

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

Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

**Plan Membership.** At June 30, 2023, plan membership consisted of the following:

Retired members and beneficiaries currently receiving benefits	34
Active plan members	53
	<u>87</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.
- Some members of the City's Defined Contribution pension plan are not eligible for City paid retiree health benefits based on hire date and employment agreements.
- Administrative employees hired after July 1, 2009 are not eligible to participate in this plan.

# City of Alpena

## Notes to Financial Statements

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### Note 16--Other Post Employment Benefit Disclosures. (continued)

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

<u>Employment Division</u>	<u>Retiree Health Benefit Eligibility</u>
General Non-Union	Age 60 with 5 years of service, or age 55 with 15 years of service
DPW	Age 60 with 10 years of service, or age 55 with 15 years of service (Effective July 1, 1999)
Clerical	Age 60 with 10 years of service
Fire	Age 55 with 10 years of service
Police	Age 55 with 10 years of service, or 25 years of service regardless of age
Police Chief, Fire Chief, and Deputy Fire Chief	Age 55 with 15 years of service or age 60 with 5 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, 2023, the City’s contribution was \$314,364, with an actuarially determined contribution of \$185,708.

**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, 2023, the annual money weighted rate of return on plan investments, net of investment expense, was 8.71 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net OPEB Liability

The City’s total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2022 and a measurement date of June 30, 2023.



**City of Alpena**

Notes to Financial Statements

**Note 16--Other Post Employment Benefit Disclosures.** (continued)

The components of the net OPEB liability at June 30, 2023 were as follows:

Total OPEB liability	\$	3,515,974
Plan fiduciary net position		2,211,562
City's net OPEB liability	\$	1,304,412
Plan fiduciary net position as a percentage of the total OPEB liability		62.90%
Covered employee payroll	\$	3,568,365
Net OPEB liability as a percentage of covered-employee payroll		36.55%

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, 2022	\$ 3,382,599	\$ 1,881,228	\$ 1,501,371
Changes for the year:			
Service cost	66,693	-	66,693
Interest on the total OPEB liability	200,239	-	200,239
Difference between expected and actual experience of the total OPEB liability	(93,203)	-	(93,203)
Changes of assumptions	116,900	-	116,900
Contributions - employer	-	314,364	(314,364)
Net investment income	-	182,124	(182,124)
Administrative expense	-	(8,900)	8,900
Benefit payments, including refunds of employee contributions	(157,254)	(157,254)	-
Net changes	133,375	330,334	(196,959)
Balance at June 30, 2023	\$ 3,515,974	\$ 2,211,562	\$ 1,304,412

**City of Alpena**

Notes to Financial Statements

**Note 16--Other Post Employment Benefit Disclosures.** (continued)

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and a measurement date of June, 30, 2023. 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 and administrative expenses)	6.00%
Health care trend rates	Pre-65: 3.50% - 7.50%
	Post-65: 3.50% - 6.25%

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.** For the year ended June 30, 2023, the City recognized OPEB expense of \$(213,928). At June 30, 2023, 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	\$ -	\$ 1,149,056	\$ (1,149,056)
Assumption changes	329,288	611,611	(282,323)
Net difference between projected and actual earnings on OPEB plan investments	250,570	187,409	63,161
	\$ 579,858	\$ 1,948,076	\$ (1,368,218)

**City of Alpena**

Notes to Financial Statements

**Note 16--Other Post Employment Benefit Disclosures.** (continued)

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

Year Ending June 30	Net Deferred Outflows of Resources
2024	\$ (376,813)
2025	(391,281)
2026	(320,424)
2027	(249,501)
2028	(32,943)
Thereafter	2,744
	\$ (1,368,218)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the net OPEB liability, calculated using the discount rate of 6.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (5.00%) or 1-percentage-point-higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
City's net OPEB liability	\$ 1,634,600	\$ 1,304,412	\$ 1,016,080

**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 7.50%, decreasing to 3.50%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point-lower (6.50%, decreasing to 2.50%) or 1-percentage-point-higher (8.50%, decreasing to 4.50%) than the current rate:

	1% Decrease (6.50% decreasing to 2.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.50%)	1% Increase (8.50% decreasing to 4.50%)
City's net OPEB liability	\$ 969,096	\$ 1,304,412	\$ 1,694,335

**Discount Rate.** The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

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

## City of Alpena

### Notes to Financial Statements

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#### **Note 16--Other Post Employment Benefit Disclosures.** (continued)

**Benefits Provided.** In addition to the healthcare benefits described above, the City of Alpena provides postretirement life insurance benefits, in accordance with council resolution for non-union employees and negotiated labor agreements for union employees.

The City provides a paid life insurance policy of \$2,000 for administrative employees who retire from the City and who were hired before July 1, 2021. The City paid life insurance will not be afforded to employees who are hired after July 1, 2021.

The City provides a paid life insurance policy of \$2,000 for police retirees.

Employees of the Clerical union are not afforded life insurance at retirement.

The City provides a paid life insurance policy of \$2,000 for DPW employees who retire from the City and who were hired on or after July 1, 2015. The City paid life insurance will not be afforded to DPW employees who are hired after July 1, 2020.

The City provides a paid life insurance policy of \$2,000 for fire department employees who retire from the City and who were hired before July 1, 2007. The City paid life insurance will not be afforded to Fire Department employees who are hired on or after July 1, 2007.

For fiscal year 2022-2023, the City's share of expenditures was \$630 for retiree life insurance. Expenditures for postretirement benefits are recognized when incurred by the City.

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**City of Alpena**

Notes to Financial Statements

**Note 17--Trust Fund Combining Statements.**

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

*Combining Statement of Plan Net Position*

	Pension (and Other Employee Benefit)		
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	Totals
<b>Assets</b>			
Investments, at fair value:			
Short-term investment funds	\$ 473,828	\$ 12,140	\$ 485,968
Fixed income	6,103,830	555,169	6,658,999
Equity securities	19,503,170	1,539,624	21,042,794
Alternative investments	1,370,836	104,760	1,475,596
Interest receivable	69,682	1,528	71,210
	<hr/>	<hr/>	<hr/>
Total assets	27,521,346	2,213,221	29,734,567
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	24,834	1,659	26,493
	<hr/>	<hr/>	<hr/>
	24,834	1,659	26,493
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>			
Net position restricted for pension/OPEB	\$ 27,496,512	\$ 2,211,562	\$ 29,708,074
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**City of Alpena**

Notes to Financial Statements

**Note 17--Trust Fund Combining Statements.** (continued)

*Combining Statement of Changes in Plan Net Position*

	Pension (and other employee benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
<b>Additions</b>			
Contributions:			
Employer	\$ 1,035,096	\$ 314,364	\$ 1,349,460
Employees	212,779	-	212,779
Total contributions	<u>1,247,875</u>	<u>314,364</u>	<u>1,562,239</u>
Investment income:			
Net increase (decrease) in fair value of investments	1,817,595	110,700	1,928,295
Gain (loss) on securities sold	(135,997)	-	(135,997)
Interest and dividends	923,603	77,824	1,001,427
	<u>2,605,201</u>	<u>188,524</u>	<u>2,793,725</u>
Less investment expense	135,762	6,400	142,162
Net investment income	<u>2,469,439</u>	<u>182,124</u>	<u>2,651,563</u>
Total additions	<u>3,717,314</u>	<u>496,488</u>	<u>4,213,802</u>
<b>Deductions</b>			
Benefits	2,678,848	157,254	2,836,102
Lump-sum retirement payments	313,809	-	313,809
Employee refunds	159,658	-	159,658
Administrative expense	39,305	8,900	48,205
Total deductions	<u>3,191,620</u>	<u>166,154</u>	<u>3,357,774</u>
<b>Change in Net Position</b>	525,694	330,334	856,028
<b>Net Position</b> , beginning of year	<u>26,970,818</u>	<u>1,881,228</u>	<u>28,852,046</u>
<b>Net Position</b> , end of year	<u>\$ 27,496,512</u>	<u>\$ 2,211,562</u>	<u>\$ 29,708,074</u>

# City of Alpena

## Notes to Financial Statements

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### **Note 18--Deferred Compensation Plan.**

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

### **Note 19--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 \$9,248,205 (through June 30, 2023), in addition to late charges of approximately \$13,229,860.

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

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

On May 3, 2021, the Circuit Court Judge granted the parties until December 6, 2022 to reach a settlement. The parties were engaged in a series of facilitation sessions with a third-party mediator and hired a joint public utility rate consultant to assist in the settlement discussions. The settlement negotiations were not successful, and the case has been returned to trial in the Circuit Court. The trial is scheduled for April 2024.

In fiscal year 2018, the City of Alpena adjusted the receivable and revenue with the Township to the amount awarded in the judgment and has consistently estimated the revenue and receivable based on this formula through the end of fiscal year June 30, 2023.

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

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

**City of Alpena**

Notes to Financial Statements

**Note 19--Contingencies And Claims.** (continued)

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

**Note 20--Component Unit Disclosures.**

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

	Balance July 1, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 93,756	\$ -	\$ -	\$ 93,756
	93,756	-	-	93,756
Capital assets being depreciated:				
Land improvements	182,751	-	-	182,751
Buildings and improvements	88,030	-	-	88,030
Machinery and equipment	4,880	-	-	4,880
	275,661	-	-	275,661
Accumulated depreciation:				
Land improvements	(116,013)	(6,709)	-	(122,722)
Buildings and improvements	(11,444)	(1,760)	-	(13,204)
Machinery and equipment	(4,880)	-	-	(4,880)
	(132,337)	(8,469)	-	(140,806)
Net capital assets being depreciated	143,324	(8,469)	-	134,855
Net component unit capital assets	\$ 237,080	\$ (8,469)	\$ -	\$ 228,611

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

Downtown Development Authority No. 2                      \$ 8,469

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



**City of Alpena**

Notes to Financial Statements

**Note 20--Component Unit Disclosures.** (continued)

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

	Balances, July 1, 2022	Additions	(Deductions)	Balances, June 30, 2023	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)	\$ 39,150	\$ -	\$ (3,642)	\$ 35,508	\$ 3,797
	\$ 39,150	\$ -	\$ (3,642)	\$ 35,508	\$ 3,797

**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
2024	\$ 3,797	\$ 1,474
2025	-	-
2026	31,711	2,621
	\$ 35,508	\$ 4,095

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

## City of Alpena

### Notes to Financial Statements

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#### **Note 21--Subsequent Events.**

Management has evaluated subsequent events through December 27, 2023, the date on which the financial statements were available to be issued.

#### **Note 22--Upcoming Reporting Changes.**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*, which stipulates the accounting and financial reporting for (1) each type of accounting change and (2) error corrections with the objective of enhancing the accounting and financial reporting requirements and to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The statement establishes requirements for note disclosures, required supplemental information, and supplemental information. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance of the existing standard under a unified model. Previously required financial statement note disclosure requirements have been amended within this statement. The provisions of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2025.



**City of Alpena**

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 4,363,459	\$ 4,444,038	\$ 4,444,614	\$ 576
Licenses and permits	25,000	36,250	42,012	5,762
State revenue	2,137,709	2,545,233	2,251,273	(293,960)
Federal revenue	147,600	70,493	58,027	(12,466)
Local revenue	1,082,600	1,214,632	1,211,366	(3,266)
Charges for services	2,592,701	2,325,646	2,420,016	94,370
Investment income and rents	301,390	419,289	444,502	25,213
Fines and forfeitures	15,500	20,175	22,332	2,157
Other	140,743	86,608	104,287	17,679
<b>Total revenues</b>	<b>11,806,702</b>	<b>11,162,364</b>	<b>10,998,429</b>	<b>(163,935)</b>
<b>Expenditures</b>				
General government:				
City Council	82,854	56,212	55,404	808
City Manager	144,246	145,017	143,782	1,235
Accounting Department	153,275	170,902	174,477	(3,575)
Budget Department	40,197	39,092	38,914	178
Clerk	151,557	156,294	156,202	92
External Audit	20,550	20,769	23,745	(2,976)
Board of Review	1,614	1,614	1,096	518
Treasurer	151,920	153,412	152,994	418
Assessor	95,878	108,415	101,948	6,467
Grants Manager	50,000	18,270	18,269	1
Elections	38,264	40,862	41,255	(393)
Building and Grounds	127,002	114,751	103,318	11,433
City Attorney	82,412	82,920	82,952	(32)
Human Resources	111,112	105,366	104,220	1,146
Retirement	966,759	962,437	962,890	(453)
Information technology	380,145	381,902	378,772	3,130
Other	-	9,821	9,821	-
	<b>2,597,785</b>	<b>2,568,056</b>	<b>2,550,059</b>	<b>17,997</b>
Public safety:				
Police	2,318,146	2,134,206	2,131,059	3,147
Fire	3,504,142	3,800,813	3,671,010	129,803
	<b>5,822,288</b>	<b>5,935,019</b>	<b>5,802,069</b>	<b>132,950</b>

**City of Alpena**

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

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public works:				
Public works	\$ 989,138	\$ 1,157,263	\$ 940,002	\$ 217,261
Cemetery	305,264	198,987	209,392	(10,405)
Highways, streets and lights	244,915	254,505	202,794	51,711
	<u>1,539,317</u>	<u>1,610,755</u>	<u>1,352,188</u>	<u>258,567</u>
Health and welfare	-	20,000	20,000	-
Community and economic development	188,046	217,623	171,230	46,393
Recreation and culture:				
Parks and recreation	1,392,737	823,718	544,187	279,531
Debt service:				
Principal	-	12,898	9,120	3,778
Interest	-	-	2,325	(2,325)
	<u>-</u>	<u>12,898</u>	<u>11,445</u>	<u>1,453</u>
Total expenditures	<u>11,540,173</u>	<u>11,188,069</u>	<u>10,451,178</u>	<u>736,891</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(733,471)</u>	<u>(25,705)</u>	<u>547,251</u>	<u>572,956</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	500	124,406	123,874	(532)
Proceeds from lease issuance	-	-	166,793	166,793
Transfers in	511,000	38,660	38,660	-
Transfers out	(380,771)	(261,408)	(369,910)	(108,502)
Total other financing sources (uses)	<u>130,729</u>	<u>(98,342)</u>	<u>(40,583)</u>	<u>57,759</u>
<b>Net Change in Fund Balances</b>	<u>(602,742)</u>	<u>(124,047)</u>	<u>506,668</u>	<u>630,715</u>
<b>Fund Balances, beginning of year</b>	<u>3,858,371</u>	<u>4,428,837</u>	<u>4,428,837</u>	<u>-</u>
<b>Fund Balances, end of year</b>	<u>\$ 3,255,629</u>	<u>\$ 4,304,790</u>	<u>\$ 4,935,505</u>	<u>\$ 630,715</u>

**City of Alpena**

Required Supplementary Information  
Budgetary Comparison Schedule - Major Street Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
State revenue	\$ 1,732,310	\$ 1,368,688	\$ 1,444,524	\$ 75,836
Federal revenue	-	-	374,836	374,836
Charges for services	-	-	1,381	1,381
Investment income and rents	2,500	24,055	29,416	5,361
Other	1,020	3,873	5,400	1,527
Total revenues	<u>1,735,830</u>	<u>1,396,616</u>	<u>1,855,557</u>	<u>458,941</u>
<b>Expenditures</b>				
General government	-	3,000	3,090	(90)
Public works:				
Administration and engineering	54,661	50,980	52,070	(1,090)
Construction	721,730	442,987	762,671	(319,684)
Maintenance:				
Trunkline	117,740	109,464	109,216	248
Bridges	56,891	75,992	67,936	8,056
Traffic control	58,402	43,742	56,360	(12,618)
Snow and ice	209,064	218,351	198,049	20,302
Streets	215,372	225,096	258,510	(33,414)
	<u>1,433,860</u>	<u>1,166,612</u>	<u>1,504,812</u>	<u>(338,200)</u>
Total expenditures	<u>1,433,860</u>	<u>1,169,612</u>	<u>1,507,902</u>	<u>(338,290)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>301,970</u>	<u>227,004</u>	<u>347,655</u>	<u>120,651</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,000	8,000	8,000	-
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing sources (uses)	<u>(170,000)</u>	<u>(167,000)</u>	<u>(167,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	131,970	60,004	180,655	120,651
<b>Fund Balances, beginning of year</b>	<u>766,109</u>	<u>1,041,946</u>	<u>1,041,946</u>	<u>-</u>
<b>Fund Balances, end of year</b>	<u>\$ 898,079</u>	<u>\$ 1,101,950</u>	<u>\$ 1,222,601</u>	<u>\$ 120,651</u>

**City of Alpena**

Required Supplementary Information  
Budgetary Comparison Schedule - American Rescue Plan Act Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Federal revenue	\$ 521,040	\$ -	\$ 70,819	\$ 70,819
Investment income and rents	-	20,000	19,734	(266)
Total revenues	<u>521,040</u>	<u>20,000</u>	<u>90,553</u>	<u>70,553</u>
<b>Expenditures</b>				
General government	17,000	45,865	40,824	5,041
Capital outlay	-	29,995	29,995	-
Total expenditures	<u>17,000</u>	<u>75,860</u>	<u>70,819</u>	<u>5,041</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>504,040</u>	<u>(55,860)</u>	<u>19,734</u>	<u>75,594</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(506,000)</u>	-	-	-
Total other financing sources (uses)	<u>(506,000)</u>	-	-	-
<b>Net Change in Fund Balances</b>	(1,960)	(55,860)	19,734	75,594
<b>Fund Balances, beginning of year</b>	<u>421,569</u>	<u>2,118</u>	<u>2,118</u>	<u>-</u>
<b>Fund Balances, end of year</b>	<u>\$ 419,609</u>	<u>\$ (53,742)</u>	<u>\$ 21,852</u>	<u>\$ 75,594</u>

## 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 the debt service fund.

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

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

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



**City of Alpena**

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

For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total Pension Liability</b>			
Service cost	\$ 544,380	\$ 586,169	\$ 635,581
Interest on the total pension liability	2,583,222	2,516,089	2,460,957
Benefit changes	87,112	-	-
Difference between expected and actual experience of the total pension liability	1,461,433	765,578	647,305
Changes of assumptions	-	230,116	-
Benefit payments and refunds	<u>(3,152,315)</u>	<u>(3,083,720)</u>	<u>(2,779,355)</u>
Net change in total pension liability	1,523,832	1,014,232	964,488
<b>Total pension liability, beginning of year</b>	<u>38,207,133</u>	<u>37,192,901</u>	<u>36,228,413</u>
<b>Total pension liability, end of year (a)</b>	<u><u>\$ 39,730,965</u></u>	<u><u>\$ 38,207,133</u></u>	<u><u>\$ 37,192,901</u></u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 1,035,096	\$ 1,072,812	\$ 983,398
Employee contributions	212,779	202,629	221,593
Pension plan net investment income (loss)	2,469,439	(3,986,727)	7,485,227
Benefit payments and refunds	(3,152,315)	(3,083,720)	(2,779,355)
Pension plan administrative expense	(39,305)	(38,534)	(26,501)
Other	-	693	5,977
Net change in plan fiduciary net position	<u>525,694</u>	<u>(5,832,847)</u>	<u>5,890,339</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>26,970,818</u>	<u>32,803,665</u>	<u>26,913,326</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u><u>\$ 27,496,512</u></u>	<u><u>\$ 26,970,818</u></u>	<u><u>\$ 32,803,665</u></u>
<b>City's net pension liability, end of year (a) - (b)</b>	<u><u>\$ 12,234,453</u></u>	<u><u>\$ 11,236,315</u></u>	<u><u>\$ 4,389,236</u></u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	69.21%	70.59%	88.20%
<b>Covered payroll</b>	\$ 3,415,821	\$ 3,793,847	\$ 3,796,931
<b>Net pension liability as a percentage of covered payroll</b>	358.17%	296.17%	115.60%

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.

2020	2019	2018	2017	2016	2015
\$ 645,964	\$ 637,164	\$ 666,365	\$ 643,778	\$ 639,140	\$ 681,104
2,411,182	2,360,340	2,308,694	2,245,552	2,213,262	2,146,300
(5,386)	(4,644)	-	-	-	-
204,361	(94,044)	(253,404)	(116,263)	(496,231)	140,728
18,094	-	-	-	-	-
(2,336,553)	(2,017,258)	(1,921,258)	(1,843,385)	(1,951,044)	(2,030,031)
937,662	881,558	800,397	929,682	405,127	938,101
35,290,751	34,409,193	33,608,796	32,679,114	32,273,987	31,335,886
<u>\$ 36,228,413</u>	<u>\$ 35,290,751</u>	<u>\$ 34,409,193</u>	<u>\$ 33,608,796</u>	<u>\$ 32,679,114</u>	<u>\$ 32,273,987</u>
\$ 942,781	\$ 847,999	\$ 796,584	\$ 722,318	\$ 738,836	\$ 679,715
233,722	282,250	216,055	211,925	210,403	210,742
254,536	1,433,405	2,615,086	1,138,147	(233,064)	(87,422)
(2,336,553)	(2,017,258)	(1,921,258)	(1,843,385)	(1,951,044)	(2,030,031)
(36,323)	(40,872)	(40,024)	(39,007)	(37,541)	(36,507)
3,482	(8,325)	(12,200)	(392)	-	-
(938,355)	497,199	1,654,243	189,606	(1,272,410)	(1,263,503)
27,851,681	27,354,482	25,700,239	25,510,633	26,783,043	28,046,546
<u>\$ 26,913,326</u>	<u>\$ 27,851,681</u>	<u>\$ 27,354,482</u>	<u>\$ 25,700,239</u>	<u>\$ 25,510,633</u>	<u>\$ 26,783,043</u>
<u>\$ 9,315,087</u>	<u>\$ 7,439,070</u>	<u>\$ 7,054,711</u>	<u>\$ 7,908,557</u>	<u>\$ 7,168,481</u>	<u>\$ 5,490,944</u>
74.29%	78.92%	79.50%	76.47%	78.06%	82.99%
\$ 3,796,811	\$ 3,945,127	\$ 3,847,552	\$ 3,788,940	\$ 3,940,937	\$ 3,826,833
245.34%	188.56%	183.36%	208.73%	181.90%	143.49%

**City of Alpena**

Required Supplementary Information  
Defined Benefit Pension System Trust  
Schedule of Contributions

June 30, 2023

<u>Fiscal Year Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2014*	\$ 659,411	\$ 659,411	\$ -	\$ 3,812,921	17.29%
2015*	679,715	679,715	-	3,826,833	17.76%
2016*	738,836	738,836	-	3,940,937	18.75%
2017*	722,318	722,318	-	3,788,940	19.06%
2018*	796,584	796,584	-	3,847,552	20.70%
2019*	847,999	847,999	-	3,945,127	21.49%
2020	942,781	942,781	-	3,796,811	24.83%
2021	983,398	983,398	-	3,796,931	25.90%
2022	1,072,812	1,072,812	-	3,793,847	28.28%
2023	1,035,096	1,035,096	-	3,415,821	30.30%

**Notes to Schedule of Contributions:**

Valuation date June 30, 2021

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

**Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2023:**

Actuarial cost method	Individual entry age normal
Amortization method	Level percent of pay for "open" groups Level dollar for closed groups
Remaining amortization period	20 years for the General and Police groups 18 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	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale BB for both males and females.

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

**City of Alpena**

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

June 30, 2023

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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%
2020	0.80%
2021	28.76%
2022	-12.37%
2023	9.64%

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

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

**City of Alpena**

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

For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 66,693	\$ 74,570	\$ 66,929
Interest on the total OPEB liability	200,239	195,522	216,652
Difference between expected and actual experience due to benefit payments	(93,203)	(35,141)	(614,378)
Changes of assumptions	116,900	-	118,244
Benefit payments	(157,254)	(147,537)	(139,318)
Net change in total OPEB liability	<u>133,375</u>	<u>87,414</u>	<u>(351,871)</u>
<b>Total OPEB liability, beginning of year</b>	<u>3,382,599</u>	<u>3,295,185</u>	<u>3,647,056</u>
<b>Total OPEB liability, end of year (a)</b>	<u>\$ 3,515,974</u>	<u>\$ 3,382,599</u>	<u>\$ 3,295,185</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 314,364	\$ 289,131	\$ 308,880
Employee contributions	-	-	-
OPEB plan net investment income (loss)	182,124	(268,276)	429,881
Benefit payments and refunds	(157,254)	(147,537)	(139,318)
OPEB plan administrative expense	(8,900)	(17,000)	(11,800)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>330,334</u>	<u>(143,682)</u>	<u>587,643</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>1,881,228</u>	<u>2,024,910</u>	<u>1,437,267</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u>\$ 2,211,562</u>	<u>\$ 1,881,228</u>	<u>\$ 2,024,910</u>
<b>City's net OPEB liability, end of year (a) - (b)</b>	<u>\$ 1,304,412</u>	<u>\$ 1,501,371</u>	<u>\$ 1,270,275</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	62.90%	55.61%	61.45%
<b>Covered employer payroll</b>	\$ 3,568,365	\$ 3,888,947	\$ 3,888,947
<b>Net OPEB liability as a percentage of covered employee payroll</b>	36.55%	38.61%	32.66%

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.

<u>2020</u>	<u>2019</u>
\$ 183,976	\$ 191,628
147,103	205,337
(37,915)	(1,638,914)
(1,185,727)	416,550
(136,363)	(150,199)
(1,028,926)	(975,598)
4,675,982	5,651,580
\$ 3,647,056	\$ 4,675,982
\$ 371,340	\$ 277,033
-	-
(29,772)	20,688
(136,363)	(150,199)
(20,726)	(12,700)
(74)	-
184,405	134,822
1,252,862	1,118,040
\$ 1,437,267	\$ 1,252,862
\$ 2,209,789	\$ 3,423,120
39.41%	26.79%
\$ 4,157,173	\$ 4,157,173
53.16%	82.34%

**City of Alpena**

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

June 30, 2023

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a Percentage Covered Payroll
2018	\$ -	\$ 91,828	\$ (91,828)	\$ 4,377,658	2.10%
2019	365,287	277,033	88,254	4,157,173	6.66%
2020	374,520	371,340	3,180	4,157,173	8.93%
2021	206,637	308,880	(102,243)	3,888,947	7.94%
2022	219,346	289,131	(69,785)	3,888,947	7.43%
2023	185,708	314,364	(128,656)	3,568,365	8.81%

**Notes to Schedule of Contributions**

Valuation date June 30, 2022

**Methods and assumptions used to determine contributions for the fiscal year ended June 30, 2022:**

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar
Asset valuation method	Market value of assets
Price inflation	3.50%
Salary increases	3.50% to 7.30%, including inflation
Investment rate of return	6.00%
Mortality	Pub-2010, with future mortality improvements projected to 2030 using scale MP-2020
Health care trend rates	Pre-65: Trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 3.50%. Post-65: Trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 3.50%.

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

**City of Alpena**

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

June 30, 2023

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Fiscal Year	(1)
Ending June 30,	Annual Return
2018	-0.02%
2019	1.75%
2020	-2.21%
2021	27.52%
2022	-12.07%
2023	8.71%

(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

### 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 Fund

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

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

#### Capital Project Funds

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

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

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

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

#### Permanent Fund

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

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

**City of Alpena**

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2023

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
	Marina	Tree/Park Improvement
<b>Assets</b>		
Cash and cash equivalents	\$ 233,385	\$ 566
Investments	-	-
Beneficial interest	-	-
Accounts receivable, net	33,424	-
Lease receivable	-	-
Special assessment receivable	-	-
Interest receivable	-	-
Due from other governmental units	-	-
Due from other funds	-	-
Inventories	28,610	-
Prepaid expenditures	2,002	-
<b>Total assets</b>	<b>\$ 297,421</b>	<b>\$ 566</b>
<b>Liabilities</b>		
Accounts payable	\$ 32,534	\$ -
Accrued payroll	2,852	-
Other liabilities	916	-
Due to other funds	278	-
Unearned revenue	85,664	-
<b>Total liabilities</b>	<b>122,244</b>	<b>-</b>
<b>Deferred inflows of resources</b>		
Unavailable revenue - leases	-	-
Unavailable revenue - special assessments	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>		
Nonspendable	30,612	-
Restricted	-	566
Committed	144,565	-
Unassigned	-	-
<b>Total fund balances</b>	<b>175,177</b>	<b>566</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 297,421</b>	<b>\$ 566</b>

Nonmajor Capital Project Funds

Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ 734,147	\$ 15,106	\$ 113	\$ 440	\$ 339,705
-	-	-	-	97,380
-	-	-	-	-
-	-	-	-	-
-	-	-	-	106,610
2,052	-	-	-	-
-	-	-	-	953
70,965	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,840	4,492	-	-	-
<u>\$ 811,004</u>	<u>\$ 19,598</u>	<u>\$ 113</u>	<u>\$ 440</u>	<u>\$ 544,648</u>
\$ 241	\$ 6,315	\$ -	\$ -	\$ -
1,925	2,541	-	-	-
-	-	-	-	-
1,604	-	-	-	-
-	-	-	-	-
<u>3,770</u>	<u>8,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	99,336
2,052	-	-	-	-
<u>2,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,336</u>
3,840	4,492	-	-	-
801,342	6,250	-	-	-
-	-	113	440	445,312
-	-	-	-	-
<u>805,182</u>	<u>10,742</u>	<u>113</u>	<u>440</u>	<u>445,312</u>
<u>\$ 811,004</u>	<u>\$ 19,598</u>	<u>\$ 113</u>	<u>\$ 440</u>	<u>\$ 544,648</u>

(continued)

**City of Alpena**

Combining Balance Sheet - Nonmajor Governmental Funds (continued)

June 30, 2023

	<u>Nonmajor Debt Service Fund</u>	<u>Nonmajor Permanent Fund</u>	
	<u>Building Authority Debt</u>	<u>Perpetual Lot Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,899	\$ 4,865	\$ 1,330,226
Investments	-	-	97,380
Beneficial interest	-	1,091,193	1,091,193
Accounts receivable, net	-	-	33,424
Lease receivable	-	-	106,610
Special assessment receivable	-	-	2,052
Interest receivable	-	-	953
Due from other governmental units	-	-	70,965
Due from other funds	-	63,599	63,599
Inventories	-	-	28,610
Prepaid expenditures	-	-	10,334
Total assets	<u>\$ 1,899</u>	<u>\$ 1,159,657</u>	<u>\$ 2,835,346</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 39,090
Accrued payroll	-	-	7,318
Other liabilities	-	-	916
Due to other funds	-	-	1,882
Unearned revenue	-	-	85,664
Total liabilities	<u>-</u>	<u>-</u>	<u>134,870</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - leases	-	-	99,336
Unavailable revenue - special assessments	-	-	2,052
Total liabilities	<u>-</u>	<u>-</u>	<u>101,388</u>
<b>Fund balances</b>			
Nonspendable	-	1,159,656	1,198,600
Restricted	1,899	-	810,057
Committed	-	65,347	655,777
Unassigned	-	(65,346)	(65,346)
Total fund balances	<u>1,899</u>	<u>1,159,657</u>	<u>2,599,088</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,899</u>	<u>\$ 1,159,657</u>	<u>\$ 2,835,346</u>

(concluded)



**City of Alpena**

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

For the Year Ended June 30, 2023

	Nonmajor Special Revenue Funds	
	Marina	Tree/Park Improvement
<b>Revenues</b>		
Special assessment revenue	\$ -	\$ -
Licenses and permits	13,935	-
State revenue	-	-
Charges for services	166,809	-
Investment income and rents	201,818	548
Fines and forfeitures	-	-
Other	24,427	-
Total revenues	406,989	548
<b>Expenditures</b>		
Current operations:		
Public safety	-	-
Public works	484,842	-
Debt service:		
Principal retirement	-	-
Interest and fees	-	-
Total expenditures	484,842	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(77,853)</b>	<b>548</b>
<b>Other Financing Sources (Uses)</b>		
Proceeds from lease issuance	-	-
Transfers in	110,000	-
Transfers out	-	(21,000)
Total other financing sources (uses)	110,000	(21,000)
<b>Net Changes in Fund Balance</b>	<b>32,147</b>	<b>(20,452)</b>
<b>Fund Balances, beginning of year</b>	<b>143,030</b>	<b>21,018</b>
<b>Fund Balances, end of year</b>	<b>\$ 175,177</b>	<b>\$ 566</b>

Nonmajor Capital Project Funds				
Local Street	Building Inspection	Capital Improvement	Building Authority Construction	D.P.W. Construction
\$ 2,038	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
445,003	-	-	-	-
-	351,560	-	-	-
21,800	1,034	3	7	34,952
3,334	1,239	-	-	-
-	5,263	-	-	-
<u>472,175</u>	<u>359,096</u>	<u>3</u>	<u>7</u>	<u>34,952</u>
-	486,005	-	-	-
671,605	-	-	-	-
-	2,700	-	-	-
-	869	-	-	-
<u>671,605</u>	<u>489,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(199,430)</u>	<u>(130,478)</u>	<u>3</u>	<u>7</u>	<u>34,952</u>
-	70,008	-	-	-
183,000	-	-	-	-
-	-	-	-	-
<u>183,000</u>	<u>70,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(16,430)</u>	<u>(60,470)</u>	<u>3</u>	<u>7</u>	<u>34,952</u>
<u>821,612</u>	<u>71,212</u>	<u>110</u>	<u>433</u>	<u>410,360</u>
<u>\$ 805,182</u>	<u>\$ 10,742</u>	<u>\$ 113</u>	<u>\$ 440</u>	<u>\$ 445,312</u>

(continued)



**City of Alpena**

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

For the Year Ended June 30, 2023

	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	
	Building Authority Debt	Perpetual Lot Care	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Special assessment revenue	\$ -	\$ -	\$ 2,038
Licenses and permits	-	-	13,935
State revenue	-	-	445,003
Charges for services	-	9,297	527,666
Investment income and rents	79	87,127	347,368
Fines and forfeitures	-	-	4,573
Other	-	-	29,690
<b>Total revenues</b>	<b>79</b>	<b>96,424</b>	<b>1,370,273</b>
<b>Expenditures</b>			
Current operations:			
Public safety	-	-	486,005
Public works	-	10,205	1,166,652
Debt service:			
Principal retirement	85,000	-	87,700
Interest and fees	24,128	-	24,997
<b>Total expenditures</b>	<b>109,128</b>	<b>10,205</b>	<b>1,765,354</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(109,049)</b>	<b>86,219</b>	<b>(395,081)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from lease issuance	-	-	70,008
Transfers in	100,150	65,347	458,497
Transfers out	-	-	(21,000)
<b>Total other financing sources (uses)</b>	<b>100,150</b>	<b>65,347</b>	<b>507,505</b>
<b>Net Changes in Fund Balance</b>	<b>(8,899)</b>	<b>151,566</b>	<b>112,424</b>
<b>Fund Balances, beginning of year</b>	<b>10,798</b>	<b>1,008,091</b>	<b>2,486,664</b>
<b>Fund Balances, end of year</b>	<b>\$ 1,899</b>	<b>\$ 1,159,657</b>	<b>\$ 2,599,088</b>

(concluded)

**City of Alpena**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Marina</b>				
Revenues				
Licenses and permits	\$ 12,000	\$ 12,000	\$ 13,935	\$ 1,935
State revenue	160,000	161,250	-	(161,250)
Charges for services	216,150	190,534	166,809	(23,725)
Investment income and rents	213,800	272,879	201,818	(71,061)
Other	130	2,662	24,427	21,765
Total revenues	<u>602,080</u>	<u>639,325</u>	<u>406,989</u>	<u>(232,336)</u>
Expenditures				
Public works	<u>908,705</u>	<u>840,148</u>	<u>484,842</u>	<u>355,306</u>
Total expenditures	<u>908,705</u>	<u>840,148</u>	<u>484,842</u>	<u>355,306</u>
Excess (deficiency) of revenues over expenditures	(306,625)	(200,823)	(77,853)	122,970
Other financing sources (uses)				
Transfers in	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Net change in fund balances	(196,625)	(90,823)	32,147	122,970
Fund balances, beginning of the year	<u>196,624</u>	<u>143,030</u>	<u>143,030</u>	<u>-</u>
Fund balances, end of the year	<u>\$ (1)</u>	<u>\$ 52,207</u>	<u>\$ 175,177</u>	<u>\$ 122,970</u>

**City of Alpena**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Tree/Park Improvement</b>				
Revenues				
Investment income and rents	\$ 80	\$ 400	\$ 548	\$ 148
Expenditures	-	-	-	-
Other financing sources (uses)	(15,000)	(21,000)	(21,000)	-
Net change in fund balances	(14,920)	(20,600)	(20,452)	148
Fund balances, beginning of the year	20,969	21,018	21,018	-
Fund balances, end of the year	<u>\$ 6,049</u>	<u>\$ 418</u>	<u>\$ 566</u>	<u>\$ 148</u>
<b>Local Street</b>				
Revenues				
Special assessment revenue	\$ 1,175	\$ 2,038	\$ 2,038	\$ -
State revenue	426,000	425,250	445,003	19,753
Investment income and rents	2,500	17,855	21,800	3,945
Other	570	3,570	3,334	(236)
Total revenues	<u>430,245</u>	<u>448,713</u>	<u>472,175</u>	<u>23,462</u>
Expenditures				
Public works	886,533	858,690	671,605	187,085
Total expenditures	<u>886,533</u>	<u>858,690</u>	<u>671,605</u>	<u>187,085</u>
Excess (deficiency) of revenues over expenditures	(456,288)	(409,977)	(199,430)	210,547
Other financing sources (uses)				
Transfers in	180,000	183,000	183,000	-
Net change in fund balances	(276,288)	(226,977)	(16,430)	210,547
Fund balances, beginning of the year	494,057	821,612	821,612	-
Fund balances, end of the year	<u>\$ 217,769</u>	<u>\$ 594,635</u>	<u>\$ 805,182</u>	<u>\$ 210,547</u>

**City of Alpena**

Budgetary Comparison Schedule - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Building Inspection</b>				
Revenues				
Charges for services	\$ 320,000	\$ 330,500	\$ 351,560	\$ 21,060
Investment income and rents	100	700	1,034	334
Fines and forfeitures	2,000	1,500	1,239	(261)
Other	14,800	5,622	5,263	(359)
Total revenues	<u>336,900</u>	<u>338,322</u>	<u>359,096</u>	<u>20,774</u>
Expenditures				
Public safety	423,720	397,906	486,005	(88,099)
Debt service:				
Principal	-	2,800	2,700	100
Interest	-	-	869	(869)
Total expenditures	<u>423,720</u>	<u>400,706</u>	<u>489,574</u>	<u>(88,868)</u>
Excess (deficiency) of revenues over expenditures	(86,820)	(62,384)	(130,478)	(68,094)
Other financing sources (uses)				
Proceeds from lease issuance	-	-	70,008	70,008
Transfers in	<u>55,219</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(31,601)	(62,384)	(60,470)	1,914
Fund balances, beginning of the year	<u>31,601</u>	<u>71,212</u>	<u>71,212</u>	<u>-</u>
Fund balances, end of the year	<u>\$ -</u>	<u>\$ 8,828</u>	<u>\$ 10,742</u>	<u>\$ 1,914</u>



## City of Alpena

### Internal Service Funds

#### Description of Funds

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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, 2023

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 651,435	\$ -	\$ 651,435
Investments, at fair value	1,219,626	-	1,219,626
Interest receivable	13,694	-	13,694
Due from other funds	9,773	-	9,773
Inventories	-	331,491	331,491
Prepaid expenditures	10,831	-	10,831
Total current assets	<u>1,905,359</u>	<u>331,491</u>	<u>2,236,850</u>
Noncurrent assets:			
Capital assets being depreciated, net	570,138	-	570,138
Total noncurrent assets	<u>570,138</u>	<u>-</u>	<u>570,138</u>
 Total assets	 <u>2,475,497</u>	 <u>331,491</u>	 <u>2,806,988</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	11,845	1,452	13,297
Accrued payroll	744	-	744
Lease liability, current portion	23,092	-	23,092
Total current liabilities	<u>35,681</u>	<u>1,452</u>	<u>37,133</u>
Noncurrent liabilities:			
Lease liability	103,275	-	103,275
Total noncurrent liabilities	<u>103,275</u>	<u>-</u>	<u>103,275</u>
 Total liabilities	 <u>138,956</u>	 <u>1,452</u>	 <u>140,408</u>
<b>Net Position</b>			
Net investment in capital assets	450,296	-	450,296
Unrestricted	1,886,245	330,039	2,216,284
 Total net position	 <u>\$ 2,336,541</u>	 <u>\$ 330,039</u>	 <u>\$ 2,666,580</u>

**City of Alpena**

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

For the Year Ended June 30, 2023

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Charges for services	\$ 922,387	\$ 244,948	\$ 1,167,335
Total operating revenues	<u>922,387</u>	<u>244,948</u>	<u>1,167,335</u>
<b>Operating Expenses</b>			
Salaries and wages	58,385	-	58,385
Employee benefits	43,958	-	43,958
Supplies and durable goods	6,056	266,111	272,167
Gas and oil	120,650	-	120,650
Professional and contractual	3,882	-	3,882
Administrative services	306,750	-	306,750
Insurance	18,687	-	18,687
Repairs and maintenance	160,441	-	160,441
Equipment rental	2,106	-	2,106
Interest on lease	2,418	-	2,418
Miscellaneous	5,785	-	5,785
Depreciation	127,423	-	127,423
Total operating expenses	<u>856,541</u>	<u>266,111</u>	<u>1,122,652</u>
<b>Operating Income (Loss)</b>	<u>65,846</u>	<u>(21,163)</u>	<u>44,683</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	45,820	-	45,820
Gain (loss) on capital asset disposals	614	-	614
Total nonoperating revenues (expenses)	<u>46,434</u>	<u>-</u>	<u>46,434</u>
<b>Net Income (Loss) Before Transfers</b>	<u>112,280</u>	<u>(21,163)</u>	<u>91,117</u>
<b>Transfers</b>			
Transfers in	50,000	44,413	94,413
Transfers out	(33,660)	-	(33,660)
	<u>16,340</u>	<u>44,413</u>	<u>60,753</u>
<b>Change in Net Position</b>	128,620	23,250	151,870
<b>Net Position, beginning of year</b>	<u>2,207,921</u>	<u>306,789</u>	<u>2,514,710</u>
<b>Net Position, end of year</b>	<u>\$ 2,336,541</u>	<u>\$ 330,039</u>	<u>\$ 2,666,580</u>



**City of Alpena**

Combining Statement of Cash Flows  
Internal Service Funds

For the Year Ended June 30, 2023

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund service provided	\$ 925,633	\$ 244,948	\$ 1,170,581
Payments to suppliers	(326,266)	(289,361)	(615,627)
Payments to employees	(102,263)	-	(102,263)
Payments for interfund services used	(308,954)	-	(308,954)
Net cash provided (used) by operating activities	<u>188,150</u>	<u>(44,413)</u>	<u>143,737</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to other funds	(33,660)	-	(33,660)
Transfers from other funds	50,000	44,413	94,413
Net cash provided (used) by noncapital financing activities	<u>16,340</u>	<u>44,413</u>	<u>60,753</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(133,158)	-	(133,158)
Proceeds from capital asset disposals	614	-	614
Proceeds from debt issuance	133,158	-	133,158
Principal paid on capital debt	(6,791)	-	(6,791)
Net cash provided (used) by capital and related financing activities	<u>(6,177)</u>	<u>-</u>	<u>(6,177)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of investments	(500,000)	-	(500,000)
Interest and dividends received	47,605	-	47,605
Net cash provided (used) by investing activities	<u>(452,395)</u>	<u>-</u>	<u>(452,395)</u>
Net increase (decrease) in cash and cash equivalents	(254,082)	-	(254,082)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>905,517</u>	<u>-</u>	<u>905,517</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 651,435</u>	<u>\$ -</u>	<u>\$ 651,435</u>

(continued)

## City of Alpena

### Combining Statement of Cash Flows Internal Service Funds (continued)

For the Year Ended June 30, 2023

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	<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)	\$ 65,846	\$ (21,163)	\$ 44,683
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	127,423	-	127,423
(Increase) decrease in receivables	3,246	-	3,246
(Increase) decrease in due from other funds	(2,204)	-	(2,204)
(Increase) decrease in inventories	-	(23,516)	(23,516)
(Increase) decrease in prepaid expenditures	(355)	-	(355)
Increase (decrease) in accounts payable	(5,886)	266	(5,620)
Increase (decrease) in accrued payroll	80	-	80
Net cash provided (used) by operating activities	<u>\$ 188,150</u>	<u>\$ (44,413)</u>	<u>\$ 143,737</u>
<b>Non-Cash Investing, Capital and Financing Activities</b>			
Increase (decrease) in fair value of investments	<u>\$ (13,442)</u>	<u>\$ -</u>	<u>\$ (13,442)</u>

## City of Alpena

### General Fund

#### Description of Fund

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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,	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 1,459,886	\$ 1,896,545
Investments, at fair value	2,927,532	1,997,770
Accounts receivable, net	460,476	549,244
Taxes receivable	243,887	217,075
Lease receivable	511,984	526,125
Interest receivable	83,785	15,907
Due from other governmental units	252,748	269,144
Due from component units	8,765	3,670
Prepaid expenditures	128,400	120,363
Total assets	\$ 6,077,463	\$ 5,595,843
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 224,226	\$ 214,270
Deposits payable	17,533	16,758
Accrued payroll	110,081	56,777
Due to other funds	67,881	153,347
Total liabilities	419,721	441,152
<b>Deferred inflows of resources</b>		
Unavailable revenue, property taxes	244,516	217,149
Unavailable revenue, leases	477,721	508,705
Total deferred inflows of resources	722,237	725,854
<b>Fund balances</b>		
Nonspendable	128,400	120,363
Restricted by donor for:		
Shoreline erosion	5,000	5,000
Mich-E-Ke-Wis Park pavilion	5,000	5,000
Committed for:		
Capital outlay	110,762	88,047
Budget stabilization	36,170	30,378
Police department	9,282	9,282
Unassigned	4,640,891	4,170,767
Total fund balances	4,935,505	4,428,837
Total liabilities, deferred inflows of resources and fund balances	\$ 6,077,463	\$ 5,595,843

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			2022 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Taxes:				
Current property	\$ 4,111,459	\$ 4,125,986	\$ 4,127,544	\$ 4,036,925
Other	252,000	318,052	317,070	284,744
	<u>4,363,459</u>	<u>4,444,038</u>	<u>4,444,614</u>	<u>4,321,669</u>
Licenses and Permits	<u>25,000</u>	<u>36,250</u>	<u>42,012</u>	<u>38,293</u>
State Revenue:				
State shared revenue	1,775,709	2,176,815	2,181,223	2,191,938
Grants	362,000	368,418	70,050	91,667
	<u>2,137,709</u>	<u>2,545,233</u>	<u>2,251,273</u>	<u>2,283,605</u>
Federal Revenue	<u>147,600</u>	<u>70,493</u>	<u>58,027</u>	<u>5,364</u>
Local Revenue	<u>1,082,600</u>	<u>1,214,632</u>	<u>1,211,366</u>	<u>1,089,823</u>
Charges for Services:				
Ambulance	1,500,000	1,350,000	1,387,601	1,370,507
Cemetery	59,500	55,415	79,363	79,140
Other	81,050	85,772	107,449	81,518
Administrative-equipment fund	123,950	123,950	123,950	140,949
Administrative-water fund	243,595	183,566	189,138	236,500
Administrative-sewage fund	241,229	183,566	189,138	234,203
Administrative-stores fund	-	-	-	77,700
Administrative-perpetual lot care fund	-	-	-	1,187
Administrative-retirement fund	39,305	39,305	39,305	38,534
Administrative-other	304,072	304,072	304,072	293,327
	<u>2,592,701</u>	<u>2,325,646</u>	<u>2,420,016</u>	<u>2,553,565</u>
Investment Income and Rents	<u>301,390</u>	<u>419,289</u>	<u>444,502</u>	<u>210,303</u>
Fines and Forfeitures	<u>15,500</u>	<u>20,175</u>	<u>22,332</u>	<u>19,366</u>

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			2022 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Other:				
Scrap and salvage sales	\$ 560	\$ 812	\$ 763	\$ 878
Donations	99,500	23,145	25,059	32,708
Reimbursements and refunds	36,713	59,841	76,158	100,010
Miscellaneous	3,970	2,810	2,307	1,381
	<u>140,743</u>	<u>86,608</u>	<u>104,287</u>	<u>134,977</u>
Total revenues	<u>10,806,702</u>	<u>11,162,364</u>	<u>10,998,429</u>	<u>10,656,965</u>
<b>Expenditures</b>				
<b>General Government</b>				
City Council:				
Salaries and wages	32,000	32,150	32,150	31,865
Employee benefits	4,414	4,423	4,423	4,393
Supplies and durable goods	200	434	434	140
Professional and contractual	26,500	-	-	26,486
Administrative services	15,908	15,908	15,908	9,867
Continuing education	1,000	1,000	10	1,005
Insurance and bonds	332	326	326	163
Utilities	1,800	1,650	1,728	1,729
Miscellaneous	700	321	425	607
	<u>82,854</u>	<u>56,212</u>	<u>55,404</u>	<u>76,255</u>
City Manager:				
Salaries and wages	90,734	91,306	91,348	89,319
Employee benefits	41,073	41,133	40,672	36,323
Supplies and durable goods	800	500	457	470
Professional and contractual	21	1,021	1,024	42
Administrative services	4,346	4,346	4,346	4,228
Continuing education	2,000	1,500	1,171	1,068
Community promotion	-	425	425	-
Insurance and bonds	672	661	661	330
Utilities	1,600	1,080	1,052	1,441
Miscellaneous	3,000	3,045	2,626	2,366
	<u>144,246</u>	<u>145,017</u>	<u>143,782</u>	<u>135,587</u>

(continued)

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual	2022
	Original	Final	Amounts	Actual
<b>Expenditures (continued)</b>				
Accounting Department:				
Salaries and wages	\$ 98,535	\$ 109,221	\$ 113,590	\$ 94,232
Employee benefits	48,095	50,571	52,201	40,900
Supplies and durable goods	2,500	3,000	3,195	2,184
Professional and contractual	-	-	-	4,501
Administrative services	-	-	-	14,094
Continuing education	100	100	-	657
Insurance and bonds	2,045	2,010	2,010	1,003
Miscellaneous	2,000	6,000	3,481	5,648
	<u>153,275</u>	<u>170,902</u>	<u>174,477</u>	<u>163,219</u>
Budget Department:				
Salaries and wages	26,926	26,945	26,979	25,302
Employee benefits	12,563	11,544	11,469	10,336
Supplies and durable goods	300	200	163	135
Administrative services	-	-	-	2,596
Continuing education	100	100	-	88
Insurance and bonds	308	303	303	151
Miscellaneous	-	-	-	14
	<u>40,197</u>	<u>39,092</u>	<u>38,914</u>	<u>38,622</u>
Clerk:				
Salaries and wages	77,957	84,995	88,221	73,908
Employee benefits	38,045	37,236	38,228	33,056
Supplies and durable goods	11,750	12,250	8,583	10,083
Professional and contractual	2,000	500	150	1,061
Administrative services	16,646	16,646	16,646	9,272
Continuing education	2,000	1,500	1,267	2,074
Insurance and bonds	1,259	1,237	1,292	617
Utilities	1,300	1,130	1,177	1,229
Miscellaneous	600	800	638	416
	<u>151,557</u>	<u>156,294</u>	<u>156,202</u>	<u>131,716</u>
External Audit:				
Supplies and durable goods	150	369	369	146
Professional and contractual	20,400	20,400	23,376	20,020
	<u>20,550</u>	<u>20,769</u>	<u>23,745</u>	<u>20,166</u>

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual	2022
	Original	Final	Amounts	Actual
<b>Board of Review:</b>				
Salaries and wages	\$ 1,200	\$ 1,200	\$ 700	\$ 680
Employee benefits	164	164	126	52
Supplies and durable goods	250	250	270	319
	<u>1,614</u>	<u>1,614</u>	<u>1,096</u>	<u>1,051</u>
<b>Treasurer:</b>				
Salaries and wages	75,910	80,718	81,987	72,848
Employee benefits	37,314	36,987	37,202	31,789
Supplies and durable goods	7,100	7,814	6,689	6,642
Professional and contractual	4,000	1,000	610	2,109
Administrative services	16,646	16,646	16,646	9,272
Continuing education	3,000	2,500	1,992	2,656
Insurance and bonds	2,100	2,062	2,206	1,174
Utilities	1,250	1,130	1,177	1,229
Miscellaneous	4,600	4,555	4,485	4,147
	<u>151,920</u>	<u>153,412</u>	<u>152,994</u>	<u>131,866</u>
<b>Assessor:</b>				
Salaries and wages	3,763	4,087	4,088	7,656
Employee benefits	2,818	2,865	2,834	5,902
Supplies and durable goods	100	4,610	5,464	4,515
Professional and contractual	88,392	96,258	88,967	85,671
Insurance and bonds	605	595	595	297
Utilities	200	-	-	129
	<u>95,878</u>	<u>108,415</u>	<u>101,948</u>	<u>104,170</u>
<b>Grants Manager:</b>				
Professional and contractual	50,000	18,270	18,269	-
	<u>50,000</u>	<u>18,270</u>	<u>18,269</u>	<u>-</u>
<b>Elections:</b>				
Salaries and wages	21,900	18,631	18,800	7,848
Employee benefits	2,314	3,808	3,865	499
Supplies and durable goods	11,600	11,600	11,835	9,631
Professional and contractual	100	5,319	5,319	233
Rentals - equipment and other	2,250	1,436	1,363	743
Miscellaneous	100	68	73	14
	<u>38,264</u>	<u>40,862</u>	<u>41,255</u>	<u>18,968</u>

(continued)



**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual	2022
	Original	Final	Amounts	Actual
<b>Expenditures (continued)</b>				
<b>Building and Grounds:</b>				
Salaries and wages	\$ 32,000	\$ 25,350	\$ 22,036	\$ 12,060
Employee benefits	15,610	7,063	8,093	3,573
Supplies and durable goods	2,000	6,500	7,670	6,420
Professional and contractual	6,000	8,445	7,087	13,903
Administrative services	-	-	-	5,637
Insurance and bonds	3,892	3,518	3,518	1,908
Utilities	23,000	24,500	25,093	24,867
Repairs and maintenance	20,000	15,000	13,709	13,008
Rentals - equipment and other	7,500	7,375	4,700	6,912
Capital outlay	17,000	17,000	11,412	28,098
	<u>127,002</u>	<u>114,751</u>	<u>103,318</u>	<u>116,386</u>
<b>City Attorney:</b>				
Salaries and wages	65,597	66,011	66,041	64,575
Employee benefits	16,001	15,946	15,948	15,152
Supplies and durable goods	-	163	163	-
Insurance and bonds	814	800	800	399
	<u>82,412</u>	<u>82,920</u>	<u>82,952</u>	<u>80,126</u>
<b>Human Resources:</b>				
Salaries and wages	72,154	73,150	73,184	71,029
Employee benefits	21,364	19,398	19,272	25,634
Supplies and durable goods	800	1,937	1,964	588
Professional and contractual	10,000	2,000	1,462	11,656
Administrative services	4,346	4,346	4,346	7,047
Continuing education	1,000	500	-	-
Insurance and bonds	748	735	735	367
Utilities	700	600	565	626
Miscellaneous	-	2,700	2,692	-
	<u>111,112</u>	<u>105,366</u>	<u>104,220</u>	<u>116,947</u>
<b>Retirement:</b>				
Employee benefits	959,466	955,000	955,453	989,144
Insurance and bonds	7,293	7,437	7,437	7,150
	<u>966,759</u>	<u>962,437</u>	<u>962,890</u>	<u>996,294</u>

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual Amounts	2022 Actual
	Original	Final		
<b>Information Technology:</b>				
Salaries and wages	\$ 20,382	\$ 17,775	\$ 17,798	\$ 18,458
Employee benefits	9,893	8,616	8,605	7,686
Supplies and durable goods	50,000	54,682	53,686	40,250
Professional and contractual	106,350	107,000	111,967	103,928
Insurance and bonds	12,000	19,220	19,220	11,507
Utilities	1,400	100	41	1,355
Repairs and maintenance	125,000	125,000	122,046	108,175
Miscellaneous	-	1,357	1,892	1,644
Capital outlay	53,000	46,500	43,517	18,428
Other operating	2,120	1,652	-	1,652
	<u>380,145</u>	<u>381,902</u>	<u>378,772</u>	<u>313,083</u>
<b>Other:</b>				
Supplies and durable goods	-	6,700	6,700	-
Repairs and maintenance	-	3,121	3,121	-
	<u>-</u>	<u>9,821</u>	<u>9,821</u>	<u>-</u>
<b>Total general government</b>	<u>2,597,785</u>	<u>2,568,056</u>	<u>2,550,059</u>	<u>2,444,456</u>
<b>Public Safety</b>				
<b>Police:</b>				
Salaries and wages	1,439,860	1,294,010	1,185,502	1,216,885
Employee benefits	439,138	403,969	393,518	393,511
Supplies and durable goods	39,847	43,592	45,086	124,037
Professional and contractual	97,442	98,842	95,212	92,560
Continuing education	14,300	18,175	24,002	14,738
Insurance and bonds	33,800	34,897	34,897	26,627
Utilities	43,000	43,500	41,508	41,267
Repairs and maintenance	49,000	65,000	71,666	62,992
Rentals - equipment and other	1,500	1,200	914	1,084
Miscellaneous	4,100	25,850	26,751	8,655
Capital outlay	156,159	105,171	212,003	92,131
	<u>2,318,146</u>	<u>2,134,206</u>	<u>2,131,059</u>	<u>2,074,487</u>

(continued)

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			2022 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Expenditures</b> (continued)				
Fire:				
Salaries and wages	\$ 2,047,374	\$ 2,108,507	\$ 2,005,123	\$ 1,899,089
Employee benefits	698,741	670,361	666,693	628,603
Supplies and durable goods	85,500	113,065	98,698	80,360
Professional and contractual	221,927	240,427	232,098	176,345
Continuing education	46,000	35,500	27,303	19,117
Insurance and bonds	30,000	29,681	29,681	14,819
Utilities	45,000	52,000	49,483	49,908
Repairs and maintenance	75,000	67,000	83,755	67,760
Rentals - equipment and other	170,000	183,312	182,970	160,240
Miscellaneous	20,600	31,600	34,747	22,741
Capital outlay	64,000	269,360	260,459	4,195
	<u>3,504,142</u>	<u>3,800,813</u>	<u>3,671,010</u>	<u>3,123,177</u>
Total public safety	<u>5,822,288</u>	<u>5,935,019</u>	<u>5,802,069</u>	<u>5,197,664</u>
<b>Public Works</b>				
Public Works:				
Salaries and wages	329,325	423,500	391,170	327,149
Employee benefits	182,756	216,886	197,322	166,255
Supplies and durable goods	26,000	47,860	12,906	72,667
Professional and contractual	62,007	61,923	66,480	54,114
Continuing education	7,000	4,000	3,617	265
Insurance and bonds	1,600	2,538	1,785	795
Utilities	43,350	40,518	45,117	42,471
Repairs and maintenance	37,000	35,002	20,843	28,382
Rentals - equipment and other	137,000	130,003	137,888	127,103
Miscellaneous	100	33	33	-
Capital outlay	163,000	195,000	62,841	22,233
	<u>989,138</u>	<u>1,157,263</u>	<u>940,002</u>	<u>841,434</u>

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual Amounts	2022 Actual
	Original	Final		
Cemetery:				
Salaries and wages	\$ 85,000	\$ 80,405	\$ 83,996	\$ 88,135
Employee benefits	49,152	37,983	40,000	37,784
Supplies and durable goods	3,500	2,500	7,287	5,575
Professional and contractual	13,147	13,147	13,110	3,208
Insurance and bonds	2,000	1,782	1,782	912
Utilities	9,500	9,000	8,373	10,160
Repairs and maintenance	4,000	2,400	9,577	4,021
Rentals - equipment and other	18,965	35,965	38,557	16,829
Miscellaneous	-	805	1,220	1,206
Capital outlay	120,000	15,000	5,490	-
	<u>305,264</u>	<u>198,987</u>	<u>209,392</u>	<u>167,830</u>
Highways, Streets and Lights:				
Salaries and wages	1,200	900	555	891
Employee benefits	215	448	375	704
Supplies and durable goods	5,000	7,000	6,518	2,891
Professional and contractual	5,000	-	-	1,625
Utilities	90,000	80,000	69,916	80,562
Repairs and maintenance	42,000	65,500	66,023	36,230
Equipment rental	1,500	300	180	680
Miscellaneous	-	857	876	1,144
Capital outlay	100,000	99,500	58,351	74,030
	<u>244,915</u>	<u>254,505</u>	<u>202,794</u>	<u>198,757</u>
Total public works	<u>1,539,317</u>	<u>1,610,755</u>	<u>1,352,188</u>	<u>1,208,021</u>
<b>Health and Welfare</b>				
Professional and contractual	-	20,000	20,000	-

(continued)

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			
	Budgeted Amounts		Actual	2022
	Original	Final	Amounts	Actual
<b>Expenditures</b> (continued)				
<b>Community and economic development</b>				
Community and economic development:				
Salaries and wages	\$ 64,000	\$ 61,439	\$ 62,068	\$ 42,080
Employee benefits	25,926	26,037	26,032	13,321
Supplies and durable goods	10,500	5,253	4,094	3,505
Professional and contractual	30,000	71,085	24,834	26,354
Administrative services	5,320	5,320	5,320	7,190
Continuing education	6,000	1,261	1,061	1,831
Utilities	600	928	980	1,110
Community promotion	45,000	45,000	45,000	45,000
Rentals - equipment and other	-	200	-	-
Miscellaneous	700	1,100	1,841	685
<b>Total community and economic development</b>	<b>188,046</b>	<b>217,623</b>	<b>171,230</b>	<b>141,076</b>
<b>Recreation and Culture</b>				
Parks and Recreation:				
Salaries and wages	137,500	127,540	137,025	123,826
Employee benefits	62,185	59,192	56,127	48,091
Supplies and durable goods	10,500	12,500	16,213	10,367
Professional and contractual	600	23,000	29,700	398
Insurance and bonds	5,776	5,963	5,963	2,859
Utilities	82,200	88,473	83,695	88,802
Repairs and maintenance	52,400	30,750	25,395	60,759
Rentals - equipment and other	105,000	110,000	125,141	91,797
Miscellaneous	20,450	20,724	20,808	20,430
Capital outlay	916,126	345,576	44,120	82,082
Community promotion	-	-	-	405
<b>Total recreation and culture</b>	<b>1,392,737</b>	<b>823,718</b>	<b>544,187</b>	<b>529,816</b>
<b>Debt Service</b>				
Principal	-	12,898	9,120	-
Interest	-	-	2,325	-
<b>Total debt service</b>	<b>-</b>	<b>12,898</b>	<b>11,445</b>	<b>-</b>
<b>Total expenditures</b>	<b>11,540,173</b>	<b>11,188,069</b>	<b>10,451,178</b>	<b>9,521,033</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(733,471)</b>	<b>(25,705)</b>	<b>547,251</b>	<b>1,135,932</b>

**City of Alpena**

General Fund

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

	For the Year Ended June 30, 2023			2022 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in:				
American Rescue Plan Act Fund	\$ 506,000	\$ -	\$ -	\$ 25,619
Tree/Park Improvement Fund	5,000	5,000	5,000	-
Equipment Fund	-	33,660	33,660	-
Total transfers in	511,000	38,660	38,660	25,619
Transfers out:				
Building Authority Debt Fund	(110,333)	(101,408)	(100,150)	(112,470)
Building Inspection Fund	(110,438)	-	-	(61,284)
Marina Fund	(110,000)	(110,000)	(110,000)	(208,000)
Perpetual Lot Care Fund	-	-	(65,347)	(143,555)
Equipment Fund	(50,000)	(50,000)	(50,000)	-
Stores Fund	-	-	(44,413)	(116,955)
Total transfers out	(380,771)	(261,408)	(369,910)	(642,264)
Proceeds from sale of capital assets	500	124,406	123,874	-
Proceeds from lease issuance	-	-	166,793	-
Total other financing sources (uses)	130,729	(98,342)	(40,583)	(616,645)
<b>Net Changes in Fund Balance</b>	(602,742)	(124,047)	506,668	519,287
<b>Fund Balances, beginning of year</b>	3,858,371	4,428,837	4,428,837	3,909,550
<b>Fund Balances, end of year</b>	<u>\$ 3,255,629</u>	<u>\$ 4,304,790</u>	<u>\$ 4,935,505</u>	<u>\$ 4,428,837</u>

(concluded)

## 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,	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,692,207	\$ 3,041,631
Accounts receivable, net	1,043,666	995,117
Prepaid expense	7,953	7,250
Total current assets	<u>4,743,826</u>	<u>4,043,998</u>
Noncurrent assets:		
Capital assets not being depreciated	319,733	262,474
Capital assets being depreciated, net	15,744,125	16,138,726
Total noncurrent assets	<u>16,063,858</u>	<u>16,401,200</u>
Total assets	<u>20,807,684</u>	<u>20,445,198</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	38,976	87,906
Accrued payroll	916	268
Accrued interest payable	6,974	7,919
Due to other funds	770	-
Bonds and notes payable - current portion	195,000	190,000
Total current liabilities	<u>242,636</u>	<u>286,093</u>
Noncurrent liabilities:		
Bonds and notes payable	<u>1,225,659</u>	<u>1,420,659</u>
Total liabilities	<u>1,468,295</u>	<u>1,706,752</u>
<b>Net Position</b>		
Net investment in capital assets	14,643,199	14,790,541
Restricted for:		
Debt service	32,656	29,375
Unrestricted	<u>4,663,534</u>	<u>3,918,530</u>
Total net position	<u>\$ 19,339,389</u>	<u>\$ 18,738,446</u>



# City of Alpena

## Sewage Fund

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

	For the Years Ended June 30,	
	2023	2022
<b>Operating Revenues</b>		
Charges for services	\$ 2,911,539	\$ 2,823,393
Other services	25,520	20,745
Total operating revenues	2,937,059	2,844,138
<b>Operating Expenses</b>		
Treatment plant:		
Employee benefits	88	87
Supplies and durable goods	43,492	55,005
Professional and contractual	793,502	758,384
Administrative services	189,138	234,203
Insurance	14,109	6,801
Utilities	284,803	280,021
Repairs and maintenance	7,375	2,226
Equipment rental	4,331	4,205
Depreciation	222,713	246,067
	1,559,551	1,586,999
Collection system:		
Salaries and wages	40,551	36,012
Employee benefits	23,791	17,047
Professional and contractual	264,649	230,000
Utilities	16,842	25,826
Repairs and maintenance	39,126	30,068
Equipment rental	60,577	53,989
Miscellaneous	1,587	1,733
Depreciation	382,848	376,178
	829,971	770,853
Other:		
Salaries and wages	13,778	-
Employee benefits	1,054	-
Professional and contractual	6,180	-
	21,012	-
Total operating expenses	2,410,534	2,357,852
<b>Operating Income (Loss)</b>	526,525	486,286
<b>Nonoperating Revenues (Expenses)</b>		
Investment income and rents	85,269	18,470
Interest expense	(29,763)	(33,165)
Gain (loss) on capital asset disposals	18,912	-
Total nonoperating revenues (expenses)	74,418	(14,695)
<b>Change in Net Position</b>	600,943	471,591
<b>Net Position, beginning of year</b>	18,738,446	18,266,855
<b>Net Position, end of year</b>	\$ 19,339,389	\$ 18,738,446

**City of Alpena**

Sewage Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 2,888,510	\$ 2,867,698
Payments to suppliers	(1,586,206)	(1,384,424)
Payments to employees	(78,614)	(57,033)
Payments for interfund services used	(188,368)	(237,207)
	1,035,322	1,189,034
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(268,219)	(742,399)
Proceeds from capital asset disposals	18,912	-
Principal paid on capital debt	(190,000)	(190,000)
Interest paid on capital debt	(30,708)	(34,108)
	(470,015)	(966,507)
 <b>Cash Flows from Investing Activities</b>		
Interest and dividends received	85,269	18,470
	85,269	18,470
Net cash provided (used) by investing activities	85,269	18,470
Net increase (decrease) in cash and cash equivalents	650,576	240,997
<b>Cash and Cash Equivalents, beginning of year</b>	3,041,631	2,800,634
<b>Cash and Cash Equivalents, end of year</b>	\$ 3,692,207	\$ 3,041,631

(continued)

City of Alpena

Sewage Fund

Comparative Schedule of Cash Flows (continued)

	For the Years Ended June 30,	
	2023	2022
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 526,525	\$ 486,286
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	605,561	622,245
(Increase) decrease in accounts receivable	(48,549)	23,560
(Increase) decrease in prepaid expense	(703)	(6,697)
Increase (decrease) in accounts payable	(48,930)	70,531
Increase (decrease) in accrued payroll	648	(3,887)
Increase (decrease) in due to other funds	770	(3,004)
Net cash provided (used) by operating activities	<u>\$ 1,035,322</u>	<u>\$ 1,189,034</u>
<b>Non-Cash Investing, Capital and Financing Activities</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u>
		(concluded)

**City of Alpena**

Water Fund

Comparative Schedule of Net Position

	June 30,	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,754,506	\$ 1,435,001
Accounts receivable, net	3,030,327	2,746,646
Prepaid expense	7,912	6,017
Total current assets	8,792,745	4,187,664
Noncurrent assets:		
Capital assets not being depreciated	180,493	186,845
Capital assets being depreciated, net	13,989,498	14,127,698
Total noncurrent assets	14,169,991	14,314,543
Total assets	22,962,736	18,502,207
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	22,082	821
Deposits payable	2,725	2,550
Accrued payroll	512	268
Accrued interest payable	8,040	9,164
Due to other funds	68	-
Unearned revenue	3,000,000	-
Bonds and notes payable - current portion	185,000	185,000
Total current liabilities	3,218,427	197,803
Noncurrent liabilities:		
Bonds and notes payable	1,143,160	1,328,160
Total liabilities	4,361,587	1,525,963
<b>Net Position</b>		
Net investment in capital assets	12,841,831	12,801,383
Restricted for:		
Debt service	32,656	29,375
Unrestricted	5,726,662	4,145,486
Total net position	\$ 18,601,149	\$ 16,976,244

**City of Alpena**

Water Fund

Comparative Schedule of Revenues, Expenses and Changes in Net Position

	For the Years Ended June 30,	
	2023	2022
<b>Operating Revenues</b>		
Charges for services	\$ 3,812,728	\$ 3,578,768
Other services	3,387	1,748
Total operating revenues	<u>3,816,115</u>	<u>3,580,516</u>
<b>Operating Expenses</b>		
Production:		
Supplies and durable goods	200,733	169,221
Professional and contractual	720,595	687,035
Utilities	132,639	124,348
Repairs and maintenance	-	14,733
Depreciation	126,806	128,516
	<u>1,180,773</u>	<u>1,123,853</u>
Distribution:		
Salaries and wages	33,772	35,976
Employee benefits	19,673	17,976
Professional and contractual	204,475	179,810
Insurance	12,773	5,513
Repairs and maintenance	173,989	92,393
Equipment rental	14,469	17,594
Miscellaneous	1,587	1,734
Depreciation	353,401	338,810
	<u>814,139</u>	<u>689,806</u>
Commercial and general:		
Professional and contractual	43,317	48,315
Administrative services	189,138	236,500
Insurance	306	254
	<u>232,761</u>	<u>285,069</u>
Other:		
Salaries and wages	13,778	-
Employee benefits	1,054	-
Professional and contractual	6,180	-
	<u>21,012</u>	<u>-</u>
Total operating expenses	<u>2,248,685</u>	<u>2,098,728</u>
<b>Operating Income (Loss)</b>	<u>1,567,430</u>	<u>1,481,788</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income and rents	91,681	7,827
Interest expense	(34,206)	(38,326)
Total nonoperating revenues (expenses)	<u>57,475</u>	<u>(30,499)</u>
<b>Change in Net Position</b>	1,624,905	1,451,289
<b>Net Position, beginning of year</b>	<u>16,976,244</u>	<u>15,524,955</u>
<b>Net Position, end of year</b>	<u>\$ 18,601,149</u>	<u>\$ 16,976,244</u>

**City of Alpena**

Water Fund

Comparative Schedule of Cash Flows

	For the Years Ended June 30,	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 3,532,609	\$ 3,352,365
Payments to suppliers	(1,491,697)	(1,366,295)
Payments to employees	(68,033)	(54,860)
Payments for interfund services used	(189,070)	(236,500)
	<u>1,783,809</u>	<u>1,694,710</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(335,655)	(869,345)
Proceeds from capital grant	3,000,000	-
Principal paid on capital debt	(185,000)	(185,000)
Interest paid on capital debt	(35,330)	(39,449)
	<u>2,444,015</u>	<u>(1,093,794)</u>
 <b>Cash Flows from Investing Activities</b>		
Interest and dividends received	91,681	7,827
	<u>91,681</u>	<u>7,827</u>
Net cash provided (used) by investing activities		
	<u>91,681</u>	<u>7,827</u>
Net increase (decrease) in cash and cash equivalents	4,319,505	608,743
 <b>Cash and Cash Equivalents, beginning of year</b>	<u>1,435,001</u>	<u>826,258</u>
 <b>Cash and Cash Equivalents, end of year</b>	<u>\$ 5,754,506</u>	<u>\$ 1,435,001</u>

(continued)

City of Alpena

Water Fund

Comparative Schedule of Cash Flows (continued)

	For the Years Ended June 30,	
	2023	2022
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 1,567,430	\$ 1,481,788
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	480,207	467,326
(Increase) decrease in accounts receivable	(283,681)	(227,826)
(Increase) decrease in prepaid expenditures	(1,895)	(5,604)
Increase (decrease) in accounts payable	21,261	(19,741)
Increase (decrease) in deposits payable	175	(325)
Increase (decrease) in accrued payroll	244	(908)
Increase (decrease) in due to other funds	68	-
Net cash provided (used) by operating activities	<u>\$ 1,783,809</u>	<u>\$ 1,694,710</u>
<b>Non-Cash Investing, Capital and Financing Activities</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ -</u> (concluded)

**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.



**City of Alpena**

Combining Statement of Net Position - Fiduciary Funds

June 30, 2023

	Pension (and Other Employee Benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
<b>Assets</b>			
Investments, at fair value:			
Short-term investment funds	\$ 473,828	\$ 12,140	\$ 485,968
Fixed income	6,103,830	555,169	6,658,999
Equity securities	19,503,170	1,539,624	21,042,794
Alternative investments	1,370,836	104,760	1,475,596
Interest receivable	69,682	1,528	71,210
Total assets	<u>27,521,346</u>	<u>2,213,221</u>	<u>29,734,567</u>
<b>Liabilities</b>			
Accounts payable	24,834	1,659	26,493
	<u>24,834</u>	<u>1,659</u>	<u>26,493</u>
<b>Net Position</b>			
Net position restricted for pension/OPEB	<u>\$ 27,496,512</u>	<u>\$ 2,211,562</u>	<u>\$ 29,708,074</u>

**City of Alpena**

Combining Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2023

	Pension (and other employee benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
<b>Additions</b>			
Contributions:			
Employer	\$ 1,035,096	\$ 314,364	\$ 1,349,460
Employees	212,779	-	212,779
Total contributions	<u>1,247,875</u>	<u>314,364</u>	<u>1,562,239</u>
Investment income:			
Net increase (decrease) in fair value of investments	1,817,595	110,700	1,928,295
Gain (loss) on securities sold	(135,997)	-	(135,997)
Interest and dividends	923,603	77,824	1,001,427
	<u>2,605,201</u>	<u>188,524</u>	<u>2,793,725</u>
Less investment expense	135,762	6,400	142,162
Net investment income	<u>2,469,439</u>	<u>182,124</u>	<u>2,651,563</u>
Total additions	<u>3,717,314</u>	<u>496,488</u>	<u>4,213,802</u>
<b>Deductions</b>			
Benefits	2,678,848	157,254	2,836,102
Lump-sum retirement payments	313,809	-	313,809
Employee refunds	159,658	-	159,658
Administrative expense	39,305	8,900	48,205
Total deductions	<u>3,191,620</u>	<u>166,154</u>	<u>3,357,774</u>
<b>Change in Net Position</b>	525,694	330,334	856,028
<b>Net Position, beginning of year</b>	<u>26,970,818</u>	<u>1,881,228</u>	<u>28,852,046</u>
<b>Net Position, end of year</b>	<u>\$ 27,496,512</u>	<u>\$ 2,211,562</u>	<u>\$ 29,708,074</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, 2023

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>Downtown Development Authority No. 2</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 248,168	\$ -	\$ 248,168
Taxes receivable	76	-	76
Prepaid item	1,340	-	1,340
Capital assets not being depreciated	-	93,756	93,756
Capital assets being depreciated, net	-	134,855	134,855
Total assets	<u>\$ 249,584</u>	<u>228,611</u>	<u>478,195</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 69	-	69
Due to primary government	8,765	-	8,765
Accrued payroll	1,486	-	1,486
Long-term liabilities:			
Due within one year			
Bonds and loans	-	3,797	3,797
Due in more than one year			
Bonds and loans	-	31,711	31,711
Total liabilities	<u>10,320</u>	<u>35,508</u>	<u>45,828</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue, property taxes	<u>20</u>	<u>(20)</u>	<u>-</u>
<b>Fund Balance</b>			
Unassigned	<u>239,244</u>	<u>(239,244)</u>	<u>-</u>
Total fund balance	<u>239,244</u>	<u>(239,244)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 249,584</u>		
<b>Net Position</b>			
Net investment in capital assets		193,103	193,103
Unrestricted		239,264	239,264
Total net position		<u>\$ 432,367</u>	<u>\$ 432,367</u>

**City of Alpena**

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

For the Year Ended June 30, 2023

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
<b>Downtown Development Authority No. 2</b>			
<b>Revenues</b>			
Property taxes	\$ 181,821	\$ 20	\$ 181,841
State shared revenue	1,334	-	1,334
State revenue	71,416	-	71,416
Charges for services	8,651	-	8,651
Investment income and rents	10,246	-	10,246
Fines and forfeitures	1,430	-	1,430
Other	12,928	-	12,928
	<u>287,826</u>	<u>20</u>	<u>287,846</u>
Total revenues			
<b>Expenditures</b>			
Current operations			
Community and economic development	282,111	4,827	286,938
	<u>282,111</u>	<u>4,827</u>	<u>286,938</u>
Total expenditures			
<b>Change in Net Position</b>	5,715	(4,807)	908
<b>Net Position, beginning of year</b>	<u>233,529</u>	<u>197,930</u>	<u>431,459</u>
<b>Net Position, end of year</b>	<u><u>\$ 239,244</u></u>	<u><u>\$ 193,123</u></u>	<u><u>\$ 432,367</u></u>

**City of Alpena**

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

June 30, 2023

	<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	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>		
<b>Net Position</b>			
Unrestricted		<u>-</u>	<u>-</u>
Total net position		<u>\$ -</u>	<u>\$ -</u>

**City of Alpena**

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

For the Year Ended June 30, 2023

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
<b>Downtown Development Authority No. 5</b>			
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>			
Current operations			
Community and economic development	<u>3,897</u>	<u>-</u>	<u>3,897</u>
Total expenditures	<u>3,897</u>	<u>-</u>	<u>3,897</u>
<b>Change in Net Position</b>	(3,897)	-	(3,897)
<b>Net Position, beginning of year</b>	<u>3,897</u>	<u>-</u>	<u>3,897</u>
<b>Net Position, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**City of Alpena**

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

June 30, 2023

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>Brownfield Redevelopment Authority</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 243,884	\$ -	\$ 243,884
Accounts receivable	1,423	-	1,423
Total assets	<u>\$ 245,307</u>	-	<u>245,307</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,423	-	1,423
Unearned revenue	9,184	-	9,184
Total liabilities	<u>\$ 10,607</u>	-	<u>10,607</u>
<b>Fund Balance</b>			
Unassigned	234,700	(234,700)	-
Total fund balance	<u>234,700</u>	<u>(234,700)</u>	-
Total liabilities and fund balance	<u>\$ 245,307</u>		
<b>Net Position</b>			
Unrestricted		<u>234,700</u>	<u>234,700</u>
Total net position		<u>\$ 234,700</u>	<u>\$ 234,700</u>

**City of Alpena**

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

For the Year Ended June 30, 2023

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>Brownfield Redevelopment Authority</b>			
<b>Revenues</b>			
Taxes	\$ 87,075	\$ -	\$ 87,075
State revenue	2,491	-	2,491
Federal revenue	80,183	-	80,183
Total revenues	<u>169,749</u>	<u>-</u>	<u>169,749</u>
<b>Expenditures</b>			
Current operations			
Community and economic development	179,486	-	179,486
Total expenditures	<u>179,486</u>	<u>-</u>	<u>179,486</u>
<b>Change in Net Position</b>	(9,737)	-	(9,737)
<b>Net Position, beginning of year</b>	<u>244,437</u>	<u>-</u>	<u>244,437</u>
<b>Net Position, end of year</b>	<u><u>\$ 234,700</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 234,700</u></u>

**City of Alpena**

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

June 30, 2023

	Modified Accrual	Full Accrual Adjustments	Net Position Full Accrual
<b>Economic Development Corporation</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 3,663	\$ -	\$ 3,663
Total assets	\$ 3,663	-	3,663
<b>Liabilities and Fund Balance</b>			
Liabilities	\$ -	-	-
Fund Balance			
Unassigned	3,663	(3,663)	-
Total fund balance	3,663	(3,663)	-
Total liabilities and fund balance	\$ 3,663		
<b>Net Position</b>			
Unrestricted		3,663	3,663
Total net position		\$ 3,663	\$ 3,663

**City of Alpena**

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

For the Year Ended June 30, 2023

	<u>Modified Accrual</u>	<u>Full Accrual Adjustments</u>	<u>Net Position Full Accrual</u>
<b>Economic Development Corporation</b>			
<b>Revenues</b>			
Investment income and rents	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>			
Current operations			
Community and economic development	<u>27</u>	<u>-</u>	<u>27</u>
Total expenditures	<u>27</u>	<u>-</u>	<u>27</u>
<b>Change in Net Position</b>	(27)	-	(27)
<b>Net Position, beginning of year</b>	<u>3,690</u>	<u>-</u>	<u>3,690</u>
<b>Net Position, end of year</b>	<u><u>\$ 3,663</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,663</u></u>



### III. STATISTICAL SECTION

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This part of the City of Alpena’s annual comprehensive 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>
<b><i>Financial Trends</i></b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	194
<b><i>Revenue Capacity</i></b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	204
<b><i>Debt Capacity</i></b>	
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.	210
<b><i>Demographic and Economic Information</i></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	215
<b><i>Operating Information.</i></b>	
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.	218

**Sources.** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

**City of Alpena**

Net Position by Component (accrual basis of accounting)

Last Ten Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental activities:				
Net investment in capital assets	\$ 26,217,067	\$ 26,378,681	\$ 27,459,339	\$ 28,975,295
Restricted	3,198,099	2,972,727	2,551,192	2,013,295
Unrestricted (deficit)	<u>(4,181,973)</u>	<u>(4,122,091)</u>	<u>(4,599,584)</u>	<u>(6,384,910)</u>
Total governmental activities net position	<u>\$ 25,233,193</u>	<u>\$ 25,229,317</u>	<u>\$ 25,410,947</u>	<u>\$ 24,603,680</u>
Business-type activities:				
Net investment in capital assets	\$ 27,485,030	\$ 27,591,924	\$ 26,694,751	\$ 25,499,610
Restricted	65,312	58,750	59,844	60,938
Unrestricted	<u>10,390,196</u>	<u>8,064,016</u>	<u>7,037,215</u>	<u>6,230,852</u>
Total business-type activities net position	<u>\$ 37,940,538</u>	<u>\$ 35,714,690</u>	<u>\$ 33,791,810</u>	<u>\$ 31,791,400</u>
Primary government:				
Net investment in capital assets	\$ 53,702,097	\$ 53,970,605	\$ 54,154,090	\$ 54,474,905
Restricted	3,263,411	3,031,477	2,611,036	2,074,233
Unrestricted	<u>6,208,223</u>	<u>3,941,925</u>	<u>2,437,631</u>	<u>(154,058)</u>
Total primary government net position	<u>\$ 63,173,731</u>	<u>\$ 60,944,007</u>	<u>\$ 59,202,757</u>	<u>\$ 56,395,080</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

2019	2018	2017	2016	2015	2014
\$ 29,357,887	\$ 29,130,937	\$ 26,846,092	\$ 26,865,755	\$ 22,427,381	\$ 22,654,358
2,193,935	3,035,026	2,508,760	3,011,227	3,235,956	3,220,811
(6,766,856)	(7,206,268)	(4,711,433)	(2,759,674)	(1,883,488)	2,746,139
<u>\$ 24,784,966</u>	<u>\$ 24,959,695</u>	<u>\$ 24,643,419</u>	<u>\$ 27,117,308</u>	<u>\$ 23,779,849</u>	<u>\$ 28,621,308</u>
\$ 24,094,788	\$ 22,568,997	\$ 20,689,973	\$ 19,657,320	\$ 19,769,556	\$ 19,524,442
62,032	350,631	227,050	227,050	236,932	281,374
5,961,837	5,233,049	7,449,577	6,416,536	4,187,213	2,756,908
<u>\$ 30,118,657</u>	<u>\$ 28,152,677</u>	<u>\$ 28,366,600</u>	<u>\$ 26,300,906</u>	<u>\$ 24,193,701</u>	<u>\$ 22,562,724</u>
\$ 53,452,675	\$ 51,699,934	\$ 47,536,065	\$ 46,523,075	\$ 42,196,937	\$ 42,178,800
2,255,967	3,385,657	2,735,810	3,238,277	3,472,888	3,502,185
(805,019)	(1,973,219)	2,738,144	3,656,862	2,303,725	5,503,047
<u>\$ 54,903,623</u>	<u>\$ 53,112,372</u>	<u>\$ 53,010,019</u>	<u>\$ 53,418,214</u>	<u>\$ 47,973,550</u>	<u>\$ 51,184,032</u>



## City of Alpena

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

Last Ten Fiscal Years Ended June 30,

	2023	2022	2021	2020
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 5,016,982	\$ 3,996,966	\$ 3,293,492	\$ 3,333,847
Public safety	5,720,724	5,408,877	5,554,734	6,574,287
Public works	3,966,810	3,948,154	3,146,029	3,439,234
Health and welfare	20,000	-	-	-
Recreation and culture	634,969	543,436	479,251	765,937
Community and economic development	165,180	138,146	-	-
Interest on long-term debt	22,148	27,196	29,628	30,164
Total governmental activities	15,546,813	14,062,775	12,503,134	14,143,469
Business-type activities:				
Sewage	2,440,297	2,391,017	2,328,230	2,429,060
Water	2,282,891	2,137,054	2,493,841	2,223,962
Total business-type activities	4,723,188	4,528,071	4,822,071	4,653,022
Total primary government expenses	20,270,001	18,590,846	17,325,205	18,796,491
<b>Program Revenues:</b>				
Governmental activities:				
Charges for services:				
General government	1,709,615	1,792,883	1,591,418	2,157,205
Public safety	1,895,515	1,832,974	1,972,501	2,330,203
Public works	1,136,762	1,065,837	772,239	277,152
Recreation and culture	11,544	23,946	50,133	54,647
Community and economic development	44,914	29,957	8,267	-
Operating grants and contributions	3,176,893	3,086,219	2,869,365	2,587,738
Capital grants and contributions	519,079	3,660	3,310	205,692
Total governmental activities	8,494,322	7,835,476	7,267,233	7,612,637
Business-type activities:				
Charges for services:				
Sewage	2,937,059	2,844,138	3,071,242	3,031,720
Water	3,816,115	3,580,516	3,730,352	3,274,675
Total business-type activities	6,753,174	6,424,654	6,801,594	6,306,395
Total primary government program revenues	15,247,496	14,260,130	14,068,827	13,919,032
<b>Net (Expense) Revenue:</b>				
Governmental activities	(7,052,491)	(6,227,299)	(5,235,901)	(6,530,832)
Business-type activities	2,029,986	1,896,583	1,979,523	1,653,373
Total net expense	(5,022,505)	(4,330,716)	(3,256,378)	(4,877,459)

Table 2

2019	2018	2017	2016	2015	2014
\$ 3,245,641	\$ 3,357,377	\$ 4,069,620	\$ 3,838,100	\$ 3,351,040	\$ 3,776,182
6,495,399	6,533,086	6,766,066	6,415,452	5,954,321	5,300,599
3,557,186	3,338,349	3,410,282	2,512,624	2,801,754	2,875,197
-	-	-	-	-	-
583,812	990,632	779,257	772,420	554,321	652,101
-	-	-	-	-	-
32,351	34,090	35,029	42,702	41,405	42,394
<u>13,914,389</u>	<u>14,253,534</u>	<u>15,060,254</u>	<u>13,581,298</u>	<u>12,702,841</u>	<u>12,646,473</u>
2,375,778	2,526,104	2,277,385	2,245,516	2,236,402	2,293,358
<u>2,163,952</u>	<u>2,297,564</u>	<u>2,011,412</u>	<u>1,941,631</u>	<u>1,986,621</u>	<u>1,961,415</u>
<u>4,539,730</u>	<u>4,823,668</u>	<u>4,288,797</u>	<u>4,187,147</u>	<u>4,223,023</u>	<u>4,254,773</u>
18,454,119	19,077,202	19,349,051	17,768,445	16,925,864	16,901,246
1,988,411	1,738,227	1,805,609	1,945,973	1,819,769	1,788,728
2,049,239	2,058,064	1,860,565	1,958,438	1,839,835	1,611,281
272,992	342,806	354,552	276,385	493,200	316,994
106,129	283,775	53,280	50,803	56,286	226,079
-	-	-	-	-	-
2,515,409	2,758,757	2,971,115	3,028,615	2,021,808	2,353,912
1,072,018	191,778	13,661	7,835	21,243	531,882
<u>8,004,198</u>	<u>7,373,407</u>	<u>7,058,782</u>	<u>7,268,049</u>	<u>6,252,141</u>	<u>6,828,876</u>
3,108,692	3,077,140	3,133,993	3,237,582	2,897,812	2,305,112
<u>3,373,674</u>	<u>3,130,296</u>	<u>3,205,054</u>	<u>3,046,528</u>	<u>2,949,849</u>	<u>2,119,726</u>
<u>6,482,366</u>	<u>6,207,436</u>	<u>6,339,047</u>	<u>6,284,110</u>	<u>5,847,661</u>	<u>4,424,838</u>
14,486,564	13,580,843	13,397,829	13,552,159	12,099,802	11,253,714
(5,910,191)	(6,880,127)	(8,001,472)	(6,313,249)	(6,450,700)	(5,817,597)
<u>1,942,636</u>	<u>1,383,768</u>	<u>2,050,250</u>	<u>2,096,963</u>	<u>1,624,638</u>	<u>170,065</u>
<u>(3,967,555)</u>	<u>(5,496,359)</u>	<u>(5,951,222)</u>	<u>(4,216,286)</u>	<u>(4,826,062)</u>	<u>(5,647,532)</u>

(continued)

**City of Alpena**

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

Last Ten Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>General Revenues:</b>				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 4,472,051	\$ 4,090,366	\$ 3,929,252	\$ 3,835,745
Unrestricted state revenue	2,181,223	2,191,938	1,959,744	1,967,759
Investment earnings	403,605	(236,635)	12,239	160,105
Miscellaneous	-	-	-	-
Gain (loss) on sale of capital assets	(512)	-	-	8,765
Total Governmental Activities	<u>7,056,367</u>	<u>6,045,669</u>	<u>5,901,235</u>	<u>5,972,374</u>
Business-type Activities:				
Investment earnings	176,950	26,297	20,887	19,370
Gain (loss) on sale of capital assets	18,912	-	-	-
Special item - revenue adjustment	-	-	-	-
Total Business-type Activities	<u>195,862</u>	<u>26,297</u>	<u>20,887</u>	<u>19,370</u>
Total primary government	<u>7,252,229</u>	<u>6,071,966</u>	<u>5,922,122</u>	<u>5,991,744</u>
<b>Change in Net Position</b>				
Governmental activities	3,876	(181,630)	665,334	(558,458)
Business-type activities	2,225,848	1,922,880	2,000,410	1,672,743
Total primary government	<u>\$ 2,229,724</u>	<u>\$ 1,741,250</u>	<u>\$ 2,665,744</u>	<u>\$ 1,114,285</u>

Table 2

2019	2018	2017	2016	2015	2014
\$ 3,800,880	\$ 3,760,951	\$ 3,811,792	\$ 3,917,618	\$ 3,808,509	\$ 3,830,486
1,832,274	1,689,706	1,682,923	1,239,267	1,157,360	1,126,128
101,808	43,855	32,068	39,115	42,524	38,055
-	-	-	-	-	4,044
500	45	800	8,300	-	-
<u>5,735,462</u>	<u>5,494,557</u>	<u>5,527,583</u>	<u>5,204,300</u>	<u>5,008,393</u>	<u>4,998,713</u>
23,344	179,355	15,444	10,242	6,339	9,812
-	-	-	-	-	-
-	(1,777,046)	-	-	-	-
<u>23,344</u>	<u>(1,597,691)</u>	<u>15,444</u>	<u>10,242</u>	<u>6,339</u>	<u>9,812</u>
<u>5,758,806</u>	<u>3,896,866</u>	<u>5,543,027</u>	<u>5,214,542</u>	<u>5,014,732</u>	<u>5,008,525</u>
(174,729)	(1,385,570)	(2,473,889)	(1,108,949)	(1,442,307)	(818,884)
1,965,980	(213,923)	2,065,694	2,107,205	1,630,977	179,877
<u>\$ 1,791,251</u>	<u>\$ (1,599,493)</u>	<u>\$ (408,195)</u>	<u>\$ 998,256</u>	<u>\$ 188,670</u>	<u>\$ (639,007)</u>

**City of Alpena**

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

For the Last Ten Years June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Fund:				
Nonspendable	\$ 128,400	\$ 120,363	\$ 56,790	\$ 46,358
Restricted	10,000	10,000	10,000	10,000
Committed	156,214	127,707	158,042	144,914
Unassigned	<u>4,640,891</u>	<u>4,170,767</u>	<u>3,684,718</u>	<u>3,131,381</u>
Total General Fund	<u>4,935,505</u>	<u>4,428,837</u>	<u>3,909,550</u>	<u>3,332,653</u>
All other governmental funds:				
Nonspendable-permanent fund	1,159,656	1,008,091	996,068	984,274
Nonspendable-special revenue funds	43,159	54,059	6,691	4,443
Restricted-special revenue funds	2,026,544	1,943,838	1,531,107	1,006,668
Restricted-debt service	1,899	10,798	10,784	12,192
Restricted - permanent fund	-	-	3,233	161
Committed-permanent fund	65,347	-	-	-
Committed-capital projects	445,865	410,903	401,286	386,522
Committed-special revenue funds	144,565	103,039	179,320	183,455
Assigned-special revenue funds	21,852	-	-	-
Unassigned-permanent fund	<u>(65,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>3,843,541</u>	<u>3,530,728</u>	<u>3,128,489</u>	<u>2,577,715</u>
Total governmental funds	<u><u>\$ 8,779,046</u></u>	<u><u>\$ 7,959,565</u></u>	<u><u>\$ 7,038,039</u></u>	<u><u>\$ 5,910,368</u></u>

Table 3

2019	2018	2017	2016	2015	2014
\$ 50,276	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
141,259	127,604	147,093	172,270	216,330	300,090
2,554,668	2,395,083	2,615,457	3,043,593	2,715,810	2,684,308
<u>2,746,203</u>	<u>2,522,687</u>	<u>2,762,550</u>	<u>3,215,863</u>	<u>2,932,140</u>	<u>2,984,398</u>
971,263	950,282	933,179	918,495	910,113	900,625
5,015	-	-	-	-	-
1,207,799	1,431,788	894,144	1,309,190	1,264,876	723,645
13,511	14,235	14,855	15,597	18,641	19,348
1,362	-	-	-	-	-
-	-	-	-	-	-
369,127	354,420	519,489	595,675	825,996	777,002
169,417	156,697	-	-	-	500,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,737,494</u>	<u>2,907,422</u>	<u>2,361,667</u>	<u>2,838,957</u>	<u>3,019,626</u>	<u>2,920,620</u>
<u>\$ 5,483,697</u>	<u>\$ 5,430,109</u>	<u>\$ 5,124,217</u>	<u>\$ 6,054,820</u>	<u>\$ 5,951,766</u>	<u>\$ 5,905,018</u>

**City of Alpena**

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

For the Last Ten Years June 30,

	2023	2022	2021	2020
<b>Revenues</b>				
Property taxes	\$ 4,444,614	\$ 4,203,587	\$ 3,858,960	\$ 3,767,356
Special assessment revenue	2,038	1,175	-	-
Licenses and permits	55,947	48,711	299,745	644,932
State revenue	4,140,800	4,123,094	3,722,010	3,547,336
Federal revenue	503,682	31,067	143,239	81,275
Local grant revenue	1,211,366	1,120,723	967,170	1,132,578
Charges for services	2,949,063	3,030,894	2,858,157	2,755,055
Investment income and rents	841,020	210,261	97,542	207,760
Fines and forfeitures	26,905	21,361	13,127	18,045
Other	139,377	164,638	141,058	139,042
<b>Total revenues</b>	<u>14,314,812</u>	<u>12,955,511</u>	<u>12,101,008</u>	<u>12,293,379</u>
<b>Expenditures</b>				
Current:				
General government	2,593,973	2,447,795	1,862,793	1,974,681
Public safety	6,288,074	5,534,580	5,598,592	6,303,958
Public works	4,023,652	3,151,305	2,001,187	2,791,599
Health and welfare	20,000	-	-	-
Community and economic development	171,230	141,076	-	-
Recreation and culture	544,187	529,816	1,463,682	608,094
Capital outlay	29,995	-	-	-
Debt service:				
Principal retirement	96,820	85,000	85,000	90,000
Interest and fees	27,322	27,458	29,263	30,872
<b>Total expenditures</b>	<u>13,795,253</u>	<u>11,917,030</u>	<u>11,040,517</u>	<u>11,799,204</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>519,559</u>	<u>1,038,481</u>	<u>1,060,491</u>	<u>494,175</u>
<b>Other Financing Sources (Uses)</b>				
Bond and loan proceeds	-	-	-	-
Proceeds from sale of capital assets	123,874	-	-	-
Proceeds from lease issuance	236,801	-	-	-
Transfers from other funds	505,157	725,928	461,851	724,470
Transfers to other funds	(565,910)	(842,883)	(536,603)	(791,974)
<b>Total other financing sources (uses)</b>	<u>299,922</u>	<u>(116,955)</u>	<u>(74,752)</u>	<u>(67,504)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 819,481</u>	<u>\$ 921,526</u>	<u>\$ 985,739</u>	<u>\$ 426,671</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>1.04%</u>	<u>0.99%</u>	<u>1.06%</u>	<u>1.15%</u>
Debt service expenditures	<u>124,142</u>	<u>112,458</u>	<u>114,263</u>	<u>120,872</u>
Total expenditures	13,795,253	11,917,030	11,040,517	11,799,204
Capital Outlay (Reconciliation)	<u>(1,844,756)</u>	<u>(587,252)</u>	<u>(272,695)</u>	<u>(1,322,417)</u>
	<u>11,950,497</u>	<u>11,329,778</u>	<u>10,767,822</u>	<u>10,476,787</u>

Source: City of Alpena's annual financial statements.

Table 4

2019	2018	2017	2016	2015	2014
\$ 3,747,988	\$ 3,720,159	\$ 3,725,689	\$ 3,915,140	\$ 3,809,318	\$ 3,836,046
-	-	-	-	-	-
276,173	263,315	235,823	168,531	147,919	174,175
4,227,469	3,557,495	3,003,534	2,712,098	2,183,325	2,702,127
332,350	229,977	807,701	495,317	2,825	451,233
859,882	852,771	856,464	1,068,302	1,014,261	858,562
2,736,409	2,628,470	2,623,058	2,668,974	2,551,843	2,302,485
163,745	120,414	237,685	282,313	264,180	246,302
17,716	22,151	20,748	20,755	24,272	16,581
212,963	492,187	144,863	181,835	627,213	378,764
<u>12,574,695</u>	<u>11,886,939</u>	<u>11,655,565</u>	<u>11,513,265</u>	<u>10,625,156</u>	<u>10,966,275</u>
2,017,135	2,291,002	2,854,048	2,474,655	2,017,603	2,351,816
5,816,464	5,812,048	5,965,724	5,815,908	5,454,878	5,219,945
3,756,297	2,297,586	2,688,806	2,093,688	2,342,653	2,011,874
-	-	-	-	-	-
-	-	-	-	-	-
734,367	1,179,900	877,618	750,763	548,908	1,326,553
-	-	-	-	-	-
90,000	90,000	95,000	179,923	121,582	125,185
32,581	33,798	34,972	43,874	42,784	41,541
<u>12,446,844</u>	<u>11,704,334</u>	<u>12,516,168</u>	<u>11,358,811</u>	<u>10,528,408</u>	<u>11,076,914</u>
<u>127,851</u>	<u>182,605</u>	<u>(860,603)</u>	<u>154,454</u>	<u>96,748</u>	<u>(110,639)</u>
-	-	-	13,600	-	-
-	-	-	-	-	-
-	-	-	-	-	-
415,951	538,079	534,097	480,000	312,254	324,500
<u>(490,214)</u>	<u>(610,179)</u>	<u>(604,097)</u>	<u>(545,000)</u>	<u>(362,254)</u>	<u>(365,004)</u>
<u>(74,263)</u>	<u>(72,100)</u>	<u>(70,000)</u>	<u>(51,400)</u>	<u>(50,000)</u>	<u>(40,504)</u>
<u>\$ 53,588</u>	<u>\$ 110,505</u>	<u>\$ (930,603)</u>	<u>\$ 103,054</u>	<u>\$ 46,748</u>	<u>\$ (151,143)</u>
<u>1.23%</u>	<u>1.24%</u>	<u>1.23%</u>	<u>2.34%</u>	<u>1.81%</u>	<u>1.76%</u>
<u>122,581</u>	<u>123,798</u>	<u>129,972</u>	<u>223,797</u>	<u>164,366</u>	<u>166,726</u>
12,446,844	11,704,334	12,516,168	11,358,811	10,528,408	11,076,914
<u>(2,520,730)</u>	<u>(1,730,395)</u>	<u>(1,920,693)</u>	<u>(1,793,165)</u>	<u>(1,460,977)</u>	<u>(1,597,199)</u>
<u>9,926,114</u>	<u>9,973,939</u>	<u>10,595,475</u>	<u>9,565,646</u>	<u>9,067,431</u>	<u>9,479,715</u>



**City of Alpena**

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	Real Property		Personal Property		Total
		Taxable Value	Estimated True Cash Value	Taxable Value	Estimated True Cash Value	Taxable Value
06/30/14	2013	199,934,022	404,689,400	47,592,400	95,184,800	247,526,422
06/30/15	2014	201,389,451	410,242,000	44,655,300	89,330,600	246,044,751
06/30/16	2015	204,757,450	422,850,000	49,834,600	99,669,200	254,592,050
06/30/17	2016	205,853,419	430,580,600	30,081,000	60,162,000	235,934,419
06/30/18	2017	209,249,826	449,021,400	28,542,800	57,085,600	237,792,626
06/30/19	2018	213,143,284	454,441,600	26,630,000	53,260,000	239,773,284
06/30/20	2019	219,681,787	481,155,800	23,533,800	47,007,000	243,215,587
06/30/21	2020	222,448,288	508,212,100	27,863,800	55,727,600	250,312,088
06/30/22	2021	230,562,366	461,124,732	23,578,400	47,156,800	254,140,766
06/30/23	2022	242,961,703	485,923,406	26,810,500	53,621,000	269,772,203

(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	Original Tax Levy	Adjustments	Adjusted Levy	Collected within the Fiscal Year of the Levy	
					Amount	Percentage of Levy
06/30/14	2013	3,877,043	-	3,877,043	3,870,580	99.83%
06/30/15	2014	3,854,962	80	3,855,042	3,852,086	99.93%
06/30/16	2015	3,987,687	(32,645)	3,955,042	3,946,172	98.96%
06/30/17	2016	3,770,926	(528)	3,770,398	3,681,232	97.62%
06/30/18	2017	3,756,084	-	3,756,084	3,679,858	97.97%
06/30/19	2018	3,804,924	(1,349)	3,803,575	3,738,972	98.27%
06/30/20	2019	3,833,450	1,654	3,835,104	3,766,295	98.25%
06/30/21	2020	3,947,836	(1,340)	3,946,496	3,866,016	97.93%
06/30/22	2021	3,996,160	(1,340)	3,994,820	3,981,996	99.65%
06/30/23	2022	4,249,691	-	4,249,691	4,219,553	99.29%

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

Table 5

Estimated True Cash Value	Taxable Value To Estimated Actual Value	Total Direct Tax Rate
499,874,200	49.52%	16.8816
499,572,600	49.25%	16.8816
522,519,200	48.72%	16.8816
490,742,600	48.08%	16.8816
506,107,000	46.98%	16.7516
507,701,600	47.23%	16.7516
528,162,800	46.05%	16.7516
563,939,700	44.39%	17.1066
508,281,532	50.00%	17.1066
539,544,406	50.00%	17.0330

Table 6

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
6,508	3,877,088	100.00%
2,956	3,855,042	100.00%
8,870	3,955,042	100.00%
89,166	3,770,398	100.00%
76,177	3,756,035	100.00%
322	3,739,294	98.31%
1,935	3,768,230	98.26%
8,710	3,874,726	98.18%
1,839	3,983,835	99.73%
-	4,219,553	99.29%

**City of Alpena**

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

Last Ten Fiscal Years Ended June 30

<u>Fiscal Year Ended</u>	<u>Tax Year Roll</u>	<u>General Fund</u>	<u>Dial-a-Ride Fund</u>	<u>Debt Service</u>	<u>Total City Tax Rate</u>	<u>Alpena Public Schools</u>
06/30/14	2013 (A)	16.2316	0.6500	-	16.8816	1.7500
06/30/14	2013 (B)	16.2316	0.6500	-	16.8816	19.7500
06/30/15	2014 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/15	2014 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/16	2015 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/16	2015 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/17	2016 (A)	16.2316	0.6500	-	16.8816	1.8000
06/30/17	2016 (B)	16.2316	0.6500	-	16.8816	19.8000
06/30/18	2017 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/18	2017 (B)	16.1066	0.6450	-	16.7516	19.8000
06/30/19	2018 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/19	2018 (B)	16.1066	0.6450	-	16.7516	19.8000
06/30/20	2019 (A)	16.1066	0.6450	-	16.7516	1.8000
06/30/20	2019 (B)	16.1066	0.6450	-	16.7516	19.8000
06/30/21	2020 (A)	16.1066	1.0000	-	17.1066	1.8000
06/30/21	2020 (B)	16.1066	1.0000	-	17.1066	19.8000
06/30/22	2021 (A)	16.1066	1.0000	-	17.1066	1.8000
06/30/22	2021 (B)	16.1066	1.0000	-	17.1066	19.7838
06/30/23	2022 (A)	16.0373	0.9957	-	17.0330	1.8000
06/30/23	2022 (B)	16.0373	0.9957	-	17.0330	19.5769

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

(A) Homestead Property

(B) Non-Homestead Property

Source: City Treasurer

Table 7

Alpena Community College	Educational Service District	Alpena County	State Education Tax	Total Millage Rate
2.5000	2.1882	8.6931	6.0000	38.0129
2.5000	2.1882	8.6931	6.0000	56.0129
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	8.9474	6.0000	38.3172
2.5000	2.1882	8.9474	6.0000	56.3172
2.5000	2.1882	7.9474	6.0000	37.3172
2.5000	2.1882	7.9474	6.0000	55.3172
2.5000	2.1882	7.9474	6.0000	37.1872
2.5000	2.1882	7.9474	6.0000	55.1872
2.5000	2.1882	9.0324	6.0000	38.2722
2.5000	2.1882	9.0324	6.0000	56.2722
2.5000	2.1882	9.0324	6.0000	38.2722
2.5000	2.1882	9.0324	6.0000	56.2722
2.5000	2.1882	9.5604	6.0000	39.1552
2.5000	2.1882	9.5604	6.0000	57.1552
2.4957	2.1832	9.5467	6.0000	39.1322
2.4957	2.1832	9.5467	6.0000	57.1160
2.4806	2.1726	9.5187	6.0000	39.0049
2.4806	2.1726	9.5187	6.0000	56.7818

**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>
LafargeHolcim	Cement production
Alpena Power Company	Electric power utility
Northland Area Federal Credit Union	Financial Institution
Caterpillar Financial Services	Financial services
Dynafab Inc.	Industrial products
Sabra Alpena, LLC	Elderly assisted living facility
Decorative Panels International	Hardboard manufacturing
Besser Company	Concrete block making machines
American Process Energy Recovery	Tech. development for comm. production from bi
Macaulay Alpena Properties LLC	Senior assisted living facility
Panel Processing, Inc.	Hardboard processing plant
ATI Casting Services, LLC	Machine shop and foundry
Conveyor Systems, Inc.	Conveyor manufacturer
Alpena Marc, LLC	Commercial rental
Alpena Wholesale Grocery	Wholesale groceries
Alpena Hotel, LLC	Motel and restaurant
Ten largest taxpayers	
Other taxpayers	

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

Source: City Assessor's office.

Table 8

June 30, 2023			June 30, 2014		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 14,855,126	1	5.51%	\$ 37,482,258	1	15.14%
7,720,760	2	2.86%	6,105,569	2	2.47%
4,111,800	3	1.52%	-	-	-
4,049,700	4	1.50%	-	-	-
3,198,220	5	1.19%	-	-	-
2,693,725	6	1.00%	-	-	-
2,553,869	7	0.95%	4,893,000	3	1.98%
2,266,320	8	0.84%	4,126,878	4	1.67%
1,717,700	9	0.64%	-	-	-
1,656,600	10	0.61%	-	-	-
-	-	-	2,773,345	5	1.12%
-	-	-	2,564,100	6	1.04%
-	-	-	1,883,100	7	0.76%
-	-	-	1,724,883	8	0.70%
-	-	-	1,708,000	9	0.69%
-	-	-	1,702,400	10	0.69%
44,823,820		16.62%	64,963,533		26.26%
224,948,383		83.38%	182,562,889		73.74%
<u>\$ 269,772,203</u>		<u>100.00%</u>	<u>\$ 247,526,422</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	Leases	General Obligation Bonds	Revenue Bonds
06/30/14	1,720,000	13,625	-	-	800,000	1,405,000
06/30/15	1,540,000	7,043	53,090	-	750,000	1,110,000
06/30/16	1,395,000	-	38,810	-	700,000	820,000
06/30/17	1,300,000	-	9,700	-	650,000	540,000
06/30/18	1,210,000	-	5,800	-	600,000	265,000
06/30/19	1,120,000	-	8,785	-	550,000	-
06/30/20	1,030,000	-	8,691	-	500,000	-
06/30/21	945,000	-	3,725	-	450,000	-
06/30/22	860,000	-	1,936	-	400,000	-
06/30/23	775,000	-	-	353,660	350,000	-

Fiscal Year Ended	Governmental Activities				Business-type Activities	
	Unlimited Tax Refunding	Building Authority	Other Debt	Amounts Available in Debt Service Funds	General Obligation Bonds	Total Primary Government
06/30/14	-	1,720,000	13,625	(19,348)	800,000	2,514,277
06/30/15	-	1,540,000	7,043	(18,641)	750,000	2,278,402
06/30/16	-	1,395,000	-	(15,597)	700,000	2,079,403
06/30/17	-	1,300,000	-	(14,855)	650,000	1,935,145
06/30/18	-	1,210,000	-	(14,235)	600,000	1,795,765
06/30/19	-	1,120,000	-	(13,511)	550,000	1,656,489
06/30/20	-	1,030,000	-	(12,192)	500,000	1,517,808
06/30/21	-	945,000	-	(10,784)	450,000	1,384,216
06/30/22	-	860,000	-	(10,798)	400,000	1,249,202
06/30/23	-	775,000	-	(1,899)	350,000	1,123,101

(1) - Per Table 13

(2) - Per Table 5

Table 9

State of Michigan Revolving Fund	(1) Total Primary Government	Personal Income (In Thousands)	Percentage of Personal Income	(1) Population
5,208,819	9,147,444	204,675	4.47%	10,295
4,908,819	8,368,952	205,975	4.06%	10,247
4,603,819	7,557,629	197,736	3.82%	10,175
4,298,819	6,798,519	207,380	3.28%	10,122
3,993,819	6,074,619	215,035	2.82%	9,997
3,683,819	5,362,604	214,304	2.50%	9,963
3,368,819	4,907,510	227,057	2.16%	9,956
3,048,819	4,447,544	239,078	1.86%	10,197
2,723,819	3,985,755	245,771	1.62%	10,155
2,398,819	3,877,479	313,952	1.24%	10,142

Table 10

Taxable Value (2)	Percentage of Actual Taxable Value of Property	(1) Population	Per Capita
247,526,422	1.02%	10,295	244
246,044,751	0.93%	10,247	222
254,592,050	0.82%	10,175	204
235,934,419	0.82%	10,122	191
237,792,626	0.76%	9,997	180
239,773,284	0.69%	9,963	166
243,215,587	0.62%	9,956	152
250,312,088	0.55%	10,197	136
254,140,766	0.49%	10,155	123
269,772,203	0.42%	10,142	111



**City of Alpena**

Legal Debt Margin Information

Last Ten Fiscal Years Ended June 30

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt limit	\$ 26,977,220	\$ 25,414,077	\$ 25,031,209	\$ 24,321,559
Total net debt applicable to limit	<u>3,168,260</u>	<u>3,971,085</u>	<u>4,429,200</u>	<u>4,895,318</u>
Legal debt margin	<u>\$ 23,808,960</u>	<u>\$ 21,442,992</u>	<u>\$ 20,602,009</u>	<u>\$ 19,426,241</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>11.74%</u>	<u>15.63%</u>	<u>17.69%</u>	<u>20.13%</u>

Table 11

2019	2018	2017	2016	2015	2014
\$ 23,977,328	\$ 23,245,276	\$ 23,593,442	\$ 25,459,205	\$ 24,604,475	\$ 24,752,642
5,349,093	6,060,384	6,783,664	7,542,032	8,350,311	9,128,096
<u>\$ 18,628,235</u>	<u>\$ 17,184,892</u>	<u>\$ 16,809,778</u>	<u>\$ 17,917,173</u>	<u>\$ 16,254,164</u>	<u>\$ 15,624,546</u>
<u>22.31%</u>	<u>26.07%</u>	<u>28.75%</u>	<u>29.62%</u>	<u>33.94%</u>	<u>36.88%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2023

Total taxable assessed valuation		\$ 269,772,203
Charter debt limit - 10% of total taxable value		26,977,220
Total debt applicable to the limit	\$ 3,170,159	
Less: amount available in debt funds	<u>1,899</u>	
Total net debt applicable to limit		<u>3,168,260</u>
Legal debt margin		<u>\$ 23,808,960</u>

**City of Alpena**

Computation of Direct and Overlapping Governmental Activities Debt

June 30, 2023

Table 12

Jurisdiction	Debt Outstanding	(1) Percentage Applicable to City of Alpena	Amount Applicable to City of Alpena
<b>Direct Debt</b>			
City of Alpena			
Building Authority Bonds	\$ 775,000	100.00%	\$ 775,000
Leases	353,660	0.00%	353,660
			<u>1,128,660</u>
<b>Overlapping Debt</b>			
Alpena County	\$ 13,785,000	25.85%	3,563,423
Alpena Public Schools	37,975,000	22.34%	8,483,615
			<u>12,047,038</u>
 Total direct and overlapping debt			 <u><u>\$ 13,175,698</u></u>

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

Source: City Treasurer and Assessor's offices.

**City of Alpena**

Demographic and Economic Statistics

Last Ten Fiscal Years Ended June 30

Table 13

<u>Fiscal Year Ended</u>	<u>(1) Population</u>	<u>Personal Income (In Thousands)</u>	<u>(3) Per Capita Income</u>	<u>(4) Median Age</u>	<u>(5) Education Attainment High School or Above</u>	<u>(6) School Enrollment</u>	<u>(7) Unemployment Rate</u>
06/30/14	10,295	204,675 (2)	19,881	42.5	89.3%	1,373	8.5%
06/30/15	10,247	205,975 (2)	20,101	45.6	88.6%	1,443	6.1%
06/30/16	10,175	197,736 (2)	19,434	46.2	89.9%	1,476	5.5%
06/30/17	10,122	207,380 (2)	20,488	41.6	90.9%	1,474	5.6%
06/30/18	9,997	215,035 (2)	21,510	42.1	91.9%	1,406	4.1%
06/30/19	9,963	214,304 (8)	21,510	42.1	91.9%	1,390 *	3.3%
06/30/20	9,956	227,057 (8)	22,806	42.2	92.0%	1,253	6.4%
06/30/21	10,197	239,078 (8)	23,446	42.4	92.6%	1,138	4.7%
06/30/22	10,155	245,771 (8)	24,202	44.1	93.3%	1,191	4.2%
06/30/23	10,142	313,952 (8)	30,936	44.0	91.9%	1,269 *	4.0%

(1) (2) (3) (5) <https://www.census.gov/quickfacts/fact/table/alpenacitymichigan,US/PST045221>

(4) American Community Survey 5-yr Estimate

(6) Alpena Public Schools - secondary enrollment.

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

(8) Based on average income per person and population

\* Based on an estimate

**City of Alpena**

Principal Employers

Current Year and Nine Years Ago

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<u>Taxpayer</u>	<u>Type of Business</u>
MyMichigan Medical Center	Hospital
Northeast Michigan Community Mental Health	Multi-county authority
Holcim	Cement production
Alpena Public Schools	Education
Alpena Community College	Community college
Besser Company	Concrete block making machines
Decorative Panels, Intl.	Hardboard manufacturing
County of Alpena, Michigan	Local government
Tendercare Michigan Inc.	Long term care facility
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 2021.

Table 14

June 30, 2023			June 30, 2014		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of County of Alpena Employment
927	1	7.66%	980	1	7.30%
371	2	3.07%	476	3	3.55%
301	3	2.49%	192	6	1.43%
289	4	2.39%	500	2	3.72%
256	5	2.12%	277	4	2.06%
230	6	1.90%	156	9	1.16%
190	7	1.57%	182	8	1.36%
145	8	1.20%	187	7	1.39%
118	9	0.98%	196	5	1.46%
99	10	0.82%	-		-
-		-	89	10	0.66%
2,926		24.18%	3,235		24.10%
9,174		75.82%	10,191		75.90%
12,100		100.00%	13,426		100.00%

**City of Alpena**

Full-Time Equivalent City Government Employees by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General government	16	14	18	17
Police protection				
Officers	16	17	17	16
Civilians	2	2	2	2
Crossing Guard	1	1	1	1
Fire protection				
Firefighters and officers	22	24	27	28
DPW	17	16	16	15
Total	<u>74</u>	<u>74</u>	<u>81</u>	<u>79</u>

Source: City Manager's Office

Operating Indicators by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Police protection				
Physical arrests	557	506	427	474
Traffic violations	372	524	529	584
Traffic violations - O.W.I.	66	54	29	40
Parking violations	457	657	775	1,011
Fire protection				
Calls answered (City EMS & Fire)	3,381	2,212	1,902	1,400
Inspections conducted	1,534	1,536	1,542	225
Ambulance runs	4,611	4,072	4,031	4,420
Sewage system				
Number of service connections	4,640	4,647	4,639	4,643
Average daily treatment-in gallons	2,660,000	2,660,000	2,477,000	3,490,000
Water system				
Number of service connections	4,649	4,649	4,640	4,646
Average daily treatment-in gallons	1,818,000	1,818,000	1,590,000	2,140,000

Sources: Various City departments

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

Table 15

2019	2018	2017	2016	2015	2014
17	19	20	17	17	17
17	16	16	17	17	17
2	2	2	2	2	2
1	1	1	1	1	1
28	28	28	29	29	29
12	15	15	15	15	15
77	81	82	81	81	81

Table 16

2019	2018	2017	2016	2015	2014
688	541	613	605	592	620
488	633	625	566	574	494
41	50	39	55	30	45
879	1,276	1,179	1,485	1,184	690
1,420	1,987	1,309	1,227	1,076	1,067
616	182	200	200	200	219
4,602	5,020	4,926	5,183	5,213	5,216
4,639	4,574	4,659	4,798	4,798	4,774
3,500,000	2,980,000	2,000,000	2,895,082	2,914,166	2,590,000
4,640	4,578	4,665	4,798	4,798	4,770
1,690,000	1,536,000	1,530,000	2,020,000	2,169,166	2,190,000



**City of Alpena**

Capital Assets Statistics by Function

For the Last Ten Years June 30

<u>Function</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Public works</b>				
Major streets (miles)	25.80	25.80	25.80	25.80
Local streets (miles)	44.18	44.18	44.04	44.04
Streetlights	1210	1210	1210	1210
<b>Culture and recreation</b>				
Community centers	1	1	1	1
Parks	16	16	16	16
Tennis courts	6	6	6	6
Volleyball courts	6	6	6	6
Marina	1	1	1	1
Playgrounds	4	4	4	4
Park shelter buildings	2	2	2	2
Ballfields	7	7	7	7
Horseshoe courts	5	5	5	5
Beaches	4	4	4	4
Boat Launches	3	3	3	3
Nature preserve	1	1	1	1
Civic Theatre	1	1	1	1
Skateboard parks	1	1	1	1
Bi-Path (miles)	18.53	18.53	18.53	18.53
Fish cleaning stations	1	1	1	1
Public restrooms	2	2	2	2
Public squares	1	1	1	1
DDA parks	2	2	2	2
Fire stations	1	1	1	1
<b>Police protection</b>				
Stations	1	1	1	1
Marked patrol units	8	8	8	8
Unmarked patrol units	3	2	1	2
<b>Sewage system</b>				
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
<b>Water</b>				
Water mains (miles)	81.32	81.32	81.32	81.32
Fire hydrants	610	610	610	610
Treatment capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000

Sources: Various City of Alpena departments

Table 17

2019	2018	2017	2016	2015	2014
25.80	25.80	25.80	25.80	25.80	25.80
44.04	44.04	44.04	44.04	44.04	44.04
1210	1210	1210	1210	1210	1210
1	1	1	1	1	1
16	16	16	16	16	16
6	6	6	6	6	6
6	6	6	6	6	6
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
7	7	7	7	7	7
5	5	5	5	5	5
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
18.53	18.53	18.53	18.53	18.53	18.53
1	1	1	1	1	1
3	3	3	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
8	8	7	6	6	7
4	4	3	7	3	3
82.60	82.60	82.60	82.60	82.60	82.60
35.90	35.90	35.90	35.90	35.90	35.90
15,200,000	15,200,000	15,200,000	15,200,000	15,200,000	15,200,000
81.32	81.32	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, 2023

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: 93

City: 63

Number of Secondary Schools

School District: 3

City: 2

Number of Secondary School Instructors

School District: 111

City: 63

Number of Community Colleges: 1

Number of Universities: 0

Hospitals

Number of Hospitals: 1

Number of Patient Beds: 139

Source: Various City of Alpena Departments

## Communication with Those Charged with Governance at the Conclusion of the Audit

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan (the City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters dated November 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to software arrangements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, in 2023. There was no effect from the accounting change as of the beginning of the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole;
- Management's estimate of the allowance for doubtful accounts for ambulance services is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole;
- Management's estimate of its pension liability, OPEB liability, related deferred inflows of resources and related deferred outflows of resources, which is based upon actuarial valuations which considers such assumptions as the long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments;

- Management’s estimate of the amount that will be received regarding the sewerage and water litigation with the Charter Township of Alpena.

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

- The disclosure of Pension and OPEB information in Notes 15 and 16, respectively, to the financial statements because of assumptions used in the calculations of these liabilities;
- The disclosure of contingencies and claims in Note 19 to the financial statements, which discusses the ongoing litigation regarding the sewage and water rates with the Charter Township of Alpena.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 27, 2023.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

## Other Matters

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

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

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Recent Pronouncements.**

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

## Restriction on Use

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

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

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

Very truly yours,

*Straley Kamp & Kraenzlein P.C.*

December 27, 2023

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

## **Purpose of this Report**

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

Straley Lamp & Kraenzlein P.C.

December 27, 2023



City of Alpena

Schedule of Findings

Year Ended June 30, 2023

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**Finding Number 2023-001 – Internal Control over Noncompliance with Laws and Regulations – Unfavorable Budget Variances**

**Criteria:** 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 Act also requires the City to amend the original adopted budget “as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined.”

**Condition:** The City incurred expenditures in excess of the amounts appropriated. A major special revenue fund materially exceeded the budgeted amount.

**Cause:** The City adopted and amended the budgets timely and in accordance with state law. There was an adjustment that occurred subsequent to year-end for a grant in which the grantor paid for the expenditures directly, thus the grant revenue and expenditures did not directly go to the City. The adjustment increased both revenues and expenditures equally, therefore there was no net effect on the special revenue fund overall. This adjustment resulted in a material budget overage that was not discovered until the City’s fiscal year had ended. Consequently, the City could not amend the budget once the overage was discovered.

**Effect:** As a result, the City was not in compliance with the Uniform Budgeting and Accounting Act, P.A. 2 of 1968, as amended, (MCL 141.421 et seq.).

**Recommendation:** It is noteworthy that, although out of compliance with the Uniform Budgeting and Accounting Act, this does not appear to be a systematic issue within the budgeting process for the City. We recommend that the City monitors all grant awards to ensure the City is able to make appropriate budget amendments as needed.

**Management’s Response and Corrective Action Plan:** The City will continue to monitor the budget and make necessary and timely budget amendments. In addition, the City will make improvements in relation to grant management procedures and working with department heads to identify grants in which the grantor may be handling the payment of expenditures directly.