

COMPREHENSIVE ANNUAL FINANCIAL REPORT

# CITY OF ALPENA, MICHIGAN

Year Ended June 30, 2008

## **City Council**

Carol A. Shafto, Mayor

Sam Eiler, Mayor Pro-Tem  
David R. Karschnick Sr., Councilman  
Michael P. Polluch, Councilman  
Shawn Sexton, Councilman

## **City Manager**

Thad Taylor

## **Financial Officer**

Karen Hebert

## **Prepared by:**

City Clerk/Treasurer/Finance Director's Office

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# **I. INTRODUCTORY SECTION**

## **The Introductory Section Contains:**

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





# City of Alpena

CITY HALL • 208 NORTH FIRST AVENUE • ALPENA, MICHIGAN 49707-2885  
[www.alpena.mi.us](http://www.alpena.mi.us)

December 5, 2008

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Alpena for the fiscal year ended June 30, 2008. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Alpena, Michigan. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United State of America (GAAP), as applicable to governmental units. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Straley, Hsley & Lamp P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Alpena, Michigan, for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Alpena, Michigan's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

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

The City of Alpena is the county seat of Alpena County. Alpena is located on the west shore of Lake Huron and is one of the oldest chartered communities in the Lower Peninsula. Alpena is a community highly dependent on its industrial base, as it has been since it was laid out in 1840. In the early historical days, Alpena was a thriving lumbering/logging community, reaching a peak population of 15,600 in 1897. By the end of the 1880s, Alpena was nearing the end of its lumbering heyday when the cement industry surpassed the lumbering industry in the early twentieth century. The cement industry continues to remain an integral, valuable, and important part of the City. Government agencies such as the City and County seats; organizations such as the hospital, museum, high school and community college; and businesses such as LaFarge, Besser and Decorative Panel all make the City their headquarters.

For 2008, the U.S. Census Bureau reports a population of 10,490 for the City of Alpena. That is 814 people less than the 2000 census. The City is the largest political entity within the County and comprises over one-third of the total County population. The City is completely surrounded by Alpena Township which comprises another one-third of the County population.

The median age is 40 years old and the average income per capita is 28,550. Unemployment is at 8.3%. School enrollment has decreased steadily for the last ten years with an enrollment in 1999 of 1,989 compared to enrollment in 2008 of 1,592.

There are 3,408 workers employed in the City with the largest percentage employed in retail and government, and then manufacturing, health services and education.

The taxable value of real property in the City for 2008 is \$228,260,817. In a 10-year period through June 30, 2008, the increase in taxable value is 40.2%

Municipal services provided to its taxpayers include: legislative, executive, elections, assessing, finance, public safety, law enforcement, fire protection, ambulance, building inspection, parks and recreation, an electrical division, cemetery, cultural, conservation of natural resources, planning, engineering, and other functions. In addition, the City maintains two enterprise funds, which provide water and sewer. Other funds include an equipment fund for transportation and computer rental services, and a stores fund. The City also established a Budget Stabilization Fund (Rainy Day Fund), Building Authority Fund and a Tree/Park Improvement 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 who are elected by the residents of the City who are 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 Assistant City Manager, City Engineer, Public Safety Director, City Planning and Development Director, Management Information Systems Director 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**

The continued decrease in revenue from the State has forced the City to reduce capital projects and keep vacant positions unfilled in the departments of Public Works, Police, and Fire. Clerical staff in the Clerk/Treasurer/Finance Director's office was reduced from four full-time positions to three full-time and one part-time position.

Challenges are approached from a positive manner and the leadership attempts to direct efforts from a regional perspective. Developments within the education and medical communities continue to enhance and strengthen the City. Private sector development has held its own despite the weakened economy. The closing of Thunder Bay Manufacturing after 80+ years of operation resulted in the loss of over 80 quality jobs, as well as a reduction in the City's tax base; however, this was quickly offset by the purchase of the facility by Allegheny Technologies Incorporated in the fall of 2007. A division of this Pittsburgh based company has invested in excess of \$15 million in the facility and has begun production of wind turbine components for this growing alternative energy sector. Over fifty (50) jobs have been restored, with a total employment of 100-150 projected over the next two years. The sale was assisted by a \$1.8 million State of Michigan MEGA tax credit over seven years and a 9-year 100% new personal property tax abatement by the City. The local real estate market has also been impacted by the struggles of the state economy and the implosion of the real estate financial markets resulting in an increase in the number of homes on the market and in foreclosure. This has resulted in a decline in the sale price of homes over the past year.

Infrastructure improvements have made a significant difference in the aesthetic appearance of the City's residential areas, business community, and utility operations. Residential improvements continue to progress as the community image improves. Tourism is recognized as an increasingly significant contributor to the economic health of the area. These visitors enhance the vitality of the business community throughout the region. The unemployment rate in Alpena County for June of 2008 was 8.7%, the same as that for the State of Michigan.

Alpena is actively preparing to accommodate a large and growing elderly population, attracted by the area's natural resources, friendly small town atmosphere, cultural and continuing education opportunities, and quality medical care facilities, all of which provide an exceptional quality of life. The first phase of Alpena Village, a senior continuum of care community, is currently under construction. The 48-unit MSHDA assisted apartment building will provide affordable, quality housing for the elderly. Completion will be in the fall of 2008. Construction is also beginning on the first independent living condominiums. When fully developed the 30-acre community will consist of 80 independent living condominiums, 48 apartment units, 24 assisted living and memory loss units, a community center and walking paths, all located within a naturally wooded site adjacent to Alpena Community College.

The City has been an active participant in attempts to redevelop the former Fletcher Paper Mill site. In August 2002 Alpena Marc LLC, (Jeff Konczak, Managing Partner) acquired the mill and its assets. Mr. Konczak is in the process of converting the mill to a mixed-use development consisting of retail, institutional, restaurant, hotel, and limited-specialty manufacturing (brewery & soft drink manufacture) uses utilizing the existing buildings and restoring the oldest portions of the mill to their appearance circa the 1920's. New construction will mirror the architectural style of the existing buildings. Total project cost over a 6 to 8 year build-out is projected at approximately \$33 to \$60 million. The first phase consisting of the Great Lakes Maritime Heritage Center (visitors and interpretive center) and the Fletcher Street Brewing Co. completed construction in 2005. The Maritime Heritage Center held its grand opening on September 17, 2005 and continues to develop new static and interactive exhibits. A facility expansion is also being developed. Additionally, the Center now has access to I2 internet that permits real time video access to other NOAA marine sanctuaries and to related sites and scientific expeditions around the world. In time a number of the shipwrecks in the Thunder Bay Marine Sanctuary will also be able to be viewed live over the I2 internet connection. The brewery began operation in late summer 2005 with a tasting and special events room opening in November 2005. The paved parking lot was constructed during the summer of 2008. Landscaping is scheduled to be completed prior to the end of the year.

A major component of the overall development is a pedestrian boardwalk/trail along the north bank of the Thunder Bay River, which was completed in June 2007. This 14-foot wide walkway extends approximately 2,500 feet along the river from Ninth Avenue before curving back to connect with the City Bi-Path along Fletcher Street. Also included is a new pedestrian bridge linking the trail to Rotary Mill Island. Alpena Marc LLC, MDOT and the City of Alpena have partnered in the development of the walkway known as the Great Lakes Maritime Heritage Trail. The trail has been incorporated into the City's Bi-Path system. Total project cost was approximately \$3 million.

On the private sector side Alpena Marc LLC continues to focus its efforts on the development of a hotel/conference center in the main portion of the mill. In support of this project the City applied for and received a \$1.6 million CDBG grant for infrastructure improvements along Fletcher Street (the main entrance to the development) including sanitary sewer and water upgrades, street reconstruction, new sidewalks, decorative paving, period pedestrian lighting and street trees. The project was completed in June 2007 at a total cost of approximately \$2.5 million.

The City's North Industrial Park, established in the early 1970s, had its last lot sold in Summer 2006. The City has been working with Target Alpena to assist Panel Processing in the development of a new headquarters building in the Park. The City will be preserving wetlands located on a piece of City-owned property on Grant Street as mitigation for the removal of some wetlands on the Panel Processing site on which the new headquarters will be constructed.

To provide additional sites for light industrial growth, the City, in conjunction and partnership with Target Alpena, has developed a new business enterprise park for light manufacturing and commercial ventures. This new park, named the "Commerce Industrial Park", has 15 lots available for development, and is located in a state approved tax-free renaissance zone. Currently, 3½ lots have been sold to two businesses, with one currently in operation and the other under construction. This new development also includes the construction of Commerce Drive, which has reduced the amount of truck traffic through the residential neighborhoods on the City's North Side, and Target Drive within the park.

The City of Alpena in partnership with Alpena, Presque Isle and Grand Traverse Counties and the Cities of Onaway, Rogers City and Traverse City was successful in its application for the establishment of the Northern Tier Renaissance Zone. Four of the ten approved sub-zones are located within the City of Alpena. Renaissance Zone designation provides major tax incentives to promote new and expanding economic development within each sub-zone. Eligible businesses, property owners and residents within the Renaissance Zone are exempt from State single business, personal income, local property (does not include debt retirement and special assessments) and education taxes for the duration of the Zone (15 years commencing January 1, 2000). A request by the City to extend the termination date for the Oxbow Park and Armory sub-zones until 2017 was approved by the MEDC. Additionally, a modification of the boundaries of the Armory sub-zone was also approved.

The four sub-zones located within the City are Commerce Industrial Park, Oxbow Park, the Southwest Residential Site and the National Guard Armory. Commerce Industrial Park contains fifteen 1-acre lots targeting new and expanding small businesses. Construction of the industrial park was completed in Spring 2001 and the final plat approved by the State the following summer. The first lot was sold by Target Alpena in 2005 and is occupied by a propane gas distribution center. An additional 2½ lots were sold in 2006 and will serve as the new Alpena facility for Alro Steel, replacing their previous facility that was destroyed by fire in October 2005. Target is also in discussion with other prospective purchasers for additional lots. In 2007 the State of Michigan amended the Renaissance Zone Act allowing local jurisdictions the right to request time extensions on a lot by lot, project by project basis up to a maximum of fifteen years. This change has resulted in renewed interest in the industrial park.

Oxbow Park, located on the City's northwest side, contains approximately 40 acres. The developer, Walden Properties LLC is developing a mixed-use community based on the neo-traditional new urbanism model reflective of our cities and small towns of the first half of the 20th century with a mixture of office, commercial and residential uses. Various site amenities include an extension of the City's bi-path system, park-like common areas, a pond, and clock tower. Total project costs are estimated in excess of \$50 million. The site is a brownfield, as well as being designated a Renaissance Zone. Since construction commenced in fall 2004, the first two phases of a senior housing development (Turning Brook) containing 40 assisted living units have been completed and are fully occupied. A third phase consisting of 12-16 independent living senior housing units is in the planning stage. A nurse practitioner's office and a regional dialysis treatment facility operated in conjunction with the Alpena Regional Medical Center have also been completed. Walden Properties is currently in discussions with additional parties for the development of additional office and commercial space within the village. The current economy has greatly hampered the development of further components of the project. To assist in its development, the City received a \$1.4 million CDBG grant from the Michigan Economic Development Corporation (MEDC) for off-site infrastructure improvements (streets, water, storm sewer) necessary to support the project. This project has been completed, and the City is currently in the process of closing out the grant.

The Southwest Residential Site is a triangular parcel containing approximately 15 acres located on the north side of Grant Street west of the D&M Railroad tracks. With 60% of the site covered by wetlands, the City has determined that it would be best to leave the site in its natural state. To that end the City has agreed with the MDEQ to have a permanent conservation easement placed on the northern 8.7 acres as mitigation for the removal of less than an acre of wetland in the North Industrial Park necessary for the construction of the new Panel Processing headquarters.

The National Guard Armory Building on Water Street was sold by the State of Michigan to a private local development team, Memorial Hall LLC, in early 2006. Basic repairs – new roof and removal of the dilapidated chimney – have been completed to secure the building from the elements. The City assisted in the completion of an environmental assessment and BEA for the building through its MDEQ Site Assessment Fund grant and has designated the building as a single site historic district to enable the developers to apply for both State and Federal historic tax credits. The owners had actively promoted the building as a replacement for the City's current Civic Center. A final decision by the City Council on the possible re-location of the Civic Center to the former Armory is anticipated during the summer of 2008. If the Civic Center is not re-located to the Armory building; the owners intend to look at other commercial options for its re-use.

The City continues in its effort to sell and develop the 100-acre US 23 North property across from North Industrial Park. To date none of the land has been purchased. The City instituted a Price Reduction Plan whereby a purchaser could significantly reduce the acquisition cost for a parcel based on capital investment and job creation. In partnership with Target Alpena Development Corporation, the City has also contracted with Buy Lease Build Magazine on a statewide marketing initiative over a seven month period.

In October 2007 the City completed its third successful MSHDA-funded Rental Rehabilitation program. Unlike its previous grants these funds targeted specific areas of the City and were divided into two distinct programs. The first with \$200,000 in funding duplicated the City's previously successful rehabilitation of existing residential rental units for low and very low income households in the Lincoln School neighborhood on the City's north side. A total of fourteen (14) units were rehabbed under this component. The second \$100,000 component was a pilot project that provided assistance in the development of new upper story residential rental units in commercial buildings in the City's downtown. A total of 4 units were constructed, with three designated as affordable and one as market rate. In April 2008 the City was awarded its fourth MSHDA grant in the amount of \$219,600 to be used exclusively for the development of at least six (6) new residential rental units in the City's downtown. Currently, City staff is working with four property owners on projects that will result in the construction of six new units by the end of 2009.

The downtown area has also been designated a Neighborhood Enterprise Zone that provides tax abatement incentives for the rehabilitation of existing or the creation of new residential dwelling units. It is anticipated that the combination of rehab assistance and tax abatement incentives will continue to spur new residential development in Alpena's downtown, a major goal of both the Alpena City Council and the Downtown Development Authority. The MSHDA funding itself is in the form of a "forgivable loan or mortgage", which is released by the City following a 5-year "affordability period" during which the rehabilitated unit must be rented to low or moderate income households and rents capped at levels prescribed by MSHDA. With the completion of this latest funding program a total of 54 units have been rehabilitated and made available to low income households, with an additional four (4) new units created in the downtown.

The City in partnership with Alpena County, Alpena Township, the Alpena Area Chamber of Commerce, Target Alpena Development Corp. and private sector business interests have moved well along in the process by which several independent economic development efforts will be coordinated, restructured and adequately funded to more effectively promote economic development in the greater Alpena area throughout the state, region, nation and the world. Target Alpena has completed and is currently implementing a new short term and long-term strategic economic development plan for Alpena County including the City of Alpena. The first ever Service Agreement between the City and Target Alpena will go into effect July 1, 2008. This Agreement will specify the funding provided to Target by the City, a scope of services to be performed by Target, reporting requirements for Target, and rights and responsibilities of both parties. Under the leadership of its Executive Director and Executive Committee, Target Alpena has made great strides in revitalizing and refocusing the area's economic development efforts.

### **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 1998. 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 September 2004 to revisit the vision and review the status of the goals to purposefully revise and update them (reviewed annually since 1988, biennially since 1998 and every four years since 2004). 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.

The spirit of cooperation, collaboration, and commitment to community excellence remain a vital part of the continuous Visioning process in the City of Alpena.

## VISION

Working together, the community of Alpena will become a premier choice as a place to live, work, and vacation.

Residents will recognize the community's continued dedication to all areas affecting the quality of life.

The community will continue to be committed to excellence in maintaining its "TREASURES":

- ◆ a friendly town with a safe environment;
  - ◆ good place to raise a family;
  - ◆ enjoyment of natural resources;
    - ◆ preservation of traditions;
- ◆ recreation and cultural experiences;
  - ◆ employment opportunities.



The following is a description of current allocated efforts and resources in each of the Major Impact Areas as well as priority goals and corresponding objectives collaboratively generated by the Alpena City Council and the Alpena City staff, with input from the Chamber of Commerce, Convention and Visitors Bureau, Downtown Development Authority, other community organizations, and citizens.

### I. HOUSING



The City's Comprehensive Plan will be updated in Fall 2008 and will respond to the changing population of Alpena, including the increasing percentage of senior citizens. The City Council and City staff carefully reviewed and took into consideration the current Comprehensive Plan to optimize and align City efforts and resources.

The Comprehensive Plan includes areas designated for "Planned Development" which would permit mixed-use developments including a variety of housing types. These could be developed individually or intermixed to meet the market demands of the community.

The following housing goals have a concentrated focus on continuous improvements in neighborhoods and the housing stock in the City, aligned with the Comprehensive Plan:

A. *Preserve and enhance existing housing and neighborhood character.*

1. Continue promotion of existing tax incentives and monetary awards for residential rehabilitation.
  - a. Promote the Neighborhood Enterprise Zone program in the downtown area and investigate expansion of the NEZ program to other City neighborhoods.
  - b. Expand the existing Community Pride program to include commercial office upgrades, historic renovations, and street-side landscaping projects.
  - c. Explore incentives for people to move to downtown Alpena. Work in partnership with the DDA.
2. Continue to enforce property and maintenance codes.
3. Amend property maintenance ordinance to identify criteria for height of grass and/or frequency of cutting.
4. Explore the possibility of expanding Citywide Pride Program to citizens as a way to recognize outstanding citizens and/or citizen activities.
5. Continue to improve the quality of residential rental units.
  - a. Continue ongoing monitoring and evaluation of the rental registration and mandatory rental inspection programs.
  - b. Continue and expand the Michigan State Housing Development Authority (MSHDA) Rental Rehabilitation grant program as a way to assist landlords to upgrade their rental units.
6. Support continuation of the historic study committee to determine the feasibility of:
  - a. Creating an historic district(s) and/or designating single-site historic landmarks.
  - b. Establish a set of historical architecture guidelines to promote quality and historically accurate restorations, in cooperation with the DDA. The guidelines will be developed by the City and the Historic District Study Committee in conjunction with the establishment of the City's first historic district.
  - c. Encourage and assist property owners to apply for state historic designation for single sites, and develop a local historic marker program.
7. Meet with the County to discuss possible expansion of the Alpena County Home Improvement Program and/or see what the County feels is the future of the program.
8. Investigate feasibility of the Neighborhood Preservation Program through the Michigan State Housing Development Authority.

B. *Diversify the housing stock in the City.*

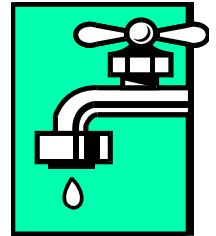
1. Explore senior housing opportunities and demands in future years.

2. Encourage appropriate development of riverfront areas for quality housing.
3. Encourage further development of downtown housing.
4. Encourage more multiple-family residential developments.

## II. INFRASTRUCTURE

### Water, Sewer, and Storm Sewer Services

Providing residents with good, clean water and sanitary services at reasonable rates is a priority of the City. The water filtration facility has been in consistent compliance with all requirements of the Safe Drinking Water Act and State of Michigan Drinking Water Regulations. Utility management conducted a water and sewer rate study in 2004. The survey showed that the rates charged by Alpena were the second lowest out of the thirty-six utilities that were polled.



Efforts to improve the aesthetics of the Water Recycling Plant have been very successful. An air collection and scrubbing system was installed to control the migration of offensive odors to the marina and downtown areas. The odor treatment units have been enclosed within a building, and a screening wall has been constructed to provide a visual barrier between the plant and the floating docks at the marina. Completion of the utility administrative office has enhanced the appearance of the plant and improved customer service by providing a drive-through window and night depository box. The City received recognition for these improvements from the Michigan Municipal League. In September 2002, the plant received an award for Superior Innovation for its submittal "Making the Alpena Water Recycling Plant a Good Neighbor." In 2004, the Alpena Water Recycling Plant won a USEPA Region V First Place Award for Excellence in the Operation and Maintenance of a Medium Secondary Water Pollution Control Facility. Additionally in 2004, the Alpena Water/Wastewater Utility won the National AWWA Wendell R. LaDue Safety Award for Utilities with a staff of 10 to 100 employees.

Negotiations with Alpena Township are continuing, and an emphasis has been placed on extension of the rate-setting formula and master agreement for the best interest of both the City and Township.

The following goals are focused on continuous improvement:

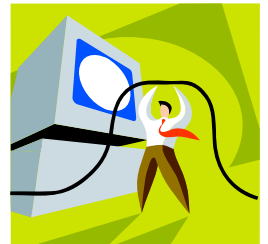
- A. *Continue to provide water, sewer, and other infrastructure that meets all needs.*
  1. Inventory and computer map all utility infrastructure presently in place.
  2. Investigate the impact if the City of Alpena were to provide water to other townships on an "as requested" basis.
  3. Explore all opportunities to secure a state revolving fund loan for wastewater treatment facility upgrades.
  4. Support a Thunder Bay River regional watershed plan.
    - a. Partner with townships and/or other organizations to explore options including grant opportunities to improve water quality and upgrade failing septic systems.
  5. Develop best management practices plan and public information /education program regarding storm water management.
    - a. Solicit volunteers and work with the Thunder Bay River Watershed Council to stencil/paint "Dump No Waste - Drains to River" on pavement.



6. Promote consistent storm water and drainage management practices among all affected units of government.
7. Evaluate existing sewer and storm water capacity capabilities.
8. Implement the 10-point plan regarding sewer backups and flooding.
9. Investigate the advisability of a contract with Alpena Combat Readiness Training Center (ACRTC) for contractual operation of its on-base water and sewer systems.
10. Implement a mercury minimization public education effort for wastewater discharges.
  - a. Explore Clean Michigan grant opportunities for mercury minimization.
11. Continue a public education effort on drinking water protection.
12. Consider a revenue bond issue, participation in the state's Clean Water Bonding Program, or rate increases to fund sewer system improvements.
  - a. Consider hiring an engineering firm to prepare an application and needs study to apply for state revolving fund loan program.
13. Encourage or require underground utilities (electric, telephone, cable) for all new development and all reconstruction.
14. Begin long-term investigation regarding the eventual need to build new water and water recycling plants.

### **Technology Services**

The City of Alpena has the opportunity to influence and accelerate the development of “wired city” infrastructure. In the near future there will be a convergence of services such as telephone, television, and internet, which will become available to “wired” communities. The City’s goal is to find and reduce redundancies in public and private sector investment by creating an environment that will allow everyone to share resources and move the entire community toward a connected future.



The goal of the City is to create the groundwork to develop an infrastructure that will create partnerships and reduce redundancies to encourage the quicker adoption of new technology. By developing an underground conduit system as part of other construction projects at the City, there is the ability to open up new possibilities for public services and private sector development which will enhance the community, reduce expenses to the City, and develop new revenue streams.

In order to begin this project, the immediate goals would be to discuss and review the possible future needs of data communications connections in all construction projects. Any projects with a likely Return on Investment should be pursued; and projects that may have a private sector use should be evaluated to determine if the project should include, at a minimum, conduit for future development. The incremental nature of this deployment of data communications infrastructure will keep cost low and will in time create a network of connections that will fill the demands of the future.

- B. *Provide avenues for expanding technology. Make Alpena a wired community.*



## **Transportation Services**

City Council has taken an aggressive, proactive approach to improving the overall condition of streets within the municipal system. Funds are committed annually to perform appropriate upgrades to street segments. This could be from chip sealing to total street reconstruction. City Council is also actively pursuing all grant opportunities to maximize local funding.

City Council has taken the lead in providing non-motorized transportation to the community with plans to interlink all parks, recreation areas, and neighborhoods. The City has actively participated in intergovernmental activities to bolster and improve transportation both within the City and regionally.

The City continues to work with Dial-A-Ride, Thunder Bay Transportation, and Regional Medical Ride to provide transportation services in the most cost-effective, customer-oriented manner.

Recently, there has been a significant amount of activity in the transportation arena. The focused goals to continue the improvement of the transportation system of Alpena are:

- C. *Promote a transportation system that meets the full range of transit needs of the community, now and into the future.*
1. Support the efforts of MDOT for more passing lanes and 4-lane segments on US-23 and M-32.
  2. Complete the pedestrian/Bi-Path linkage to all City parks and waterfront.
    - a. Determine missing segments and associated costs such as north side, State Avenue, Bagley Street.
    - b. Determine funding sources for Bi-Path expansion and upgrades.
  3. Improve the condition of the City streets.
    - a. Determine costs associated with improving City streets.
    - b. Explore options for the expansion of curb and gutter program.
  4. Support implementation of the routing plan for a bypass from US-23 south to US-23 north.
  5. Investigate feasibility of summertime fixed route specialized public transportation service (trolley) for festivals and special events.
  6. Complete a City-wide traffic flow and street plan.
  7. Develop street lighting/pedestrian lighting plans for City streets and various neighborhoods.
  8. Investigate the advisability of Dial-A-Ride incorporation into a regional transportation authority.
  9. Support the efforts of Alpena County to improve flight service and economic development at the Alpena County Regional Airport.
  10. Support the Michigan Department of Transportation designation of US-23 as a Recreational Heritage Route.
    - a. The City should be an integral partner with strong representation on the Alpena County Heritage Route Committee.



- b. The City should work with the Alpena County Heritage Route committee to:
- Identify those elements within the City of Alpena which are recreation designation points.
  - Amend the Corridor Management Plan to include those items identified.
  - Seek grant funding through the Heritage Route segment of the Enhancement Grant Program to facilitate improvements as needed at the above referenced locations.
11. Support efforts of the Alpena Snowmobile Association and local governmental units to develop linkages between existing snowmobile trails, and to evaluate the potential for a trail(s) into the City.

### **City-Owned Facilities**

- D. *Develop a long-term plan for City-owned facilities.*

## **III. RECREATION/CULTURAL OPPORTUNITIES**

The Alpena Area Recreation Commission has been established and is now operational.

A new master plan for Mich-e-ke-wis Park and Starlite Beach has been completed.

McRae Park is in the process of being expanded through the donation of property from the Alpena Little League Association and NEMROC.

The City continues to encourage further use of its riverfront by supporting events such as Riverfest, Maritime Fest, etc.



The City Bi-Path system continues to be developed. The City continues to apply for funding to complete development of and to upgrade facilities at City parks along both the Thunder Bay River and the Lake Huron shoreline. As these are completed, an integrated system of waterfront parks and pathways will link a majority of the City.

City-owned Bay View Park has been developed to maximize availability and use of recreational facilities. Installation of pedestrian lighting and walkways has been completed.

Considerable effort is currently being invested in this area, and the following goals will continue the work in recreation/cultural opportunities:

- A. *Expand in-City winter recreation opportunities.*
- B. *Improve Bi-Path for year-around use.*
1. Continue to pursue Railroad Abandonment/Rails to Trails within the City limits and explore potential uses of abandoned track.
  2. Review current regulations governing Rails to Trails.
  3. Work with established advocacy groups regarding potential and uses.
  4. Continue and complete the Heritage Riverwalk along both banks of the Thunder Bay River from the mouth of the river to the Ninth Avenue Bridge within the Cool Cities Neighborhood.

5. Support the boardwalk link between Second and Ninth Avenues on the north side of the river in conjunction with the redevelopment of the former Fletcher Paper Mill site.
- C. *Implement Phase Three of River plan. (Roadside Park/ Island Park/ Wildlife “Sanctuary”)*
1. Support the implementation of the proposed Environmental Interpretive Center and boardwalk/fishing pier plans
- D. *Support the Thunder Bay National Marine Sanctuary and Underwater Preserve.*
- E. *Support the Thunder Bay Recreation Complex.*
1. Continue to have City representation on the Alpena Area Recreation Commission.
- F. *Continue support for development and expansion of parks.*
1. Actively pursue acquisition opportunities for waterfront properties considering both budgetary issues and private development opportunities and/or benefit to the City.
  2. Continue to budget for waterfront park expansion, improvement, maintenance, and beautification.
  3. Maintain grounds, playground equipment, and other amenities for the public enjoyment.
  4. Continue policy of opening views of waterfront to emphasize Alpena as a water-based community where advisable and practical.
  5. Irrigate all City parks.
  6. Acquire residences on State Avenue to create an open area from State Avenue to the Band Shell.
  7. Make the City of Alpena Marina area a showcase for the community and Northeast Michigan.
  8. Replace existing playground equipment with modern, up-to-date play structures with Starlite Beach and Mich-e-ke-wis Park being the first priorities.
  9. Begin the systematic implementation of the Starlite Beach/Mich-e-ke-wis Park Master Plan.
  10. Develop lighting plans and themes for City parks.
  11. Complete relocation of the Oxbow Babe Ruth baseball field to the expanded McRae Park.



#### IV. ENVIRONMENTAL ISSUES

The City continues its commitment to comply with all federal and state environmental standards. The Alpena Water Recycling Plant has been in substantial compliance with all discharge limitations, and the Water Filtration Plant has also been in consistent compliance with all regulatory requirements.

Alpena and Montmorency counties, with active participation from the City of Alpena, local townships, and the Northeast Michigan Council of Governments (NEMCOG) have jointly created the Northeast Michigan Recycling Alliance Authority (NEMRAA). NEMRAA went into full-time operation in the summer of 2003 and is currently operating from the old Alpena transfer station facility on M-32 West.

NEMRAA has acquired over \$100,000 in recycling equipment, is employing a part-time facility manager, and is keeping the recycling facility open annually. NEMRAA also partners with MSU Extension in conducting a Clean Sweep program and household hazardous waste drop-off.

Long-term funding is currently the most serious issue facing NEMRAA. Currently, a user-based fee system is being charged for all materials brought to the facility. NEMRAA is working with counties, all local units of government, and the Alpena-Montmorency-Oscoda Landfill Authority in addressing funding issues.

The following goals assist in the forward motion of environmental issues:

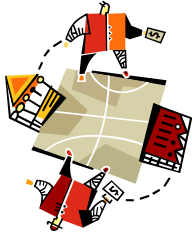
A. *Continue to improve air and water quality.*

1. Continue implementation and expansion of recycling.
2. Continue participation in ongoing air and water quality issues based on defined, acceptable standards.
3. Continue to investigate solid-waste options including curbside recycling and franchising/contracting of trash pickup.
4. Continue a proactive tree planting program.
5. Control and reduce presence of odors in the City.
6. Pursue grants to dredge CKD that has entered the bay.
7. Continue to promote citywide implementation of the City's Brownfield Redevelopment Plan.
8. Re-establish elm trees in the City of Alpena by using the new disease-resistant hybrid.
9. Investigate ways to eliminate seasonal, organic beach deposit.
  - a. Work with Earth Tech and the private sector regarding beach cleanup.
10. Tree City USA
  - a. The City of Alpena, through the Department of Public Works, will annually apply to the National Arbor Day Society for designation as a Tree City USA. In order to achieve designation, the City will maintain an active tree planting and maintenance program. The City will also designate one day per year as Arbor Day within the City of Alpena and encourage public participation in Arbor Day activities.



## V. ECONOMIC DEVELOPMENT and TOURISM

### Economic Development and Tourism



The City works with private companies and other organizations to facilitate infrastructure improvements to support and spur economic development within the City. Examples of recently completed projects include Commerce Industrial Park and improvements to the North Industrial Park. Funding from the Michigan Economic Development Corporation played a significant role in both projects. Target Alpena has been charged with the responsibility of selling the lots it owns in the new Commerce Industrial Park to create jobs for the community. To assist Target Alpena, the City has designated Commerce Industrial Park as a Renaissance Zone, which provides significant tax benefits to purchasers/developers.

City staff continues working with Alpena Marc LLC on the reuse of the former Fletcher Paper Company Plant site. The Michigan Economic Development Corporation has awarded the City a \$1.6 million CDBG infrastructure grant to support the redevelopment of this property. Additionally, the City has transferred ownership of Oxbow Park, a former City landfill site and a designated Renaissance Zone, to Walden Properties, which is in the process of redeveloping this Brownfield into a mixed-use commercial/residential community called Oxbow Village. The Michigan Economic Development Corporation has committed \$1.4 million toward needed infrastructure improvements required for the Oxbow Village project.

The City continues to work closely with local businesses on a wide range of issues including zoning, building codes, tax abatements, etc., to ensure that local economic development can take place in a timely manner without infringing on our residential neighborhoods.

The City will partner with the DDA to implement the recently completed market analysis/strategic plan of the downtown and adjacent commercial areas on Chisholm Street and North Second Avenue. The market analysis provides guidance to the City and the Downtown Development Authority in the redevelopment of our older commercial areas.

The City and the State of Michigan designated the former National Guard Armory Building site in Alpena as a Renaissance Zone. The City continues to support the State of Michigan in its efforts to sell this important property for future redevelopment. The City is presently working with a private developer on the redevelopment of this property for both affordable and market-rate housing.

The City recently purchased approximately 100 acres of land on U.S. 23 North for various purposes including economic development, public uses, as well as for road improvements. Alpena Village purchased 10 acres with an option for an additional 20 acres in 2002 for the development of a Senior Continuum of Care Housing Community. Since that time Alpena Village has entered into negotiations with Alpena Community College for the purchase of 30-40 acres along Wilson Street for this development. The City continues to promote the site and evaluate other development opportunities for this area including a possible joint marketing effort with ACC.

In 2004, the City of Alpena was designated a *Cool City* under the State of Michigan's "Cool Cities" Initiative. The City, through the Cool Cities Advisory Committee and City staff, will actively work with the Alpena Downtown Development Authority, other governmental and community entities, and the citizens to maintain, promote, and enhance our *Cool Cities* status.



Completion of the Heritage Riverwalk pilot project will remain a specific priority of our local *Cool Cities* initiative. Partnership with the Thunder Bay National Marine Sanctuary and Underwater Preserve in achieving designation of a Preserve America community will be another specific local goal. The City, with its numerous partners, will continue to promote and develop projects and programs that enhance Alpena as a Cool Cities community.

The City is continuing to upgrade its waterfront parks, most notably the marina complex and the Starlite and Mich-e-ke-wis Park areas to provide additional amenities and infrastructure for special events and visitors. Improvements to the City's award winning Bi-Path system continue to be a high priority.

A renewed emphasis on tourism advertising and marketing will be a priority.

To continue growth in economic development and tourism, the City will focus on the following:

A. *Promote diversified economic base.*

1. Continue to support Target Alpena in its economic development efforts, especially related to developing Commerce Industrial Park.
2. Continue to support the Convention and Visitors Bureau efforts to increase tourism, including allocation of additional resources for tourism marketing and advertising by the private sector and governmental units.
  - a. Investigate a public/private program to increase funding for tourism and community promotion; as an example, for each new dollar raised by the private sector, governmental units would consider a match.
3. Continue to support community events such as Brown Trout, Art on the Bay, Ramblin' Rods Car Show, Great Lakes Lighthouse Festival, Sidewalk Sales, Riverfest, Maritime Fest, etc.
4. Continue expansion of infrastructure and services to support future industrial development.
5. Expand efforts for recruitment and expansion of family-sustaining jobs - including allocation of additional resources for business recruitment, marketing, and advertising.
6. Support Downtown Development Authority efforts in development of new businesses downtown.
7. Expand efforts to fill Commerce Industrial Park.
8. Pursue redevelopment of obsolete commercial properties throughout the City.
9. Work with Lafarge Corporation on Commerce Drive and North Second Avenue for new industrial development corridors.
10. Reevaluate criteria for granting Act 198 Industrial Tax Abatements.
11. Promote the Renaissance Zones.
12. Acquire property for new development.
13. Capitalize on the Cool Cities designation.
14. Formulate an economic development partnership with Alpena County.
  - a. Improve marketing of our community.
  - b. Provide assistance to help expand existing businesses.



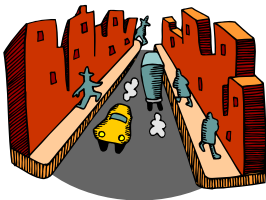
## **Destination Alpena**

Community groups such as the Convention and Visitors Bureau, Target Alpena, and the Chamber of Commerce continue to explore possible “magnet facilities” or final destination attractions which may be encouraged to develop in the city. The intent is to identify potential destination attractions involving both public and private financial participation. It is believed that tourism must have a more important economic development roll in Alpena’s overall economic base.

To continue the work in progress with “Destination Alpena,” the City will:

- B. *Work toward a destination facility.*
  - 1. Cooperate with private sector to establish a waterfront hotel or resort complex.
  - 2. Support and encourage an overnight stop for a “Great Lakes Cruiseline.”
  - 3. Continue to support those existing services that are attracting people to the area such as the National Marine Sanctuary and Underwater Preserve, local festivals, Alpena General Hospital, senior housing, World Center for Concrete Technology, Alpena Community College, Northern Lights Arena, etc.

## **VI. CENTRAL BUSINESS DISTRICT**



The Downtown Development Authority continues its efforts through the tenets of the “Main Street” program, which focuses on the historic nature of the downtown. Many of the goals are implemented through the “Main Street” four-committee structure, supported by City staff. The DDA, supported by the City, will also define its program of work through the 2003 Market Analysis and Strategic Plan.

Many downtown buildings have been renovated consistent with the historic nature of the downtown, assisted in part, by the recently established DDA Façade Grant Program. The City and the DDA continue to pursue methods to encourage and support residential development on the second and third floors. A Neighborhood Enterprise Zone has been established to provide incentive for the property owner to redevelop a property into residences.

The Downtown Development Authority, with support from the City, completed the 2003 Market Analysis and Strategic Plan for Downtown Alpena, which provides current, relevant data to help the DDA and the City determine a program of work to include way-finding signage, business recruitment, and needed capital improvements. The City supports the DDA effort to implement the findings of this plan, including the new Façade Grant Program of the DDA.

The City continues to support the efforts of Walden Properties and the Downtown Development Authority to facilitate the redevelopment of the vacant land at the corner of Third Avenue and River Street. The City and the DDA also received a grant to improve the streetscape along the Washington Avenue entrance into downtown.

The City continues to work with the landscaping committee of the DDA to improve the overall appearance of the downtown district. The City continues to support the Christmas decorations in the downtown area, and works with the Downtown Development Authority and downtown businesses to improve snow removal in the downtown area. Additionally, the banner program has been expanded, and includes the impact zones adjacent to the specific downtown district.

To continue to maximize efforts invested in the central business district, the City will:

- A. *Continue to support revitalization efforts.*
  - 1. Support Downtown Development Authority initiatives, such as:



- a. Historic restoration and preservation.
  - b. Historical pedestrian lighting.
  - c. Continue involvement with new “Main Street” committees.
  - d. Encourage attraction of young citizens and families to the downtown area.
2. Continue to expand efforts to make funds available for the new DDA Façade Improvement Grant program for property owners to renovate storefronts to preserve historic-like character.
  3. Encourage residential development on the second and third floors.
    - a. Work with the DDA to market and implement the Neighborhood Enterprise Zone, an incentive to remodel and improve upper-level apartments. Grant sources and other incentives will also be pursued.
    - b. Identify locations for year-around parking for residents.
    - c. Encourage development of vacant property.
  4. Continue development from Chisholm Street Corridor to the riverfront.
  5. Support efforts for business recruitment.
    - a. Provide inventory of vacant properties through the Downtown Development Authority and City of Alpena websites.
  6. Extend downtown-type amenities on Chisholm Street to George Washington Bridge.
  7. Continue to develop riverwalk.
  8. Investigate feasibility and cost of a parking structure.
  9. Support and encourage retention of existing services such as the Senior Citizens Center, Fish & Wildlife Services, Coast Guard, IRS, etc.
  10. Explore redevelopment of existing parking lots.
  11. Support marketing and recruiting partnerships for small businesses.
  12. Work with Alpena Marc LLC on the redevelopment of the Harborside Mall block.
  13. Determine if the Obsolete Property Act should be used in the downtown and adjacent commercial areas to spur development and business recruitment.
  14. Support redevelopment of the National Guard Armory site.
  15. Determine if more public restrooms are needed in the downtown.



## VII. INTERGOVERNMENTAL RELATIONS

The City continues to reach out to other governmental units to develop greater cooperation.

The Alpena Area Recreation Commission is operational. A recycling authority has been formed and is operational. Intergovernmental meetings are being held through the Intergovernmental Council every four months. Subcommittees have been formed on various issues and are meeting as required and reporting back to the Intergovernmental Council. The Intergovernmental Council's responsibilities include communications, roads, drainage, air and water quality, public safety, and economic development.



The Northeast Michigan Recycling Authority Alliance involving both Alpena and Montmorency Counties has been formed and has begun limited operations. A household hazardous waste collection program is operational and the Authority is looking at the feasibility of continuing a transfer station operation and is trying to determine a long-term funding source to finance an expanded recycling program in both Alpena and Montmorency Counties.

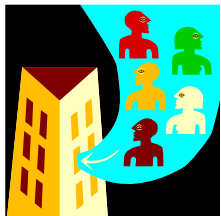
To focus on the continuous improvement of intergovernmental relations, the City will:

### A. *Improve government services through intergovernmental relations.*

1. Continue communications with governing bodies regarding agenda and items affecting other jurisdictions.
2. Work with the Intergovernmental Roads Committee to achieve Bi-Path improvements along perimeter roads.
  - a. Work together to address the Bagley Street Bi-Path issue.
3. Work with Alpena County to keep the jail facility in the City limits.
4. Maintain a long-term ambulance agreement with Alpena County.
5. Negotiate a long-term water and sewer rate agreement with Alpena Township.
6. Work toward a permanent solution to animal control and impoundment.
7. Accelerate dialog regarding land use regulations and access management with Alpena Township and County. Continue to promote that dialog and investigate those tools that are provided by the state regarding land use regulations and access management.

## VIII. CITY OPERATIONS

### City Departments and Staffing



The City's most important resource is its employees. These are the people who provide the services that our residents need and deserve. To accomplish its mission, the City places significant emphasis on training and retaining its employees. Each Department Head is required to annually prepare a training plan for their department employees. Their training plans focus on skills development, customer service training, technology training, etc.

The City has an award-winning web page, [www.alpena.mi.us](http://www.alpena.mi.us). All departments have web pages, and they are maintained in an up-to-date manner. The City will continue to upgrade and provide additional resources through its home page and the Internet.

All City departments utilize surveys to gauge the satisfaction of residents for City services. The surveys assist the staff and City Council in improving services.

To continue to ensure quality within City departments and staffing, the City will:

- A. *Provide staffing levels commensurate with services provided.*
  - 1. Continue to provide education programs for staff, council members, and members of boards.
  - 2. Continue the wellness program for current City employees and investigate a program for retirees.

### **Fiscal Responsibility**

The City has kept adequate fund balance reserves and is in excellent financial condition per the annual audit process. Alpena received the Certificate of Financial Achievement Award for excellence in governmental accounting and financial reporting for nine consecutive years.

A budget stabilization “rainy day” fund and a Department of Public Works Construction Fund have been established. A Building Authority has been established to fund special projects.

- B. *To ensure continued excellence in fiscal responsibility, the City will continue to inform the general public on the financial status of the City.*
  - 1. Continue to use the standards of the Certificate of Financial Achievement Award as best practices for the City.
  - 2. Continue to maintain a general fund balanced budget.
  - 3. Make annual contributions to the rainy day fund as budget allows.
  - 4. Continue to fund the sewer backup/self-insured account and build up reserves.
  - 5. Investigate the feasibility of paying property taxes and other bills electronically.
  - 6. Investigate accepting debit cards at the Clerk’s office and at Earth Tech.
  - 7. Investigate changes to the purchasing policy to permit the greater use of electronic commerce.
  - 8. Establish a property purchase fund or a designated fund balance as the budget allows.

## **IX. COMMUNICATIONS**

Continuous efforts have been invested in improving the communications between the City and its “customers” (citizens). The City provides a form in its newsletter to request information or to express a concern to the City Manager’s office. The City also makes the e-mail address of City employees available for electronic requests for information and services.



Customer satisfaction surveys are being implemented for citizens involving the sidewalk program, City Marina, zoning process, water and sewer services, cemetery, snowplowing, maintenance of City parks, and brush and bagged leaf pickup. Results from these surveys help improve operations. Surveys regarding fire service, police service, and ambulance service are also being conducted. The City Clerk/Treasurer/Finance Director’s office will also conduct a customer satisfaction survey in the future.

A. *The City will continue communications between the City and its customers.*

1. Maintain an open atmosphere at all City facilities that encourages citizen input.
2. Continue to communicate with the public so they understand the issues that are before City Council.
3. Continue City representation on community boards, advisory groups, and intergovernmental groups to actively demonstrate City involvement in community issues.
4. Investigate options of Internet subscription to City news releases, newsletters, etc.
5. Continue to provide information and expand the use of forms on the City of Alpena website.
6. Provide website links or information regarding the history of our City. This may include information on historic buildings.
7. Make assessment record data available on the City web site.

**X. PUBLIC SAFETY**

**Police Services**



The City's support of DARE and HUNT programs continues. The Police Department has expanded the role of the DARE officer to include working as an elementary school liaison officer. The City supports the efforts of the Huron Undercover Narcotics Team (HUNT). The City partners with the school system to provide liaison officers in the high school and city elementary schools.

The Police Department has a K-9 unit for the community. The K-9 is a cross-trained unit to include narcotics detection along with tracking, building searches, area searches, etc

To continue the concentrated effort in drug education and enforcement, the City will:

A. *Continue to support community-based efforts in drug education, prevention, and enforcement.*

1. Continue to support the DARE program.
  - a. Budget a position with the Police Department.
  - b. Designate a Council liaison to the DARE board.
  - c. Designate a City Police Department representative to the DARE board.
  - d. Continue joint purchasing with the City/County DARE programs.
  - e. Continue public service relationship through the DARE officer.
2. Continue the School Liaison Officer Program.
  - a. Pursue grant funding for School Liaison positions.

- b. Continue to financially partner with schools to provide school liaison officers to include local matches for prospective grants.
  - c. Assign officers to Alpena High School and City elementary schools.
  - d. Assign appropriate City representation to the School Liaison Partnership Advisory Team.
3. Continue to support the HUNT Team.
- a. Assign Council liaison to HUNT Advisory Board.
  - b. Assign Police Department representative to HUNT Advisory Board.
- B. *Continue to provide a high quality Police Department*
- 1. Investigate the staffing needs to ensure the department has the personnel resources necessary to meet the Council's vision of a "friendly town with a safe environment" and "good place to raise a family."
  - 2. Initiate discussions with Alpena Township regarding contractual police protection.

### **Fire/Ambulance Services**



The Fire Department is cooperating with the state and federal governments by serving as a member of the regional response team for weapons of mass destruction incidents. Such designation provides the department with specialized equipment and training to respond to incidents on a local and regional basis.

- C. *Continue to provide a high quality Fire Department.*
- 1. Investigate the staffing needs to ensure the department has the personnel resources necessary to meet the Council's vision of a "friendly town with a safe environment" and "good place to raise a family."
  - 2. Initiate discussions with Alpena Township regarding a Fire District.
  - 3. Continue leadership role in the Regional Response Team for Weapons of Mass Destruction for Northeast Michigan.

## **FINANCIAL INFORMATION**

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 function within an individual fund.

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.

**Debt Administration.** At June 30, 2008, the City of Alpena governmental activities had seven debt issues outstanding. These issues included \$940,000 of general obligation bonds, \$190,000 of sanitary sewage bonds which are contractual obligations with Alpena County, \$2,010,000 in Building Authority Bonds, land purchase loans for \$261,739, and an installment purchase agreement of \$1,728. The business-type activities had four debt issues outstanding. These issues included \$2,900,000 of water supply and sewage disposal system revenue bonds, \$995,000 of general obligation capital improvement bonds, and \$2,138,031 borrowed from the Michigan Municipal Bond Authority revolving funds.

Under the current City Charter, the City general obligation bonded debt issuances are subject to a legal limitation based on eight percent of the City's assessed value of real and personal property. As of June 30, 2008, the City's total obligation debt of \$9,379,729 was well below the legal limit of \$22,152,313.

**Cash Management.** In accordance with the cash management policy of the City, cash temporarily idle during the year was invested in those investments authorized by law and included certificates of deposit, demand savings accounts and securities sold by the United States government or its agencies and State approved municipal trust funds. The City invests all funds' cash, with maturities planned to coincide with cash needs utilizing the pooled cash concept whenever possible.

The Pension Trust Fund's portfolio also includes corporate bonds and stocks. The Pension Trust Fund achieved a yield rate of 8.9% for the same period.

**Risk Management.** The City has purchased property and liability insurance from A.J. Gallagher since 2003. The liability coverage for the City is at \$15,000,000. Initially when we selected A.J. Gallagher, our premiums increased 26% in the first two years, to a high of \$255,444. However, as we established a very low claims history and recently eliminated the Dial-A-Ride buses from our fleet, we have seen a decrease of 32.3%, to \$181,671 annually.

Rates are established by payroll and claims made over a 4 year history. The City works with our loss control consultant annually to try and identify problem areas. The goal is to keep the experience modifier under 1.0. Except for 2007-2008, the City has had a modifier above 1.0 with 2008-2009 at 1.11.

The City's workers' compensation insurance is provided through the Michigan Municipal Worker's Compensation Fund, operated by the Michigan Municipal League.

The City also has a \$1,000,000 liability insurance policy with Great American Insurance Company covering third-party liability and the costs of taking corrective action resulting from releases of pollutants from storage tank systems at the City Marina.

**OTHER INFORMATION**


**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alpena for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

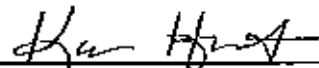
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal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

A *Certificate of Achievement* is valid for a period of one year only. The City of Alpena has received a Certificate of Achievement for the last fourteen consecutive years (fiscal years ended June 30, 1994 through 2007). 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 Julie Krajniak, Deputy Clerk/Treasurer/Finance Director, who assisted with the development of the Comprehensive Annual Financial Report (CAFR) and annual independent audit. We wish to express our appreciation to all members of the City's departments and the accounting and consulting firm of Straley, Ilsley & Lamp P.C. who also contributed to the preparation of the CAFR. 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,

  
\_\_\_\_\_  
Thad N. Taylor  
City Manager

  
\_\_\_\_\_  
Karen Hebert  
City Clerk/Treasurer/Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alpena  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

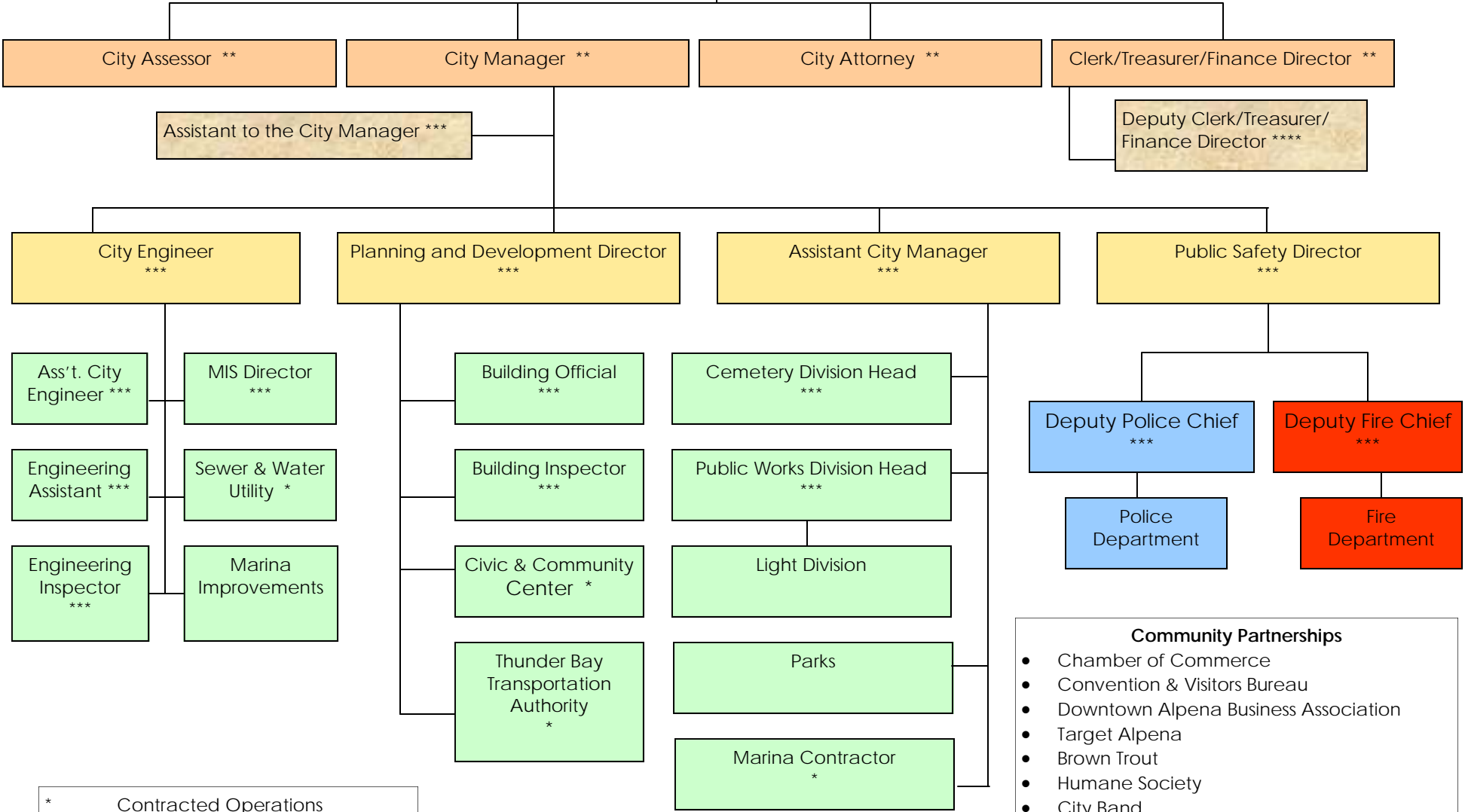
President

*Jeffrey R. Emer*

Executive Director

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

Plan Commission; Wildlife Sanctuary Board; Downtown Development Authority; Civil Service Board; Harbor Advisory Committee; Retirement Board; Recreation Advisory Board; Civic Center Task Force; Zoning Board of Appeals; Brownfield Redevelopment Authority; Rental Housing Committee; Historic District Commission; Housing Commission



\* Contracted Operations  
 \*\* Appointed by City Council  
 \*\*\* Appointed by City Manager  
 \*\*\*\* Appointed by Clerk/Treasurer

- Community Partnerships**
- Chamber of Commerce
  - Convention & Visitors Bureau
  - Downtown Alpena Business Association
  - Target Alpena
  - Brown Trout
  - Humane Society
  - City Band
  - Huron Undercover Narcotics Team
  - Boys & Girls Club
  - Intergovernmental Council
  - Alpena Area Recreation Commission
  - Alpena County Heritage Route Committee



**ADMINISTRATIVE STAFF**

Council Appointees

City Manager	Thad Taylor
City Clerk/Treasurer/Finance Director	Karen Hebert
City Assessor	Jeffery A. Shea
City Attorney	William Pfeiffer

City Manager Appointees

Assistant City Manager	Eric Cline
City Planning & Development Director	Greg E. Sundin
City Engineer	Richard O. Sullenger
Public Safety Director	Thad N. Taylor
Management Information Systems Director	Chad Repke
City Building Official	Donald Gilmet
Public Works	Bill Walter

**ALPENA**  
**ALPENA**  
**MICHIGAN'S ADVENSHORE**

## **II. FINANCIAL SECTION**

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

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



Certified Public Accountants

## STRALEY, ILSLEY & LAMP P.C.

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ALPENA, MICHIGAN 49707  
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JAMES E. KRANZLEIN, C.P.A., C.V.A.  
DONALD C. LEVYEN

RETIRED  
GORDON A. NEUBERGLI, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

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

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 as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alpena, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alpena, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of the City of Alpena, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and pension system information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required by the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alpena, Michigan's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical tables, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and comparative schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Straley, Itsky & Lamb P.C.*

December 5, 2008

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Alpena, we offer readers of the City of Alpena's financial statements this narrative overview and analysis of the financial activities of the City of Alpena for the fiscal year ended June 30, 2008. 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 3-26 of this report.

**Financial Highlights**

- The assets of the City of Alpena exceeded its liabilities at the close of the most recent fiscal year by \$56,826,536 (*net assets*). Of this amount, \$9,928,278 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Alpena's total net assets increased by \$99,287. This was the result of a decrease in the net assets of governmental activities of \$313,880 along with an increase in the net assets of business-type activities of \$413,167.
- The City of Alpena provided services of \$12,220,701 in governmental activities and \$3,450,434 of business-type activities for expenses totaling \$15,671,135 during the year ended June 30, 2008.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$4,168,956 with \$590,071 reserved for specific purposes. This is a decrease of \$13,780.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,169,034 or 24.5 percent of total general fund expenditures and transfers to other funds in comparison to \$2,176,754 at the close of the prior year, a decrease of \$7,720.

**Overview of the Financial Statements**

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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).

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Both of the government-wide financial statements distinguish functions of the City of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Alpena include general government, public safety, public works and parks and recreation. The business-type activities of the City of Alpena include Water and Sewage. The operation of D.A.R.T. was transferred to the Thunder Bay Transportation Authority on October 1, 2006.

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 and a legally separate economic development corporation, for which the City of Alpena is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The City of Alpena Building Authority, although also legally separate, functions for all practical purposes as a department of the City of Alpena, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 47-49 of this report.

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

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

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

The City of Alpena maintains fifteen 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 Fund, Major Street, Local Street, and Perpetual Lot Care, all of which are considered to be major funds. Data from the other eleven 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 adapts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget as part of the required supplemental information.

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

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 fleet of vehicles, its management information systems, 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 Water and Sewage funds, both of which are considered to be major funds of the City of Alpena. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

The basic fiduciary fund financial statements can be found on pages 66-67 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 72-94.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Alpena's progress in funding its obligation to provide pension 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 95-101 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 103-142 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 144-172 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Alpena, assets exceeded liabilities by \$56,826,536 at the close of the most recent fiscal year.



City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

By far the largest portion of the City of Alpena's net assets \$45,449,687 (80.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Alpena uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Alpena's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ALPENA'S, Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 8,397,100	\$ 8,173,441	\$ 5,072,869	\$ 3,819,832	\$ 13,469,969	\$ 11,993,273
Capital assets	30,321,531	31,181,104	24,594,404	21,616,509	54,915,935	52,797,613
Total assets	38,718,631	39,354,545	29,667,273	25,436,341	68,385,904	64,790,886
Current liabilities	610,938	520,766	1,001,797	117,063	1,612,735	637,829
Noncurrent liabilities	3,913,602	4,325,808	6,033,031	3,100,000	9,946,633	7,425,808
Total liabilities	4,524,540	4,846,574	7,034,828	3,217,063	11,559,368	8,063,637
Net assets:						
Invested in capital assets, net of related debt	26,918,064	27,330,944	18,531,623	18,516,509	45,449,687	45,847,453
Restricted	590,071	520,819	858,500	1,440,557	1,448,571	1,961,376
Unrestricted	6,685,956	6,656,208	3,242,322	2,262,212	9,928,278	8,918,420
Total net assets	\$ 34,194,091	\$ 34,507,971	\$ 22,632,445	\$ 22,219,278	\$ 56,826,536	\$ 56,727,249

An additional portion of the City of Alpena's net assets \$1,448,571 (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$9,928,278 (17.5 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Alpena is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Alpena was able to increase net assets \$99,287 during the current fiscal year. Key elements of this increase are as follows:

**CITY OF ALPENA'S, Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 3,128,453	\$ 3,333,678	\$ 3,766,542	\$ 3,409,348	\$ 6,894,995	\$ 6,743,026
Operating grants and Contributions	1,964,007	1,302,312	(15,304)	77,353	1,948,703	1,379,665
Capital grants and Contributions	172,564	916,510	-	1,562,101	172,564	2,478,611
General revenues:						
Property taxes	4,923,214	4,732,711	-	41,101	4,923,214	4,773,812
Other	1,718,583	1,992,850	112,363	297,650	1,830,946	2,290,500
Transfers	-	(57,070)	-	57,070	-	-
Total revenues and transfers	11,906,821	12,220,991	3,863,601	5,444,623	15,770,422	17,665,614

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF ALPENA'S, Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses:						
General government	\$ 3,427,102	\$ 3,640,489	\$ -	\$ -	\$ 3,427,102	\$ 3,640,489
Public safety	4,332,714	4,217,798	-	-	4,332,714	4,217,798
Public works	3,031,421	2,841,724	-	-	3,031,421	2,841,724
Community and economic development	199,130	-	-	-	199,130	-
Parks and recreation	1,076,439	840,117	-	-	1,076,439	840,117
Interest on long-term debt	153,895	173,983	-	-	153,895	173,983
Water	-	-	1,476,355	1,350,558	1,476,355	1,350,558
Sewage	-	-	1,974,079	1,867,839	1,974,079	1,867,839
DART	-	-	-	256,306	-	256,306
<b>Total expenses</b>	<b>12,220,701</b>	<b>11,714,111</b>	<b>3,450,434</b>	<b>3,474,703</b>	<b>15,671,135</b>	<b>15,188,814</b>
Change in net assets	(313,880)	506,880	413,167	1,969,920	99,287	2,476,800
Net assets – beginning	34,507,971	34,001,091	22,219,278	20,249,358	56,826,536	54,250,449
Net assets – end	<u>\$ 34,194,091</u>	<u>\$ 34,507,971</u>	<u>\$ 22,632,445</u>	<u>\$ 22,219,278</u>	<u>\$ 56,826,536</u>	<u>\$ 56,727,249</u>

Governmental activities experienced a decrease in net assets during the current fiscal year of \$(313,880). The City's overall expenses increased by \$482,321, primarily due to the payment of a tax tribunal appeal by LaFarge, a higher marina subsidy due to less rental income and capital projects such as the Northern Riverfront Park Improvements. The city attempts to hold salary increases to the cost-of-living each year. Healthcare cost increases have been kept low by employee-cost sharing, higher co-pays and opt-out incentives. The City chose to use approximately \$247,000 from the rate stabilization reserve accounts towards the post-retirement health care fund.

In anticipation of the need to sell bonds for infrastructure improvements, the City raised rates 13% for the 2005/2006 through 2006/2007 fiscal years. The rates were raised to fund infrastructure improvements through the Michigan Municipal Bond Authority State Revolving Fund (SRF) and the Drinking Water Revolving Loan Fund (DWRF). The City also sold a capital improvement bond for those infrastructure costs not eligible under the SRF or DWRF programs. Even with the rate increases, the City has low usage rates compared to other cities in Michigan.

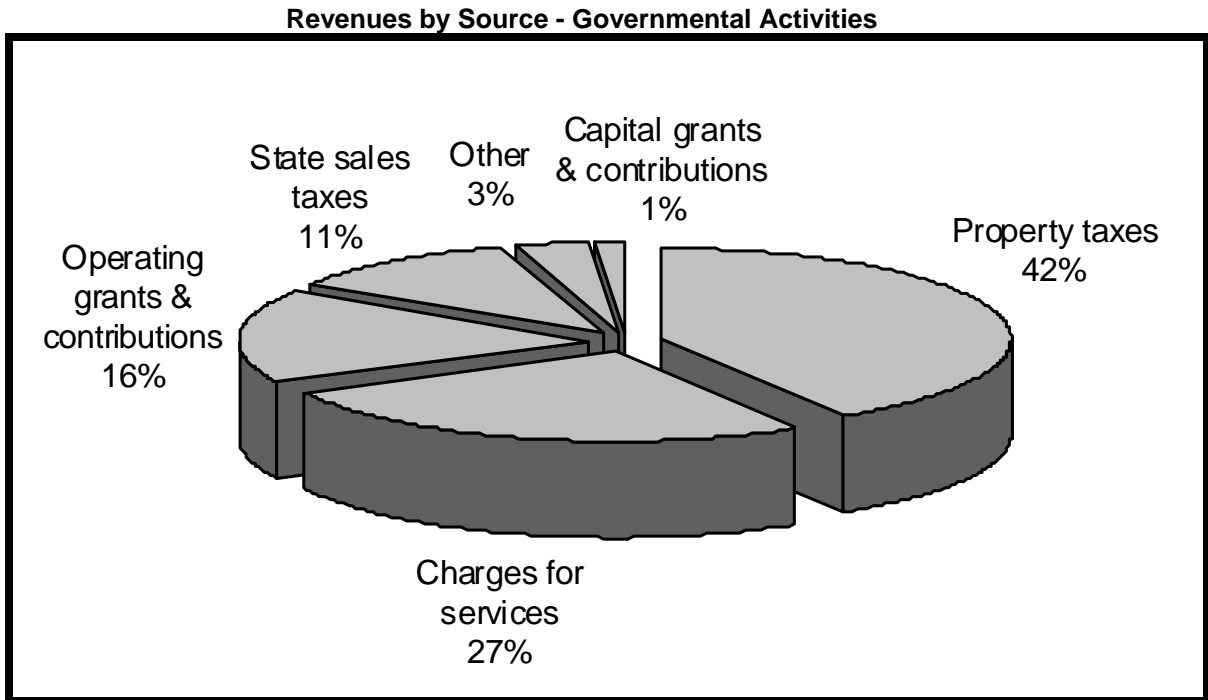
**Cost of Services - Governmental Activities**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2008	2007	2008	2007	2008	2007
Functions/Programs:						
General government	\$ 3,427,102	\$ 3,640,489	\$ 2,118,009	\$ 2,104,663	\$ 1,309,093	\$ 1,535,826
Public safety	4,332,714	4,217,798	1,670,775	1,457,021	2,661,939	2,760,777
Public works	3,031,421	2,841,724	1,187,255	1,606,821	1,844,166	1,234,903
Community and economic development	199,130	-	-	-	199,130	1,234,903
Parks and recreation	1,076,439	840,117	288,985	383,995	787,454	456,122
Interest on long-term debt	153,895	173,983	-	-	153,895	173,983
<b>Total expenses</b>	<b>\$ 12,220,701</b>	<b>\$ 11,714,111</b>	<b>\$ 5,265,024</b>	<b>\$ 5,552,500</b>	<b>\$ 6,955,677</b>	<b>\$ 6,161,611</b>

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Net Cost of Services for General Government decreased marginally. This was due to some uncompleted capital projects and the costs for professional and contractual services were less than anticipated. The cost of service changes in public safety were mainly in the increase of ambulance service revenue and the cost-of-living salary and benefit increases. Public Works had a large increase to their cost of services, due to more capital projects such as sidewalk replacements, underground storage tank removal, and parking lot improvements combined with a decrease in revenue from state grants and special assessments. The net cost of services increased in Parks and Recreation due to the North Riverfront Park Improvement Capital Project.



**REVENUES**

Property taxes continue to be our largest source of revenue. We had an increase this fiscal year of \$190,503, including \$77,400 in the General Fund. 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 16.2316 mills. The total taxable value on all real and personal property amounted to \$276,903,917 for the fiscal year ending 2007-2008. The valuation represents an increase of \$7,916,079 from the preceding year. Total millage for the City of Alpena homestead property was 38.9848 mills and non-homestead property was 56.9848 mills.

Much of the development in the City is done through tax abatement or exemption programs such as the Renaissance Zones, OPRA, NEZ, or IFT's. In the short term, this does not help increase our tax base; however, the City will see the benefits when the programs mature and the properties are placed on the tax roll at 100%. We have recently experienced some of our IFT's mature and been placed on the roll at their full value.

Licenses and Permit revenue is dependent on the type and scope of construction for the year and was higher than 2007.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

State revenue sharing was \$51,488 less than the prior year. While the decreases have not been as severe as 2003 through 2007, we have seen a reduction for the past seven years. The cumulative loss of revenue since 2002 is over \$1.55 million.

Overall, grant revenue increased, mainly due to State grants.

Revenue for charges and services decreased. The revenue for Stores, Sidewalk and Tree services, Cemetery, & Water decreased but Ambulance, Equipment and Sewer increased. The overall effect was a decrease of \$205,225. This area fluctuates annually depending on available programs and activities.

Investment Income was lower than what was budgeted and came in significantly lower than 2007.

Revenue from miscellaneous sources decreased significantly in 2008, however this revenue fluctuates annually because it includes tax collection fees and election and insurance reimbursements.

**Business-type Activities.** Enterprise Funds are operated under contract by outside private contractors. The Water and Sewage utilities are operated by Earth Tech Operation Services. The operations agreement with Earth Tech was renewed on July 1, 2004, for a 4-year period per the terms of the contract. The new contract continues the current levels of maintenance on the system. Future increases for contractual fees with Earth Tech shall not exceed the annual Proposal A rate of inflation increase or 3%, whichever is less.

**Cost of Services - Business-type activities**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2008	2007	2008	2007	2008	2007
Functions/Programs:						
Water	\$ 1,476,355	\$ 1,350,558	\$ 1,678,729	\$ 2,019,921	\$ (202,374)	\$ (669,363)
Sewage	1,974,079	1,867,839	2,087,813	3,289,795	(113,734)	(1,421,956)
D.A.R.T.	-	256,306	-	134,907	-	121,399
Total expenses	\$ 3,450,434	\$ 3,474,703	\$ 3,766,542	\$ 5,444,623	\$ (316,108)	\$ (1,969,920)

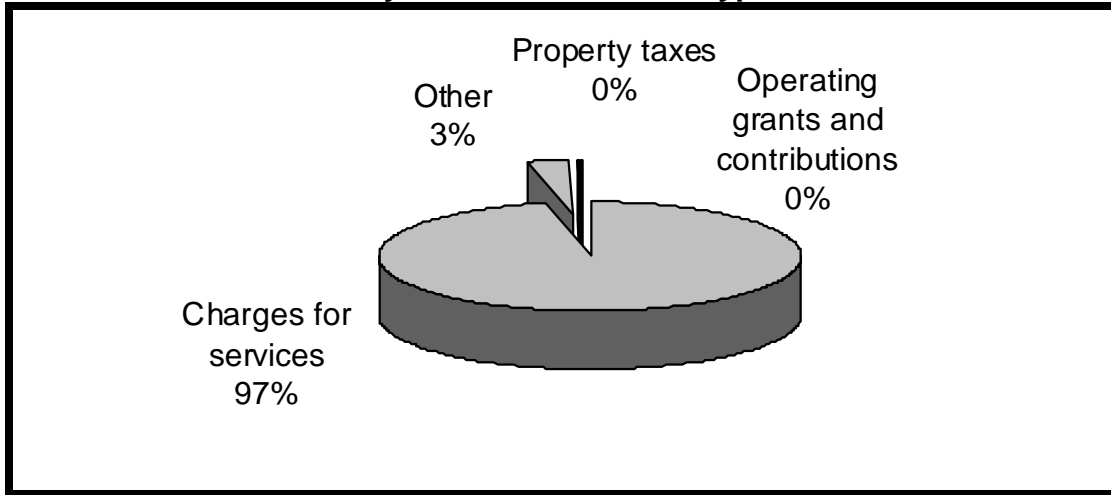
The rising costs of utilities and chemicals have impacted both the water and sewer funds. The annual fee increases are based on the Proposal A rate of inflation. The only major difference in expenses from 2007 was the contracted services in the Sewer Fund and Water Fund Distribution System. The increases were for engineering services in preparation for the SRF and DWRF Capital Improvement programs.

The D.A.R.T. system was transferred to the Thunder Bay Transportation Authority on October 1, 2006. The City no longer administers the program. Thunder Bay Transportation Authority is a public authority in existence since October 1, 2005. It is a regional transportation entity providing services throughout a three county area. The transfer of the D.A.R.T. system will make it more efficient and more affordable to operate because of the opportunity for grant monies, and remove the insurance liability of insuring the buses.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues by Source – Business-type Activities**



The revenue increased moderately in both the water and sewer funds. The two year increase in user fees is 10% above the rate of inflation. The Michigan Department of Environmental Quality in 2007/2008 received from the State offers a State Revolving Loan Fund (SRF) program and a Drinking Water Revolving Loan Fund (DWRf). The programs are designed to assist municipalities with the funds needed to do infrastructure improvements and projects to help with water pollution control efforts. User rates were increased for two years to be able to repay bonds. There was significant infrastructure improvement activity in 2007/2008 and it will continue on into 2008/2009 in the Water and Sewer Funds.

**Financial Analysis of the Government's Funds**

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

*Governmental funds.* The focus of the City of Alpena's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Alpena's financing requirements. In particular *unreserved 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 the current fiscal year, the City of Alpena's governmental funds reported combined ending fund balances of \$4,168,958, a decrease of \$13,780 in comparison with the prior year. Approximately 86% of this total amount (\$3,578,887) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$11,769), and 2) for future capital outlay (\$578,302).

The general fund is the chief operating fund of the City of Alpena. At the end of the current fiscal year, the fund balance of the general fund was \$2,169,034, all of which was unreserved. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represented 24.5% of total general fund expenditures and operating transfers to other funds.

The fund balance of the City of Alpena's General Fund was decreased by \$7,720 during the current fiscal year. The decrease is due to the decrease in state revenue and the increase in salaries, benefits and utilities.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The major and local street funds have unreserved fund balances of \$121,952 and \$176,667, respectively. This represents funds available for future street maintenance and construction. This is a significant decrease from 2006/2007 and is due to the completion of some infrastructure projects.

The City of Alpena has established a budget stabilization fund to account for funds accumulated as described in Public Act No. 30 of 1978. During fiscal year ending 2008, the City transferred \$216 in interest to the general fund as required by law. This left \$5,000 remaining in unreserved fund balance.

The debt service funds have a total fund balance of \$11,769, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was minimal \$503.

The City at the end of the fiscal year had \$578,302 in fund balance reserved for future capital outlay in its combined capital project funds.

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

Unrestricted net assets of the Water & Sewage funds at the end of the year amounted to \$1,811,188 & \$1,431,134, respectively. The change in net assets for the funds was \$700,739 & \$279,371, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alpena's business-type activities.

**General Fund Budgetary Highlights**

The 2007-2008 Budget was put together with the realization that State sales tax would stay approximately level and the increase in the City's taxable value would increase property taxes 3 percent. The final revenue budgeted was less than the original budget mainly in the major areas of property tax (we have had substantial tax tribunal cases), state sales tax (the revenue did not stay level with the 2006-2007 amount), and state grants (the timing of the grant payment was carried into 2008/2009). The total General Fund expenditure budget did not change significantly. Adjustments usually need to be made when capital projects are not completed in the fiscal year projected and must be split between two fiscal years.

At year-end, revenues came in slightly lower than the revised budget with some accounts higher such as investment income and ambulance services, and some accounts less than budgeted, such as property taxes and state sales tax and grants. The expenses came in significantly lower than the revised budget. This is due mainly to unfinished capital projects and salaries and wages were held below budget in some departments.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Alpena's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$45,449,687. 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, 2008 the City of Alpena had \$1,736, 504 in additions to its governmental activities capital assets and \$4,035,396 to its business-type activities capital assets.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF ALPENAS, Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Historical cost:						
Land	\$ 3,068,094	\$ 3,018,071	\$ 12	\$ 12	\$ 3,068,106	\$ 3,018,083
Construction in progress	137,802	108,158	927,837	37,315	1,065,639	145,473
Land improvements	4,741,604	4,648,137	463,854	446,340	5,205,458	5,094,477
Buildings and improvements	9,601,303	9,589,809	4,983,662	4,509,074	14,584,965	14,098,883
Machinery and equipment	6,816,403	6,698,581	1,588,316	1,496,867	8,404,719	8,195,448
Infrastructure	<u>38,486,049</u>	<u>37,667,004</u>	<u>31,549,662</u>	<u>29,415,302</u>	<u>70,035,711</u>	<u>67,082,306</u>
	<u>62,851,255</u>	<u>61,729,760</u>	<u>39,513,343</u>	<u>35,904,910</u>	<u>102,364,598</u>	<u>97,634,670</u>
Accumulated depreciation:						
Land improvements	(1,413,899)	(1,269,894)	(108,064)	(100,318)	(1,521,963)	(1,370,212)
Buildings and improvements	(4,078,401)	(3,878,185)	(1,812,178)	(1,684,985)	(5,890,579)	(5,563,170)
Machinery and equipment	(5,423,816)	(5,037,544)	(1,107,562)	(1,043,282)	(6,531,378)	(6,080,826)
Infrastructure	<u>(21,613,608)</u>	<u>(20,363,033)</u>	<u>(11,920,885)</u>	<u>(11,459,816)</u>	<u>(33,534,493)</u>	<u>(31,822,849)</u>
	<u>(32,529,724)</u>	<u>(30,548,656)</u>	<u>(14,948,689)</u>	<u>(14,288,401)</u>	<u>(47,478,413)</u>	<u>(44,837,057)</u>
Net Capital Assets	<u>\$ 30,321,531</u>	<u>\$ 31,181,104</u>	<u>\$ 24,564,654</u>	<u>\$ 21,616,509</u>	<u>\$ 54,886,185</u>	<u>\$ 52,797,613</u>

Additional information on the City of Alpena's capital assets can be found in the footnote disclosure in Note 6 on pages 85-87 of this report.

**CITY OF ALPENAS OUTSTANDING DEBT**

At the end of the current fiscal year, the City of Alpena had total debt from bonds and loans outstanding of \$9,436,498. Of this amount, \$1,130,000 comprises general obligation bond debt backed by the full faith and credit of the government, \$2,010,000 is building authority bonds, \$261,739, are loans secured by land, and a capital lease agreement of \$1,728. The remainder of the City of Alpena's debt of \$6,033,031 represents the long term obligations of the Sewage and Water Funds. Of this amount, \$995,000 comprises general obligation bonds and \$5,038,031 is bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Alpena issued a \$50,000 land contract agreement to purchase a lot adjacent to LaMarre Park. As a result of infrastructure improvements in the Sewage and Water Funds the City of Alpena issued Capital improvement bonds of \$995,000 and drew down \$2,138,031 from the Michigan Municipal Bond Authority SWRF and DWRF revolving loan funds.

The City of Alpena decreased its total debt from bonds and loans by \$696,693 during the current fiscal year.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF ALPENA'S, Outstanding Debt  
Bonds and Loans**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 1,130,000	\$ 1,530,000	\$ 995,000	\$ -	\$ 2,125,000	\$ 1,530,000
Building authority bonds	2,010,000	2,060,000	-	-	2,010,000	2,060,000
Land purchase loans	261,739	257,280	-	-	261,739	257,280
Capital lease agreement	1,728	2,880	-	-	1,728	2,880
Revenue bonds	-	-	5,038,031	3,100,000	5,031,031	3,100,000
	<u>\$ 3,403,467</u>	<u>\$ 3,850,160</u>	<u>\$ 6,033,031</u>	<u>\$ 3,100,000</u>	<u>\$ 9,436,498</u>	<u>\$ 6,950,160</u>

The City of Alpena and its Water and Sewer Authority both maintain an "AA" rating from Standard & Poor's and Fitch and an "Aa" rating from Moody's for general obligation debt. The revenue bonds of the Water and Sewer Authority have been rated "A" by all three of these rating agencies. The City of Alpena Building Authority has been rated "BBB+".

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Alpena is \$22,152,313, which is significantly in excess of the City of Alpena's outstanding general obligation debt.

Additional information on the City of Alpena's long-term debt can be found in Note 8 on pages 83-85 of this report.

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

- At fiscal year end 2008, the County-wide unemployment rate was 8.3 percent compared to 8.5 percent for the state.
- There has been a continual decline in State Revenue Sharing since fiscal year ending 2002. In 2001 the city received \$1,755,612. Since that time the revenue has dropped an average of \$38,782 annually, not including 2003 when it dropped 4183,513. Cumulatively, the city has lost \$1,993,596 from fiscal year ending 2002 through 2008.
- The City has been pursuing many economic development tools that will attract businesses and residences to the area. Currently there are Neighborhood Enterprise Zones, Renaissance Zones, Obsolete Property Rehabilitation Act Zones, and Industrial Facility Tax Abatements.
- While the City continues to experience state tax revenue sharing losses and fairly flat property tax increases, there are a number of development projects that are beginning to take shape:
  1. Alpena Marc LLC has opened a brewery as part of its mixed-use development plan for the former Fletcher Paper Mill. They also produce soft drinks, and both are sold locally.



City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates (continued)**

2. The 40-acre site (formerly Oxbow Park) acquired by Walden Properties was slow to develop but now has a senior housing development and the second phase will add 20 additional units for assisted living. This project was completed in 2008. A nurse practitioner's office and a regional dialysis treatment facility working in conjunction with the Alpena Regional Medical Center have also been completed. This development site is a Brownfield as well as a designated Renaissance Zone.
  3. Alpena Village, a senior care community, completed construction on a 48 unit apartment building and construction has begun on independent living condominiums
- Both the Coast Guard and NOAA have a presence in Alpena. The Coast Guard is currently renovating a building across from City Hall for a full-time station in Alpena. The Thunder Bay National Marine Sanctuary and Underwater Preserve, operated by NOAA, have developed a new site along the Thunder Bay River and expect to attract 80,000 visitors a year.

During the current fiscal year, unreserved fund balance in the general fund is estimated to be \$962,010. This does not include designated funds set aside for Island Park (\$75,000), Starlite Beach (\$120,000) and Floating Docks (\$75,000). We have begun to designate funds so the City can continue to take advantage of grant opportunities and have the required matching funds available. Per the Municipal Council's direction, the City must maintain a minimum fund balance of 10% of expenses, but strive to increase it to 15%. The final projected fund balance was \$1,701,530 for 2008 but the actual fund balance was \$2,169,034, a difference of \$467,504. This difference in projected and actual is largely due to timing of the completion of capital projects and the receipt of grant funds.

With the decrease of state revenue sharing and tax revenues remaining fairly flat, the City has used all of the available funds from the Budget Stabilization Fund. There is a balance of \$5,000 in the fund and we have been unable to begin building it back up. There are also vacant positions in the Police, Fire, Clerical and Department of Public Works that have not been filled.

The maximum charter millage rate is 17.50, but due to Headlee reductions the City's 2008 maximum millage is 16.2316. The City levies the full 16.2316 mills.

Another area that continues to impact the City's finances is the Retirement Fund. We have had a healthy Fund with over 100% funding since 1984, and since 1999, the City has had to make contributions for the Firemen's group only. The contributions are beginning to increase mainly due to the low return on investments and the reduction of surplus funds. We have a four year smoothing schedule that is beginning to reflect the low interest rate earnings of the last several years, and the cost of living increase that is now given to retirees. The City paid 4.26% of payroll for the General Fund and 14.18% of payroll for the Firemen into the Retirement System. There has been no contribution for the Policemen since 1998/1999. The 2007/2008 contribution was \$322,970. The 2008/2009 contribution is \$330,892. The City is currently funded at 111.8%.

Since 1999, the City has given a 13<sup>th</sup> check to retirees who have been retired for five years. With the decline in revenues and increases in the City's contribution, this payment of approximately \$68,000 has been increasingly more difficult to make.

The Water and Sewer Funds rates were increased 13.0% for the 2006-2007 fiscal year. Typically, funds are increased by the cost –of-living annually to ensure a continuous level of service for the customers, as well as funding capital improvements necessary to repair, maintain and upgrade the system. However, the City has been approved for the State of Michigan Revolving Loan Programs to facilitate sewer and water infrastructure improvements of \$7.2 million dollars.

City of Alpena

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **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: [karenh@alpena.mi.us](mailto:karenh@alpena.mi.us), website: [www.alpena.mi.us](http://www.alpena.mi.us)

City of Alpena

**STATEMENT OF NET ASSETS**

June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Pooled cash and investments	\$ 4,082,518	\$ 3,293,761	\$ 7,376,279	\$ 25,054
Cash and cash equivalents	1,956,880	-	1,956,880	142,646
Investments - at fair value	1,400,118	-	1,400,118	-
Receivables (net of allowance for uncollectible accounts)	721,214	1,779,108	2,500,322	106
Due from primary government	-	-	-	15,583
Inventories	236,370	-	236,370	-
Noncurrent assets:				
Deferred charges	-	29,750	29,750	-
Capital assets not being depreciated	3,205,896	927,849	4,133,745	63,156
Capital assets, net of accumulated depreciation	27,115,635	23,636,805	50,752,440	35,017
Total assets	38,718,631	29,667,273	68,385,904	281,562
<b>LIABILITIES</b>				
Accounts payable	344,868	954,965	1,299,833	120
Accrued payroll	214,701	2,812	217,513	1,415
Accrued interest payable	35,786	44,020	79,806	-
Due to component units	15,583	-	15,583	-
Noncurrent liabilities				
Due within one year				
Compensated absences	292,279	-	292,279	-
Bonds and loans	536,079	220,000	756,079	-
Due in more than one year				
Compensated absences	217,856	-	217,856	-
Bonds and loans	2,867,388	5,813,031	8,680,419	-
Total liabilities	4,524,540	7,034,828	11,559,368	1,535
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	26,918,064	18,531,623	45,449,687	98,173
Restricted for:				
Debt service	11,769	358,500	370,269	-
Capital outlay	578,302	500,000	1,078,302	-
Unrestricted	6,685,956	3,242,322	9,928,278	181,854
Total net assets	\$ 34,194,091	\$ 22,632,445	\$ 56,826,536	\$ 280,027

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

	<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>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 3,427,102	\$ 1,813,481	\$ 304,528	\$ -
Public safety	4,332,714	1,011,958	658,817	-
Public works	3,031,421	225,725	940,952	20,578
Community and economic development	199,130	-	-	-
Recreation and culture	1,076,439	77,289	59,710	151,986
Interest on long-term debt	153,895	-	-	-
Total governmental activities	<u>12,220,701</u>	<u>3,128,453</u>	<u>1,964,007</u>	<u>172,564</u>
Business-type activities:				
Sewage	1,974,079	2,087,813	(16,069)	-
Water	1,476,355	1,678,729	765	-
Total business-type activities	<u>3,450,434</u>	<u>3,766,542</u>	<u>(15,304)</u>	<u>-</u>
Total primary government	<u>\$ 15,671,135</u>	<u>\$ 6,894,995</u>	<u>\$ 1,948,703</u>	<u>\$ 172,564</u>
<b>Component Units:</b>				
Downtown Development Authority No.2	\$ 66,837	\$ -	\$ 585	\$ -
Downtown Development Authority No.5	21,365	-	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 88,202</u>	<u>\$ -</u>	<u>\$ 585</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

Property taxes, levied for debt service

State shared revenues - unrestricted

Investment earnings

Gain (loss) on sale of assets

Total general revenues

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,309,093)	\$ -	\$ (1,309,093)	\$ -
(2,661,939)	-	(2,661,939)	-
(1,844,166)	-	(1,844,166)	-
(199,130)	-	(199,130)	-
(787,454)	-	(787,454)	-
(153,895)	-	(153,895)	-
<u>(6,955,677)</u>	<u>-</u>	<u>(6,955,677)</u>	<u>-</u>
-	97,665	97,665	-
-	203,139	203,139	-
<u>-</u>	<u>300,804</u>	<u>300,804</u>	<u>-</u>
<u>(6,955,677)</u>	<u>300,804</u>	<u>(6,654,873)</u>	<u>-</u>
-	-	-	(66,252)
-	-	-	(21,365)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,617)</u>
4,595,076	-	4,595,076	126,617
328,138	-	328,138	-
1,339,730	-	1,339,730	-
376,131	164,627	540,758	5,341
2,722	(52,264)	(49,542)	-
<u>6,641,797</u>	<u>112,363</u>	<u>6,754,160</u>	<u>131,958</u>
(313,880)	413,167	99,287	44,341
<u>34,507,971</u>	<u>22,219,278</u>	<u>56,727,249</u>	<u>235,686</u>
<u>\$ 34,194,091</u>	<u>\$ 22,632,445</u>	<u>\$ 56,826,536</u>	<u>\$ 280,027</u>

See accompanying notes to financial statements.

City of Alpena

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2008

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	General	Major Street	Local Street
<b>ASSETS</b>			
Pooled cash and investments	\$ 999,013	\$ 198,194	\$ 200,287
Cash and cash equivalents	1,088,274	-	-
Investments - at fair value	399,213	-	-
Receivables (net of allowance for for uncollectible accounts)	310,552	-	-
Taxes receivable	2,910	-	-
Special assessments receivable	229,321	11,969	21,462
Interest receivable	19,419	-	-
Due from other governmental units	49,819	7,744	-
Due from other funds	-	-	-
Total assets	<u>\$ 3,098,521</u>	<u>\$ 217,907</u>	<u>\$ 221,749</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 215,181	\$ 76,145	\$ 13,679
Accrued payroll	188,457	7,841	9,941
Due to other funds	278,035	-	-
Due to component units	15,583	-	-
Deferred revenue	232,231	11,969	21,462
Total liabilities	<u>929,487</u>	<u>95,955</u>	<u>45,082</u>
Fund Balances:			
Reserved for debt service	-	-	-
Reserved for capital outlay	-	-	-
Unreserved, reported in:			
General fund	2,169,034	-	-
Special revenue funds	-	121,952	176,667
Permanent fund	-	-	-
Total fund balances	<u>2,169,034</u>	<u>121,952</u>	<u>176,667</u>
Total liabilities and fund balances	<u>\$ 3,098,521</u>	<u>\$ 217,907</u>	<u>\$ 221,749</u>

Perpetual Lot Care	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 715,505	\$ 2,112,999
620,985	147,621	1,856,880
199,812	-	599,025
225	18,637	329,414
-	-	2,910
-	-	262,752
2,362	201	21,982
-	-	57,563
12,502	-	12,502
<u>\$ 835,886</u>	<u>\$ 881,964</u>	<u>\$ 5,256,027</u>
\$ -	\$ 15,650	\$ 320,655
-	895	207,134
-	-	278,035
-	-	15,583
-	-	265,662
-	16,545	1,087,069
-	11,769	11,769
-	578,302	578,302
-	-	2,169,034
-	275,348	573,967
835,886	-	835,886
<u>835,886</u>	<u>865,419</u>	<u>4,168,958</u>
<u>\$ 835,886</u>	<u>\$ 881,964</u>	<u>\$ 5,256,027</u>

See accompanying notes to financial statements.

**ALPENA**  
**MICHIGAN'S ADVENSHORE**



City of Alpena

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

As of June 30, 2008

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Fund balances - Total governmental funds		\$ 4,168,958
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.		
Governmental capital assets	\$ 58,041,613	
Less accumulated depreciation	<u>(28,533,054)</u>	29,508,559
Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets.		
Deferred revenue		265,662
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(3,140,000)	
Land purchase loans	(261,739)	
Capital lease agreement	(1,728)	
Compensated absences	(510,135)	
Accrued interest payable	<u>(35,786)</u>	(3,949,388)
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 Assets.		
		<u>4,200,300</u>
Net Assets of Governmental Activities		<u>\$ 34,194,091</u>

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, 2008

	General	Major Street	Local Street
<b>REVENUES</b>			
Taxes	\$ 4,322,436	\$ -	\$ -
Licenses and permits	176,914	-	-
State revenue	1,684,401	702,473	230,862
Federal revenue	138,903	4,230	3,387
Local grant revenue	642,514	-	-
Charges for services	1,546,046	6,234	29,006
Investment income and rents	114,614	13,001	8,063
Fines and forfeitures	30,232	-	-
Other	118,784	1,274	781
Total revenues	<u>8,774,844</u>	<u>727,212</u>	<u>272,099</u>
<b>EXPENDITURES</b>			
Current operations			
General government	2,096,108	-	-
Public safety	4,199,346	-	-
Public works	999,748	805,257	692,695
Community and economic development	-	-	-
Recreation and culture	915,976	-	-
Debt service			
Principal retirement	6,152	-	-
Interest and fees	-	-	-
Total expenditures	<u>8,217,330</u>	<u>805,257</u>	<u>692,695</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>557,514</u>	<u>(78,045)</u>	<u>(420,596)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of long term debt	50,000	-	-
Transfers in	10,616	-	403,700
Transfers out	(625,850)	(100,000)	-
Total other financing sources (uses)	<u>(565,234)</u>	<u>(100,000)</u>	<u>403,700</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,720)	(178,045)	(16,896)
<b>FUND BALANCES, beginning of the year</b>	<u>2,176,754</u>	<u>299,997</u>	<u>193,563</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 2,169,034</u>	<u>\$ 121,952</u>	<u>\$ 176,667</u>

Perpetual Lot Care	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 603,028	\$ 4,925,464
-	1,610	178,524
-	52,210	2,669,946
-	-	146,520
-	-	642,514
11,335	-	1,592,621
45,199	128,229	309,106
-	-	30,232
3,366	15,901	140,106
<u>59,900</u>	<u>800,978</u>	<u>10,635,033</u>
30,404	2,083	2,128,595
-	-	4,199,346
-	-	2,497,700
-	199,130	199,130
-	150,910	1,066,886
-	490,541	496,693
-	158,201	158,201
<u>30,404</u>	<u>1,000,865</u>	<u>10,746,551</u>
<u>29,496</u>	<u>(199,887)</u>	<u>(111,518)</u>
-	-	50,000
-	398,588	812,904
-	(39,316)	(765,166)
<u>-</u>	<u>359,272</u>	<u>97,738</u>
29,496	159,385	(13,780)
<u>806,390</u>	<u>706,034</u>	<u>4,182,738</u>
<u>\$ 835,886</u>	<u>\$ 865,419</u>	<u>\$ 4,168,958</u>

See accompanying notes to financial statements.



City of Alpena

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

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Net change in fund balances - Total governmental funds		\$	(13,780)
--	--	----	----------

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.

Expenditures for capital assets	\$	1,602,335	
Less current year depreciation		<u>(1,757,807)</u>	(155,472)

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 assets.

Issuance of long term debt for land purchase		(50,000)	
Bond principal payments		450,000	
Land purchase loan principal payments		45,541	
Capital lease agreement		<u>1,152</u>	446,693

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.

Net book value of assets sold or retired		(534,165)	
Change in deferred revenue		<u>(114,443)</u>	(648,608)

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		4,306	
Change in long-term compensated absences		<u>(34,487)</u>	(30,181)

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

			<u>87,468</u>
--	--	--	---------------

Change in Net Assets of Governmental Activities		\$	<u><u>(313,880)</u></u>
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See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

June 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewage	Water	Totals Current Year
<b>ASSETS</b>			
Current assets			
Pooled cash and investments	\$ 1,671,667	\$ 1,622,094	\$ 3,293,761
Cash and cash equivalents	-	-	-
Investments - at fair value	-	-	-
Accounts receivable (net of allowance for uncollectible accounts)	877,077	902,031	1,779,108
Interest receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Total current assets	<u>2,548,744</u>	<u>2,524,125</u>	<u>5,072,869</u>
Noncurrent assets			
Deferred charges	14,875	14,875	29,750
Capital assets not being depreciated	710,528	217,321	927,849
Capital assets, net of accumulated depreciation	<u>15,749,438</u>	<u>7,887,367</u>	<u>23,636,805</u>
Total noncurrent assets	<u>16,474,841</u>	<u>8,119,563</u>	<u>24,594,404</u>
Total assets	<u>19,023,585</u>	<u>10,643,688</u>	<u>29,667,273</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	730,068	224,897	954,965
Accrued payroll	1,157	1,655	2,812
Accrued interest payable	22,010	22,010	44,020
Bonds and notes payable - current portion	<u>110,000</u>	<u>110,000</u>	<u>220,000</u>
Total current liabilities	<u>863,235</u>	<u>358,562</u>	<u>1,221,797</u>
Noncurrent liabilities			
Bonds and notes payable	<u>3,092,625</u>	<u>2,720,406</u>	<u>5,813,031</u>
Total liabilities	<u>3,955,860</u>	<u>3,078,968</u>	<u>7,034,828</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,257,341	5,274,282	18,531,623
Restricted for debt service	179,250	179,250	358,500
Restricted for capital asset purchases	200,000	300,000	500,000
Unrestricted	<u>1,431,134</u>	<u>1,811,188</u>	<u>3,242,322</u>
Total net assets	<u>\$ 15,067,725</u>	<u>\$ 7,564,720</u>	<u>\$ 22,632,445</u>

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Governmental Activities  
Internal Service  
Funds

---

\$ 1,969,519  
100,000  
801,093  
  
39,963  
6,630  
265,533  
236,370  

---

3,419,108

-  
1,000  
811,972  

---

812,972  

---

4,232,080

24,213  
7,567  
-  
-  

---

31,780  

---

-  

---

31,780  

---

812,972  
-  
-  
3,387,328  

---

\$ 4,200,300  

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See accompanying notes to financial statements.

## City of Alpena

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewage	Water	Totals Current Year
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,082,366	\$ 1,654,213	\$ 3,736,579
Other services	5,447	24,516	29,963
Total operating revenues	<u>2,087,813</u>	<u>1,678,729</u>	<u>3,766,542</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	33,691	35,059	68,750
Employee benefits	10,935	12,029	22,964
Administrative services	115,930	97,685	213,615
Contracted services	822,534	781,449	1,603,983
Insurance	35,805	10,040	45,845
Utilities	291,229	114,765	405,994
Maintenance	3,252	4,544	7,796
Equipment rental	14,748	15,578	30,326
Depreciation	521,389	225,523	746,912
Supplies and other	36,917	90,523	127,440
Total operating expenses	<u>1,886,430</u>	<u>1,387,195</u>	<u>3,273,625</u>
<b>OPERATING INCOME (LOSS)</b>	<u>201,383</u>	<u>291,534</u>	<u>492,917</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal revenue	(16,069)	765	(15,304)
Investment income and rents	76,187	88,440	164,627
Contributions and donations	-	-	-
Interest expense	(87,649)	(89,160)	(176,809)
Gain (loss) on sale of assets	(38,909)	(13,355)	(52,264)
Total nonoperating revenues (expenses)	<u>(66,440)</u>	<u>(13,310)</u>	<u>(79,750)</u>
Net income (loss) before transfers	134,943	278,224	413,167
Transfers out	-	-	-
<b>CHANGE IN NET ASSETS</b>	134,943	278,224	413,167
<b>NET ASSETS</b> , beginning of the year	<u>14,932,782</u>	<u>7,286,496</u>	<u>22,219,278</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 15,067,725</u>	<u>\$ 7,564,720</u>	<u>\$ 22,632,445</u>



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Governmental Activities  
Internal Service  
Funds

\$ 1,204,534  
-  
1,204,534

141,901  
51,848  
306,555

-  
23,601  
151,214

-  
-

304,105  
271,801

1,251,025

(46,491)

-  
161,655  
17,320

-  
2,722

181,697

135,206  
(47,738)

87,468

4,112,832

\$ 4,200,300

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds		Totals Current Year
	Sewage	Water	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,430,789	\$ 1,462,776	\$ 2,893,565
Receipts from interfund service provided	-	-	-
Payments to suppliers	(498,729)	(814,332)	(1,313,061)
Payments to employees	(44,394)	(46,598)	(90,992)
Payments for interfund services used	(132,421)	(113,263)	(245,684)
Net cash provided (used) by operating activities	<u>755,245</u>	<u>488,583</u>	<u>1,243,828</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	-	-
Federal grants	(16,069)	765	(15,304)
Contributions and donations	-	-	-
	<u>(16,069)</u>	<u>765</u>	<u>(15,304)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(2,119,933)	(1,627,388)	(3,747,321)
Proceeds from the sale of capital assets	-	-	-
Proceeds from long term debt	1,752,625	1,380,406	3,133,031
Principal paid on capital debt	(100,000)	(100,000)	(200,000)
Interest paid on capital debt	(82,270)	(83,781)	(166,051)
Net cash provided (used) by capital and related financing activities	<u>(549,578)</u>	<u>(430,763)</u>	<u>(980,341)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	-	-	-
Purchase of investment securities	-	-	-
Interest and dividends received	76,187	88,440	164,627
Net cash provided (used) by investing activities	<u>76,187</u>	<u>88,440</u>	<u>164,627</u>
Net increase (decrease) in cash and cash equivalents	265,785	147,025	412,810
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,405,882</u>	<u>1,475,069</u>	<u>2,880,951</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,671,667</u>	<u>\$ 1,622,094</u>	<u>\$ 3,293,761</u>

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Governmental Activities  
Internal Service  
Funds

\$	-
	1,192,549
	(466,631)
	(191,727)
	(251,377)
	<u>282,814</u>

(47,738)

-

17,320

(30,418)

(134,169)

2,722

-

-

-

(131,447)

1,850,000

(1,500,000)

137,269

487,269

608,218

1,461,301

\$ 2,069,519

continued

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - Continued**

For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewage	Water	Totals Current Year
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 201,383	\$ 291,534	\$ 492,917
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	521,389	225,523	746,912
(Increase) decrease in accounts receivable	(713,384)	(215,953)	(929,337)
(Increase) decrease in due from other governmental units	56,360	-	56,360
(Increase) decrease inventories	-	-	-
Increase (decrease) in accounts payable	689,265	186,989	876,254
Increase (decrease) in accrued payroll	232	490	722
Net cash provided (used) by operating activities	<u>\$ 755,245</u>	<u>\$ 488,583</u>	<u>\$ 1,243,828</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Increase (decrease) in the fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Governmental Activities  
Internal Service  
Funds

---

\$ (46,491)

304,105  
(11,985)

55,178  
(25,700)  
5,685  
2,022

---

\$ 282,814

\$ 28,706

City of Alpena

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2008

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 300,000	\$ 40,214
Investments - at fair value		
Short-term investment funds	6,183,369	-
U.S. government securities	3,231,027	-
U.S. government agencies	506,250	-
Corporate bonds	9,842,572	-
Foreign bonds	256,000	-
Equity securities	8,251,644	-
Amounts due from broker under securities lending agreements	790,509	-
Taxes receivable	-	6,538
Interest receivable	139,039	-
	29,500,410	46,752
<b>LIABILITIES</b>		
Accounts payable	16,611	40,214
Due to other governmental units	-	6,538
Amounts due to broker under securities lending agreements	471,652	-
	488,263	46,752
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	29,012,147	-
	\$ 29,012,147	\$ -

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2008

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	Pension (and Other Employee Benefit) Trust Funds
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$          473,145
Employees	136,187
Other	252,247
Total contributions	<u>          861,579</u>
Investment income	
Net increase (decrease) in fair value of investments	133,854
Interest	756,567
Dividends	138,376
	<u>          1,028,797</u>
Less investment expense	89,624
Net investment income	<u>          939,173</u>
Total additions	<u>          1,800,752</u>
<b>DEDUCTIONS</b>	
Benefits	1,617,378
Lump-sum retirement payments	56,452
Administrative expense	25,996
Total deductions	<u>          1,699,826</u>
Change in net assets	100,926
Net assets - beginning of the year	<u>          28,911,221</u>
Net assets - end of the year	<u><u>          \$          29,012,147</u></u>

See accompanying notes to financial statements.

**ALPENA**  
**MICHIGAN'S ADVENSHORE**



City of Alpena

**STATEMENT OF NET ASSETS - COMPONENT UNITS**

June 30, 2008

	Downtown Development Authority No. 2	Downtown Development Authority No. 5	Economic Development Corporation	Total
<b>ASSETS</b>				
Pooled cash and investments	\$ -	\$ 25,054	\$ -	\$ 25,054
Cash and cash equivalents	138,976	-	3,670	142,646
Receivables (net of allowance for uncollectible accounts)	-	106	-	106
Due from primary government	15,583	-	-	15,583
Capital assets not being depreciated	63,156	-	-	63,156
Capital assets, net of accumulated depreciation	35,017	-	-	35,017
Total assets	<u>252,732</u>	<u>25,160</u>	<u>3,670</u>	<u>281,562</u>
<b>LIABILITIES</b>				
Accounts payable	60	60	-	120
Accrued payroll	863	552	-	1,415
Total liabilities	<u>923</u>	<u>612</u>	<u>-</u>	<u>1,535</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	98,173	-	-	98,173
Unrestricted	153,636	24,548	3,670	181,854
Total net assets	<u>\$ 251,809</u>	<u>\$ 24,548</u>	<u>\$ 3,670</u>	<u>\$ 280,027</u>

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

For the Year Ended June 30, 2008

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		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Downtown Development Authority No.2	\$ 66,837	\$ -	\$ 585	\$ -
Downtown Development Authority No.5	21,365	-	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 88,202</u>	<u>\$ -</u>	<u>\$ 585</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

Investment earnings

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets

Downtown Development Authority No. 2	Downtown Development Authority No. 5	Economic Development Corporation	Total
\$ (66,252)	\$ -	\$ -	\$ (66,252)
-	(21,365)	-	(21,365)
-	-	-	-
<u>(66,252)</u>	<u>(21,365)</u>	<u>-</u>	<u>(87,617)</u>
104,409	22,208	-	126,617
3,885	1,432	24	5,341
<u>108,294</u>	<u>23,640</u>	<u>24</u>	<u>131,958</u>
42,042	2,275	24	44,341
<u>209,767</u>	<u>22,273</u>	<u>3,646</u>	<u>235,686</u>
<u>\$ 251,809</u>	<u>\$ 24,548</u>	<u>\$ 3,670</u>	<u>\$ 280,027</u>

See accompanying notes to financial statements.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

The accounting policies of the City of Alpena (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Alpena:

**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 10,490 residents (2008 U.S. Census Bureau) in many areas including law enforcement, fire, water, sewer, community enrichment and development, and human services.

Education and health services are provided by a local school district, a community college, a general hospital and a public library; these units are separate governmental units or are parts of separate governmental units and their financial statements are not included herein, in accordance with the Governmental Accounting Standards Board Codification Section 2100.

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.

*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.

*Brownfield Redevelopment Authority* - The City of Alpena Brownfield Redevelopment Authority is governed by a six member board appointed by the City's governing body. Although it is legally separate from the City, the Brownfield Redevelopment Authority is reported as if it were a part of the primary government because its sole purpose is to promote the redevelopment 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.

*Discretely presented component units* - The component units' columns in the government-wide combined financial statements include the financial data of the City's three 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.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

City of Alpena Economic Development Corporation (EDC) - (Governmental Fund Type)

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

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

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 properly 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 fund and fiduciary fund 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.

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. 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.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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.

**Local 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 local by the Michigan Department of Transportation.

**Perpetual Lot Care.** Report resources that are legally restricted to the extent that only earnings, and not principal may be used to support operations. This fund is used to record transactions relative to perpetual care deposits in order to cover the cost of cemetery perpetual care services.

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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

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

**Cash and Investments.** The city maintains and controls two cash and investment pools in which the primary government and component unit's share. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "Pooled cash and investments". In addition, Cash and cash equivalents are considered to be cash on hand, demand deposits, 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 1<sup>st</sup> and December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

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

City of Alpena

NOTES TO FINANCIAL STATEMENTS

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

Capital Assets. Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 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 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
Vehicles	6 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 5 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 20 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 are granted 120 days of sick leave at the time of hire. If after using some or all of his/her sick leave, an employee goes six (6) months without missing a scheduled day of work, his/her sick leave bank is restored to 120 days. For employees hired on or after May 19, 2003, the number of sick days is 75. At termination, death, or retirement, no payment is made to an administrative or non-union employee (or heirs) for unused sick leave.

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

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

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

\*\*Police Patrol and Command Officers hired after August 1, 2002 earn 1/2 day each month.

Upon retirement, these employees are paid for one-half of their accumulated sick leave based on their hourly straight-time rate of pay at the time of retirement. No payments for unused sick leave are made at termination or death. Clerical employees hired after July 1, 1989, earn sick leave at the rate of 1/2 day for each full month worked. Public Works employees hired after July 1, 2001, earn sick leave at the rate of 1/2 day for each full month worked.

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

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.



City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles 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 only in the management discussion and analysis and in the individual fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.**

**Budgetary Information.** Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State of Michigan Public Act 2 of 1968, as amended, for the General fund and each special revenue fund. Budgets are not required for debt service, capital project, enterprise, and internal service funds. All annual appropriations lapse at fiscal year end. 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. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriation amount) is established by function within the individual funds.

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

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.** (continued)

**Excess of Expenditures Over Appropriations in Budgeted Funds.** The Uniform Budgeting and Accounting Act, PA 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 functional basis.

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

<u>Budget Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund – Public Safety/Building Inspection	\$ 136,815	\$ 139,050	\$ (2,235)
Major Street Fund – Maintenance	312,730	327,922	(15,192)
Local Street Fund – Maintenance	373,775	401,556	(27,781)
Brownfield Redevelopment	2,000	2,083	(83)

**Accumulated Fund Deficits.** The City of Alpena had no funds with an accumulated fund balance deficit at June 30, 2008.

**NOTE 3--CASH AND INVESTMENTS.**

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

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

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

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Pooled cash and investments	\$ 4,082,518	\$ 3,293,761	\$ -	\$ 25,054
Cash and cash equivalents	1,956,880	-	340,214	142,646
Investments – at fair value	<u>1,400,118</u>	<u>-</u>	<u>28,270,862</u>	<u>-</u>
	<u>\$ 7,439,516</u>	<u>\$ 3,293,761</u>	<u>\$ 28,611,076</u>	<u>\$ 167,700</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Cash and investments as of June 30, 2008 consisted of the following:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Component Units
Cash on hand	\$ 2,300	\$ -	\$ -	\$ -
Demand deposits	6,037,098	3,293,761	340,214	167,700
Investments – at fair value				
Short-term investment fund	-	-	6,183,369	-
U.S. Government securities	-	-	3,231,027	-
U.S. Government agencies	1,400,118	-	506,250	-
Corporate bonds	-	-	9,842,572	-
Foreign bonds	-	-	256,000	-
Equity securities	-	-	8,251,644	-
<b>Total</b>	<b>\$ 7,439,516</b>	<b>\$ 3,293,761</b>	<b>\$28,611,076</b>	<b>\$ 167,700</b>

**Declines in Investment values** – Subsequent to year end, the City’s investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, can not be determined.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had \$10,686,212 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$1,138,902 was covered by federal depository insurance and \$9,547,310 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.

**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 market 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

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

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

Investment Type	Fair Value of Government- Wide Investments	Fair Value of Fiduciary Funds Investments	Weighted- Average Maturity
Short-term investment funds	\$ -	\$ 6,183,369	0 days
U.S. Government agencies	1,400,118	-	1,056 days
U.S. Government securities	-	3,231,027	557 days
U.S. Government agencies	-	506,250	52 days
Corporate bonds	-	9,842,572	597 days
Foreign bonds	-	256,000	16 days
Total	<u>\$ 1,400,118</u>	<u>\$ 20,019,218</u>	

**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
U.S. government agencies			
Federal home loan bank	\$ 498,750	AAA	Standard & Poor's
Federal national mortgage association	502,343	AAA	Standard & Poor's
Federal farm credit bank	506,250	AAA	Standard & Poor's
Federal home loan mortgage association	399,025	AAA	Standard & Poor's
Corporate bonds	6,433,123	AAA to AA	
Corporate bonds	3,409,449	A+ to A-	Standard & Poor's
Foreign bonds	256,000	AA+	Standard & Poor's
Total	<u>\$ 12,004,940</u>		

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

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

**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).

**NOTE 4--RECEIVABLES.**

Receivables for the primary government and component units at June 30, 2008 are as follows:

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	
Receivables (net of allowance for uncollectibles)	\$ 369,377	\$ 1,363,475	\$ 1,732,852	\$ 106
Taxes receivable	2,910	-	2,910	-
Special assessments receivable	262,752	-	262,752	-
Interest receivable	28,612	-	28,614	-
Due from governmental units	57,563	415,633	473,196	-
	<u>\$ 721,214</u>	<u>\$ 1,779,108</u>	<u>\$ 2,500,324</u>	<u>\$ 106</u>

**NOTE 5--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 attachment is 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.

Although the City's 2007 ad valorem tax is levied and collectible on July 1, 2007, it is City 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 2007 taxable valuation of the City of Alpena amounted to \$263,281,247 on which ad valorem taxes of 16.2316 mills were levied for City operating purposes; 1.2500 mills for debt retirement and .2091 for community events center.

The 2007 tax levy raised \$4,200,525 for City operating; \$54,038 for community events center and \$428,138 for the City debt retirement. These amounts are recognized in the respective general fund and debt service funds financial statements as property tax revenue.

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 also are assessed 8.0681 mills for County operations, .6500 mills for Dial-A-Ride transportation, 2.4358 mills for the Community College, and 2.1902 mills for the Educational Service District. In addition, nonhomestead properties paid 24.0000 mills while homestead properties paid 6.0000 mills for public schools, along with 1.9500 mills for school debt.

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 June 30, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
<b>Governmental Activities:</b>				
Capital assets not being				
Depreciated:				
Land	\$ 3,018,071	\$ 50,023	\$ -	\$ 3,068,094
Construction in progress	108,158	29,644	-	137,802
	<u>3,126,229</u>	<u>79,667</u>	<u>-</u>	<u>3,205,896</u>
Capital assets being				
Depreciated:				
Land improvements	4,648,137	93,467	-	4,741,604
Buildings and improvements	9,589,809	11,494	-	9,601,303
Machinery and equipment	6,698,581	175,839	(58,017)	6,816,403
Infrastructure	37,667,004	1,376,037	(556,991)	38,486,050
	<u>58,603,531</u>	<u>1,656,837</u>	<u>(615,008)</u>	<u>59,645,360</u>
Accumulated depreciation:				
Land improvements	(1,269,894)	(144,005)	-	(1,413,899)
Buildings and improvements	(3,878,185)	(200,216)	-	(4,078,401)
Machinery and equipment	(5,037,544)	(444,290)	58,017	(5,423,817)
Infrastructure	(20,363,033)	(1,273,401)	22,826	(21,613,608)
	<u>(30,548,656)</u>	<u>(2,061,912)</u>	<u>80,843</u>	<u>(32,529,725)</u>
Net capital assets being				
Depreciated	<u>28,054,875</u>	<u>(405,075)</u>	<u>(534,165)</u>	<u>27,115,635</u>
Net governmental capital assets	<u>\$31,181,104</u>	<u>\$ (325,408)</u>	<u>\$ (534,165)</u>	<u>\$30,321,531</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2008</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	37,315	1,405,759	(515,238)	927,837
	<u>37,327</u>	<u>1,405,759</u>	<u>(515,238)</u>	<u>927,849</u>
Capital assets being Depreciated:				
Land improvements	446,340	24,914	(7,400)	463,854
Buildings and improvements	4,509,074	474,588	-	4,983,662
Machinery and equipment	1,496,866	93,421	(1,971)	1,588,316
Infrastructure	29,415,303	2,263,877	(129,518)	31,549,662
	<u>35,867,583</u>	<u>2,856,800</u>	<u>(138,889)</u>	<u>38,585,494</u>
Accumulated depreciation:				
Land improvements	(100,318)	(15,146)	7,400	(108,064)
Buildings and improvements	(1,684,985)	(127,193)	-	(1,812,178)
Machinery and equipment	(1,043,282)	(66,251)	1,971	(1,107,562)
Infrastructure	(11,459,816)	(538,322)	77,253	(11,920,885)
	<u>(14,288,401)</u>	<u>(746,912)</u>	<u>86,624</u>	<u>(14,948,689)</u>
Net capital assets being Depreciated	<u>21,579,182</u>	<u>2,109,888</u>	<u>(52,265)</u>	<u>23,636,805</u>
Net business-type capital assets	<u>\$21,616,509</u>	<u>\$ 3,515,647</u>	<u>\$ (567,503)</u>	<u>\$ 24,564,654</u>

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

Governmental activities:		
General government		\$ 76,947
Public safety		383,620
Public works		1,433,341
Parks and recreation		168,004
		<u>\$ 2,061,912</u>
Business-type activities:		
Sewage		\$ 521,389
Water		225,523
		<u>\$ 746,912</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.**

The composition of interfund balances at June 30, 2008 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General Fund	\$ -	\$ 275,035
Permanent Fund		
Perpetual Lot Care Fund	12,502	-
Internal Service Funds		
Equipment Fund	<u>265,533</u>	<u>-</u>
Internal balances	<u>\$ 278,035</u>	<u>\$ 278,035</u>

The Interfund balances at June 30, 2008 represent current unpaid balances for equipment rentals by the General Fund within the pooled cash and investment accounts until amounts are transferred from cash and investment accounts.

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 10,616	\$ -
Budget stabilization fund	-	216
Brownfield redevelopment authority	-	10,400
Marina	120,000	-
Local street fund	275,000	-
General debt service fund	50,350	-
2002 G.O. debt fund	125,000	-
Stores fund	55,500	-
General fund	-	625,850
Stores	47,738	-
Equipment fund	-	47,738
Local street fund	100,000	-
Sewage fund	28,700	-
Major street fund	-	100,000
Building authority construction fund	<u>-</u>	<u>28,700</u>
Total Transfers	<u>\$ 812,904</u>	<u>\$ 812,904</u>



City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.** (continued)

The transfer from the Budget Stabilization Fund to the General Fund represents interest earned.

The transfer from Brownfield Redevelopment Authority to the General Fund represents the reimbursement of administrative costs.

The transfer from the General Fund to the Local Street Fund represents the transfer of unrestricted resources for current road projects; the transfers from the General Fund to the General Debt Services and 2002 G.O. Debt Service Funds represent funding of debt service 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 Equipment Fund to the Stores Fund represents cash flow assistance for the purpose of purchasing materials and supplies.

The transfer from the Major Street Fund to the Local Street Fund represents its share of new infrastructure.

The transfer from the Building Authority Construction Fund to the Sewage Fund represents its share of new infrastructure.

**NOTE 8--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. County 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:

	<u>Balances, June 30, 2007</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances, June 30, 2008</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds:					
1994 Alpena County sanitary sewage unlimited tax refunding bonds (contractual obligation): Amount of issue - \$2,705,000 Maturing through 2009 Interest rate range 5.0% Principal maturity range					
\$195,000	\$ 385,000	\$ -	\$ (195,000)	\$ 190,000	\$ 190,000
2001 Building Authority Bonds: Amount of issue - \$400,000 Maturing through 2016 Interest rate ranges 4.10%-4.80% Principal maturity range \$35,000-					
\$50,000	310,000	-	(25,000)	285,000	25,000

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--LONG-TERM DEBT.** (continued)

	Balances, June 30, 2007	Additions	(Deductions)	Balances, June 30, 2008	Due Within One Year
2002 unlimited tax refunding bonds:					
Amount of issue - \$1,995,000					
Maturing through 2012					
Interest rate ranges 3.00%-4.20%					
Principal maturity range \$325,000- \$245,000	\$ 1,145,000	\$ -	\$ (205,000)	\$ 940,000	\$ 225,000
2004 Building Authority Bonds:					
Amount of issue - \$1,800,000					
Maturing through 2030					
Interest rate ranges 3.10%-5.10%					
Principal maturity range \$50,000- \$125,000	1,750,000	-	(25,000)	1,725,000	50,000
Installment purchase agreements:					
2000 Land purchase bank loan:					
Amount of issue - \$880,000					
Maturing through 2014					
Interest rate range - 3.75%					
Principal maturity range - \$40,541	257,280	-	(40,541)	216,739	40,541
2005 Installment purchase:					
Amount of issue - \$4,590					
Maturing through 2010					
Principal maturity range - \$1,152	2,880	-	(1,152)	1,728	1,152
2007 Land contract purchase:					
Amount of issue - \$50,000					
Maturing through 2014					
Interest rate range - 7.00%					
Principal maturity ranges - \$4,386 - \$7,043	-	50,000	(5,000)	45,000	4,386
Total bond and installment purchase obligations	3,850,160	50,000	(496,693)	3,403,467	536,079
Other long-term obligations:					
Compensated absences	475,648	318,214	(283,827)	510,135	292,279
Total governmental activities	<u>\$ 4,325,808</u>	<u>\$ 368,314</u>	<u>\$ (780,520)</u>	<u>\$ 3,913,602</u>	<u>\$ 828,358</u>

**Business-type Activities**

1998 Water supply and sewage disposal system revenue bonds:					
Amount of issue - \$4,000,000					
Maturing through 2019					
Interest rate ranges 4.25%-4.90%					
Principal maturity range \$200,000- \$300,000	\$ 3,100,000	\$ -	\$ (200,000)	\$ 2,900,000	\$ 200,000

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--LONG-TERM DEBT.** (continued)

	Balances, June 30, 2007	Additions	(Deductions)	Balances, June 30, 2008	Due Within One Year
2007 Capital improvement bonds:					
Amount of issue - \$995,000					
Maturing through 2028					
Interest rate – 4.37%					
Principal maturity range \$20,000					
- \$100,000	\$ -	\$ 995,000	\$ -	\$ 995,000	\$ 20,000
2007 Sewage disposal system,					
State of Michigan revolving fund:					
Amount of issue - \$3,590,000					
Drawn down to date - \$1,255,125					
Maturing through 2018					
Interest rate – 1.625%					
Principal maturity range					
\$155,000 - \$175,000	-	1,255,125	-	1,255,125	-
2007 Water supply system,					
State of Michigan revolving fund:					
Amount of issue - \$3,650,000					
Drawn down to date - \$882,906					
Maturing through 2015					
Interest rate – 2.125%					
Principal maturity range					
\$150,000 - \$165,000	-	882,906	-	882,906	-
Total business-type activities	<u>\$ 3,100,000</u>	<u>\$ 3,133,031</u>	<u>\$ (200,000)</u>	<u>\$ 6,033,031</u>	<u>\$ 220,000</u>

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 828,358	\$ 139,437	\$ 220,000	\$ 203,660
2010	360,707	121,052	225,000	196,964
2011	379,762	106,454	580,000	182,492
2012	384,739	91,312	580,000	164,443
2013	131,290	80,954	615,000	146,298
2014 through 2018	678,746	329,287	2,913,031	432,815
2019 through 2023	375,000	237,162	550,000	115,751
2024 through 2028	525,000	131,175	350,000	52,501
2029 through 2030	250,000	12,688	-	-
Total	<u>\$ 3,913,602</u>	<u>\$ 1,249,521</u>	<u>\$ 6,033,031</u>	<u>\$ 1,494,924</u>

City of Alpena

NOTES TO FINANCIAL STATEMENTS

NOTE 8--LONG-TERM DEBT. (continued)

Advance Refunding. On February 28, 2002, the City of Alpena issued \$1,995,000 in General Obligation Unlimited Tax Refunding Bonds with an average interest rate of 3.77% to advance refund \$1,925,000 of outstanding 1992 General Obligation Unlimited Tax Bonds with an average interest rate of 5.69%. The net proceeds of \$1,931,682 (after payment of \$70,700 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 1992 General Obligation Unlimited Tax Bonds. No further liability exists for the 1992 bonds. As a result the 1992 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 1992 General Obligation Unlimited Tax Bonds to reduce its total debt service payments for 2003 through 2012 by \$255,623 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$202,766.

NOTE 9--CONSTRUCTION COMMITMENTS.

Infrastructure construction. The City of Alpena is making improvements to the wastewater retention treatment facility to expand the capacity and enhance the performance. The estimated total cost of the project is \$3,800,000. The City is financing the project by issuing debt, including a low-interest (1.625 percent) State of Michigan Revolving Fund money loan of \$3,590,000. (of which \$1,255,125 had been received or drawn down). In addition, the City has issued \$497,500 in Capital improvement bonds. As of June 30, 2008 the City had incurred approximately \$1,346,712 of costs related to the project with the remainder of the project expected to be completed in the 2008/2009 fiscal year.

The City of Alpena is also making improvements to its water treatment facility to expand the capacity and enhance the performance. The estimated total cost of the project is \$3,600,000. The City is financing the project by issuing debt, including a low-interest (2.125 percent) State of Michigan Revolving Fund money loan of \$3,650,000. (of which \$882,906 had been received or drawn down). In addition, the City has issued \$497,500 in Capital improvement bonds. As of June 30, 2008 the City had incurred approximately \$1,103,365 of costs related to the project with the remainder of the project expected to be completed in the 2008/2009 fiscal year.

NOTE 10--NET ASSET RESERVATIONS AND RESTRICTIONS.

Governmental Activities

Restricted for debt service	
General debt	\$ 3,902
2002 G.O. debt	5,081
Building authority debt	2,786
	<hr/>
	11,769
Restricted for capital outlay	
Brownfield construction	30,828
Public safety facility construction	304,839
D.P.W. construction	242,217
Building authority construction	418
	<hr/>
	578,302

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10--NET ASSET RESERVATIONS AND RESTRICTIONS. (continued)**

**Business-type Activities**

Restricted for debt service	
Water fund	\$ 179,250
Sewage fund	179,250
	<u>358,500</u>

Restricted for capital outlay	
Water fund	300,000
Sewage fund	200,000
	<u>500,000</u>

**Fiduciary Funds**

Held in trust for pension benefits and other purposes	
Pension trust fund	28,385,932
Employee health care fund	626,215
	<u>29,012,147</u>

**NOTE 11--BUILDING PERMIT REVENUES AND RELATED EXPENDITURES.**

The State of Michigan Construction Code Act (Public Act 245 of 1999) requires that building activity be separated from other general fund activity effective January 1, 2000. The City of Alpena's fee structure is not intended to recover the full cost of the enforcing agency; therefore, it has not been segregated from the general fund. For the year ended June 30, 2008, the City of Alpena collected \$132,413 in building permit fees. For the same time period, the City expended \$139,050. The City subsidized the construction permit program with \$ 20,000.

**NOTE 12--CONTINGENCIES AND CLAIMS.**

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.

**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 13--RISK MANAGEMENT.**

The City of Alpena is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, and workers compensation coverage from the Michigan Municipal Workers Compensation Fund. We currently have general liability, excess liability, auto liability, trunk line liability, errors and omissions, physical damage (equipment, buildings and contents) through St. Paul Property and Liability Insurance, administrated through Arthur J. Gallagher & Company of Michigan, Incorporated.

Arthur J. Gallagher & Company ("Gallagher") is one of the largest providers of brokerage and risk management services to Public entities. Gallagher plans and administers all types of insurance, reinsurance, risk management, and self-insurance programs through various specialized companies.

Michigan municipal corporations in the State of Michigan established and created a trust fund, knows 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 14--DEFINED BENEFIT PENSION PLAN.**

**Plan Description.** The City reporting entity participates in and administers one single-employer defined benefit pension plan - City of Alpena Employees' Retirement System. This plan covers substantially all full-time employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. At December 31, 2007, the date of the most recent actuarial valuation, membership consisted of 96 retirees and beneficiaries currently receiving benefits, 5 terminated employees entitled to benefits but not yet receiving them, and 86 current active employees. 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. The plan does not issue a separate financial report.

**Contribution Methods, Funding Policies, and Benefit Provisions.** Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

The following is a summary of contribution methods, funding policies, and benefit provisions:

Year established and governing authority	- 1945; City Council Ordinance
Determination of contribution requirements	- Actuarially determined
Employer Portion (After Adjustments)	
General	- 4.26% of covered payroll
Police	- 0.00% of covered payroll
Fire	- 14.18% of covered payroll

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Employee		
General Union		- 3.0% of the first \$4,800 of covered payroll plus 5.0% of covered payroll in excess of \$4,800
General Non-Union		- 1.0% of covered payroll
Deputy Police Chief		- 1.0% of covered payroll
Deputy Fire Chief		- 2.0% of covered payroll
Patrolmen		- 5.5% of covered payroll
Command Officers		- 6.0% of covered payroll
Firemen		- 3.5% of covered payroll
Determination of benefit provision		
General Union - Clerical		- 1.3% of the first \$4,800 of covered payroll plus 1.8% of covered payroll in excess of \$4,800
General Union - DPW		- 1.3% of the first \$4,800 of covered payroll plus 2.0% of covered payroll in excess of \$4,800
Non-Union	- 2.25% of covered payroll through 7/1/2003, 2.50% thereafter	
Deputy Police Chief	- 2.50% of covered payroll through 7/1/2003, 2.78% thereafter	
Deputy Fire Chief	- 2.40% of covered payroll through 7/1/2006, 2.78% thereafter	
Patrolmen	- 2.40% of covered payroll through 7/1/2002, 3.00% thereafter	
Command Officers	- 2.50% of covered payroll through 7/1/2002, 3.00% thereafter	
Firemen	- 2.50% of covered payroll through 7/1/2001, 3.00% thereafter	
Funding of administrative costs		- Investment earnings
Period required to vest		- 10 years, or 5 years for General Non-union, Deputy Fire Chief and Deputy Police Chief.
Post-retirement benefit increases		- City Council Ordinance provides a Cost of living adjustment only after employee has been retired for 5 years and is based on a set formula. The COLA adjustment is not mandatory.
Eligibility for Distribution		
General Non-Union		- Age 60 with 5 years, or age 55 with 15 years
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 patrol & command)

City of Alpena

NOTES TO FINANCIAL STATEMENTS

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

Deputy Fire Chief	- Age 60, 2 year extensions based on satisfactory medical exam, with maximum age of 70.
Deputy Police Chief	
General Union	- Age 60 with 10 years of service
DPW Union	- Age 60 with 10 years and effective 7/01/99, age 55 with 15 years of service.
Provisions for	
Disability benefits	- Yes
Death benefits	- Yes

**Annual Pension Cost.** For the year ended December 31, 2007, the City's annual pension cost of \$322,970 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age cost method. Significant actuarial assumptions used include (1) a 7.0% investment rate of return; (2) projected salary increases of 4.5%-8.3% with annual cost of living adjustments. The projected salary increases include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on an open basis. The remaining amortization period is 10 years for unfunded accrued liabilities and 25 years for cost of living adjustments.

**Trend Information.**

<u>Valuation Year Ended December 31</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2005	\$ 129,008	100%
2006	195,491	100%
2007	322,970	100%

**Net Pension Obligation.** There were no net pension obligations for the plan.

**Reserves.** The balance in the plan's legally required reserves at December 31, 2007, 2006 and 2005, respectively was \$28,939,360, \$27,572,224, and \$26,685,985.

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 market value exceeds five percent or more of net assets 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.

**Supplemental information.** The required supplemental information presented directly following the notes to financial statements is designed to provide additional information about the defined benefit retirement plans progress in accumulating sufficient assets to pay benefits when due.



City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15--POSTRETIREMENT BENEFIT DISCLOSURES.**

In addition to the pension benefits described in Note 14, the City of Alpena provides postretirement health care and life insurance benefits, in accordance with council resolution for non-union employees and negotiated labor agreements for union employees, to all covered employees who retire from the City. The City provides a City-paid \$2,000 life insurance policy for administrative, police, and fire department retirees.

There are currently 96 retirees; 36 have elected to receive health care benefits and 52 are eligible to receive life insurance benefits. Expenditures for post retirement benefits are recognized when incurred by the City. During the year, the City's share of expenditures of \$113,315 was recognized for post retirement health care and \$675 for retiree life insurance.

**Upcoming Reporting Change.** The Governmental Accounting Standards board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncements provide guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the City's fiscal year ending June 30, 2009.

**NOTE 16--DEFERRED COMPENSATION PLAN.**

The City of Alpena offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City of Alpena's financial statements.

**NOTE 17--COMPONENT UNIT DISCLOSURES.**

**Capital Assets.** The following table summarizes the changes in the Downtown Development Authority's capital assets:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 63,156	\$ -	\$ -	\$ 63,156
	<u>63,156</u>	<u>-</u>	<u>-</u>	<u>63,156</u>
Capital assets being depreciated:				
Land improvements	78,128	-	-	78,128
Buildings and improvements	4,880	-	-	4,880
	<u>83,008</u>	<u>-</u>	<u>-</u>	<u>83,008</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 17--COMPONENT UNIT DISCLOSURES.** (continued)

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Accumulated depreciation:				
Land improvements	(39,091)	(4,020)	-	(43,111)
Buildings and improvements	(4,880)	-	-	(4,880)
	<u>(43,971)</u>	<u>(4,020)</u>	<u>-</u>	<u>(47,991)</u>
Net capital assets being Depreciated	<u>39,037</u>	<u>(4,020)</u>	<u>-</u>	<u>35,017</u>
Net component unit assets	<u>\$ 102,193</u>	<u>\$ (4,020)</u>	<u>\$ -</u>	<u>\$ 98,173</u>

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

Downtown Development Authority No. 2	<u>\$ 4,020</u>
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The EDC had no Capital assets.

**Long-Term Debt.** Neither the Downtown Development Authority or the Economic Development Corporation had any long-term debt obligations at June 30, 2008.

City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 4,314,463	\$ 4,331,310	\$ 4,322,436	\$ (8,874)
Licenses and permits	165,600	165,630	176,914	11,284
State revenue	1,784,605	1,839,495	1,684,401	(155,094)
Federal revenue	175,000	133,600	138,903	5,303
Local grant revenue	762,541	776,540	642,514	(134,026)
Charges for services	1,403,205	1,324,195	1,546,046	221,851
Investment income and rents	102,000	132,420	114,614	(17,806)
Fines and forfeitures	28,500	30,000	30,232	232
Other	109,250	175,965	118,784	(57,181)
Total revenues	<u>8,845,164</u>	<u>8,909,155</u>	<u>8,774,844</u>	<u>(134,311)</u>
Expenditures				
General government				
General government	1,980,805	2,125,535	1,903,246	222,289
Building authority	38,325	38,325	38,325	-
Cemetery	157,760	163,030	154,537	8,493
	<u>2,176,890</u>	<u>2,326,890</u>	<u>2,096,108</u>	<u>230,782</u>
Public safety				
Police	1,702,771	1,637,483	1,627,664	9,819
Fire	1,343,101	1,316,031	1,305,779	10,252
Ambulance	1,255,330	1,249,235	1,126,853	122,382
Building inspection	133,415	136,815	139,050	(2,235)
	<u>4,434,617</u>	<u>4,339,564</u>	<u>4,199,346</u>	<u>140,218</u>
Public works				
Public works	762,760	832,740	743,377	89,363
Highways, streets and lights	188,445	267,760	256,371	11,389
	<u>951,205</u>	<u>1,100,500</u>	<u>999,748</u>	<u>100,752</u>
Recreation and culture				
Parks and recreation	1,028,375	996,295	915,976	80,319
Other				
Contingencies	41,900	-	-	-
Debt Service				
Principal retirement	1,150	6,180	6,152	28
Total expenditures	<u>8,634,137</u>	<u>8,769,429</u>	<u>8,217,330</u>	<u>552,099</u>
Excess of revenues over (under) expenditures	<u>211,027</u>	<u>139,726</u>	<u>557,514</u>	<u>417,788</u>

continued

City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - Continued**

For the Year Ended June 30, 2008

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other financing sources (uses)				
Issuance of long term debt	\$ -	\$ -	\$ 50,000	\$ 50,000
Transfers in	10,900	10,900	10,616	(284)
Transfers out	(535,850)	(625,850)	(625,850)	-
	<u>(524,950)</u>	<u>(614,950)</u>	<u>(565,234)</u>	<u>49,716</u>
Net change in fund balances	(313,923)	(475,224)	(7,720)	467,504
Fund balances - beginning of the year	<u>1,508,756</u>	<u>2,176,754</u>	<u>2,176,754</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 1,194,833</u>	<u>\$ 1,701,530</u>	<u>\$ 2,169,034</u>	<u>\$ 467,504</u>

## City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues				
State revenue	\$ 727,030	\$ 694,960	\$ 702,473	\$ 7,513
Federal revenue	262,400	4,230	4,230	-
Charges for services	9,050	9,050	6,234	(2,816)
Investment income and rents	16,000	12,000	13,001	1,001
Other	1,500	51,000	1,274	(49,726)
Total revenues	<u>1,015,980</u>	<u>771,240</u>	<u>727,212</u>	<u>(44,028)</u>
Expenditures				
Public works				
Administration and engineering	97,020	89,090	78,931	10,159
Construction	432,960	323,335	311,362	11,973
Maintenance	306,010	312,730	327,922	(15,192)
Maintenance - trunkline	77,950	91,810	87,042	4,768
Total expenditures	<u>913,940</u>	<u>816,965</u>	<u>805,257</u>	<u>11,708</u>
Excess of revenues over (under) expenditures	<u>102,040</u>	<u>(45,725)</u>	<u>(78,045)</u>	<u>(32,320)</u>
Other financing sources (uses)				
Transfer in	-	55,256	-	(55,256)
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(44,744)</u>	<u>(100,000)</u>	<u>(55,256)</u>
Net change in fund balances	2,040	(90,469)	(178,045)	(87,576)
Fund balances - beginning of the year	<u>292,683</u>	<u>299,997</u>	<u>299,997</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 294,723</u>	<u>\$ 209,528</u>	<u>\$ 121,952</u>	<u>\$ (87,576)</u>

City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues				
State revenue	\$ 237,890	\$ 230,000	\$ 230,862	\$ 862
Federal revenue	-	3,390	3,387	(3)
Charges for services	31,160	32,000	29,006	(2,994)
Investment income and rents	34,000	10,000	8,063	(1,937)
Other	1,500	800	781	(19)
Total revenues	<u>304,550</u>	<u>276,190</u>	<u>272,099</u>	<u>(4,091)</u>
Expenditures				
Public works				
Administration and engineering	185,900	198,715	193,732	4,983
Construction	158,250	122,440	97,407	25,033
Maintenance	307,420	373,775	401,556	(27,781)
Total expenditures	<u>651,570</u>	<u>694,930</u>	<u>692,695</u>	<u>2,235</u>
Excess of revenues over (under) expenditures	<u>(347,020)</u>	<u>(418,740)</u>	<u>(420,596)</u>	<u>(1,856)</u>
Other financing sources (uses)				
Transfer in	<u>375,000</u>	<u>375,000</u>	<u>403,700</u>	<u>28,700</u>
Total other financing sources (uses)	<u>375,000</u>	<u>375,000</u>	<u>403,700</u>	<u>28,700</u>
Net change in fund balances	27,980	(43,740)	(16,896)	26,844
Fund balances - beginning of the year	<u>215,349</u>	<u>193,563</u>	<u>193,563</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 243,329</u>	<u>\$ 149,823</u>	<u>\$ 176,667</u>	<u>\$ 26,844</u>

City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION SYSTEM TRUST**

June 30, 2008

**SCHEDULE OF FUNDING PROGRESS**

The pension systems schedule of funding progress for the past eight years is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c) Underfunded - (Overfunded)
12/31/00	\$ 28,936,377	\$ 21,330,240	\$ (7,606,137)	135.7%	\$ 3,551,225	-(214.2%)
12/31/01	30,102,190	22,096,003	(8,006,187)	136.2%	3,432,443	-(233.3%)
12/31/02	30,808,443	22,776,542	(8,031,901)	135.3%	3,538,353	-(227.0%)
12/31/03	30,484,524	22,927,430	(7,557,094)	133.0%	3,554,393	-(212.6%)
12/31/04	28,762,151	23,723,612	(5,038,539)	121.2%	3,668,026	-(137.4%)
12/31/05	28,330,880	25,423,960	(2,906,920)	111.4%	3,723,353	-(78.1%)
12/31/06	28,104,980	26,311,210	(1,793,770)	106.8%	4,046,930	-(44.3%)
12/31/07	28,667,459	25,635,441	(3,032,018)	111.8%	3,969,493	-(76.4%)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The pension systems schedule of employer contributions for the past eight years is as follows:

Actuarial Valuation Date	Contribution Rates as a Percentage of Valuation Payroll	Computed Contribution Based on Projected Valuation Payroll	Actual Contribution	Percentage Contributed
12/31/00	0.55%	\$ 18,965	\$ 25,910	100.0%
12/31/01	0.00%	-	-	100.0%
12/31/02	0.71%	25,419	25,419	100.0%
12/31/03	0.45%	16,606	16,606	100.0%
12/31/04	0.75%	27,790	27,790	100.0%
12/31/05	3.37%	129,008	129,008	100.0%
12/31/06	5.02%	195,491	195,491	100.0%
12/31/07	8.14%	322,970	322,970	100.0%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

continued

City of Alpena

**REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION SYSTEM TRUST - Continued**

June 30, 2008

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Additional information as of December 31, 2007, the latest actuarial valuation date, follows:

Valuation date	December 31, 2007
Actuarial Cost Method	Entry age
Amortization method	Level percent open
Amortization period	10 years on UAL
Asset valuation method	4-year smoothed market

Actuarial assumptions:

Investment rate of return	7.00%
Projected salary increases	4.5%--8.3%
Includes wage inflation at	4.5% per year
Price inflation	4.0% per year
Cost-of-living adjustments	COLA payments are made annually to eligible retirees by allocating an amount of money (adjusted for inflation) among\ all retirees (\$68,858 in 2007) using a formula based on years of City service and years retired. Annual COLA payments are not guaranteed.



City of Alpena

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY.**

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

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

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

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

**ALPENA**  
**THE GREAT**  
**MICHIGAN'S ADVENSHORE**

City of Alpena

**Nonmajor Governmental Funds**

Description of Funds

**Special Revenue Funds**

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

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

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

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

**Budget Stabilization Fund.** This fund is used to account for funds set aside under the provisions of Michigan Public Act 30 of 1978.

**Debt Service Funds**

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

**General Debt Service Fund.** This fund is used to record the servicing of the City's 1994 tax refunding bonds.

**2002 G.O. Debt Service Fund.** This fund is used to record the servicing of the City's 2002 unlimited tax refunding bonds.

**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.

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

**Public Safety Facility Construction Fund.** This fund is used to record renovation projects on the City Public Safety Facilities.

**DPW Construction Fund.** This fund is used to record construction activity of the DPW.

City of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

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	Nonmajor Special Revenue Funds		
	Marina	Tree/Park Improvement	Brownfield Authority
<b>ASSETS</b>			
Pooled cash and investments	\$ 75,917	\$ 78,549	\$ -
Cash and cash equivalents	-	100,000	13,589
Accounts receivable	18,637	-	-
Interest receivable	-	201	-
Total assets	<u>\$ 94,554</u>	<u>\$ 178,750</u>	<u>\$ 13,589</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 15,650	\$ -	\$ -
Accrued payroll	895	-	-
Total liabilities	<u>16,545</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for debt service	-	-	-
Reserved for capital outlay	-	-	-
Unreserved, reported in:			
Special revenue funds	<u>78,009</u>	<u>178,750</u>	<u>13,589</u>
Total fund balances	<u>78,009</u>	<u>178,750</u>	<u>13,589</u>
Total liabilities and fund balances	<u>\$ 94,554</u>	<u>\$ 178,750</u>	<u>\$ 13,589</u>

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Nonmajor Debt Service Funds			
Budget Stabilization	General Debt Service	2002 G.O. Debt Service	Building Authority Debt
\$ 5,000	\$ 3,902	\$ 5,081	\$ -
-	-	-	2,786
-	-	-	-
-	-	-	-
<u>\$ 5,000</u>	<u>\$ 3,902</u>	<u>\$ 5,081</u>	<u>\$ 2,786</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	3,902	5,081	2,786
-	-	-	-
5,000	-	-	-
<u>5,000</u>	<u>3,902</u>	<u>5,081</u>	<u>2,786</u>
<u>\$ 5,000</u>	<u>\$ 3,902</u>	<u>\$ 5,081</u>	<u>\$ 2,786</u>

continued

City of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - Continued**

June 30, 2008

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	Nonmajor Capital Project Funds		
	Brownfield Authority Construction	Building Authority Construction	Public Safety Facility Construction
<b>ASSETS</b>			
Pooled cash and investments	\$ -	\$ -	\$ 304,839
Cash and cash equivalents	30,828	418	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Total assets	<u>\$ 30,828</u>	<u>\$ 418</u>	<u>\$ 304,839</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for debt service	-	-	-
Reserved for capital outlay	30,828	418	304,839
Unreserved, reported in: Special revenue funds	-	-	-
Total fund balances	<u>30,828</u>	<u>418</u>	<u>304,839</u>
Total liabilities and fund balances	<u>\$ 30,828</u>	<u>\$ 418</u>	<u>\$ 304,839</u>

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<u>D.P.W. Construction</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 242,217	\$ 715,505
-	147,621
-	18,637
-	201
<u>\$ 242,217</u>	<u>\$ 881,964</u>
\$ -	\$ 15,650
-	895
<u>-</u>	<u>16,545</u>
-	11,769
242,217	578,302
<u>-</u>	<u>275,348</u>
<u>242,217</u>	<u>865,419</u>
<u>\$ 242,217</u>	<u>\$ 881,964</u>

City of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	Nonmajor Special Revenue Funds		
	Marina	Tree/Park Improvement	Brownfield Authority
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 16,232
Licenses and permits	1,610	-	-
State grants	52,210	-	-
Investment income and rents	54,949	8,375	-
Other	150	-	-
Total revenues	<u>108,919</u>	<u>8,375</u>	<u>16,232</u>
<b>EXPENDITURES</b>			
Current operations			
General government	-	-	2,083
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	150,910	-	-
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>150,910</u>	<u>-</u>	<u>2,083</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(41,991)</u>	<u>8,375</u>	<u>14,149</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	120,000	-	-
Transfers out	-	-	(10,400)
Total other financing sources (uses)	<u>120,000</u>	<u>-</u>	<u>(10,400)</u>
<b>NET CHANGE IN FUND BALANCES</b>	78,009	8,375	3,749
<b>FUND BALANCES, beginning of the year</b>	<u>-</u>	<u>170,375</u>	<u>9,840</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 78,009</u>	<u>\$ 178,750</u>	<u>\$ 13,589</u>



Nonmajor Debt Service Funds			
Budget Stabilization	General Debt Service	2002 G.O. Debt Service	Building Authority Debt
\$ -	\$ 207,384	\$ 120,754	\$ -
-	-	-	-
-	-	-	-
216	2,516	1,658	38,345
-	-	-	-
<u>216</u>	<u>209,900</u>	<u>122,412</u>	<u>38,345</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	235,541	205,000	50,000
-	24,188	41,850	92,163
-	<u>259,729</u>	<u>246,850</u>	<u>142,163</u>
<u>216</u>	<u>(49,829)</u>	<u>(124,438)</u>	<u>(103,818)</u>
-	50,350	125,000	103,238
(216)	-	-	-
<u>(216)</u>	<u>50,350</u>	<u>125,000</u>	<u>103,238</u>
-	521	562	(580)
5,000	3,381	4,519	3,366
<u>\$ 5,000</u>	<u>\$ 3,902</u>	<u>\$ 5,081</u>	<u>\$ 2,786</u>

City of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - Continued**

For the Year Ended June 30, 2008

	Nonmajor Capital Project Funds		
	Brownfield Authority Construction	Building Authority Construction	Public Safety Facility Construction
<b>REVENUES</b>			
Taxes	\$ 258,658	\$ -	\$ -
Licenses and permits	-	-	-
State grants	-	-	-
Investment income and rents	-	2	12,307
Other	-	-	8,000
Total revenues	<u>258,658</u>	<u>2</u>	<u>20,307</u>
<b>EXPENDITURES</b>			
Current operations			
General government	-	-	-
Public works	-	-	-
Community and economic development	199,130	-	-
Recreation and culture	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>199,130</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>59,528</u>	<u>2</u>	<u>20,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(28,700)	-	-
Total other financing sources (uses)	<u>(28,700)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	30,828	2	20,307
<b>FUND BALANCES, beginning of the year</b>	-	416	284,532
<b>FUND BALANCES, end of the year</b>	<u>\$ 30,828</u>	<u>\$ 418</u>	<u>\$ 304,839</u>

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<u>D.P.W. Construction</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 603,028
-	1,610
-	52,210
9,861	128,229
7,751	15,901
<u>17,612</u>	<u>800,978</u>
-	2,083
-	-
-	150,910
-	490,541
-	158,201
<u>-</u>	<u>801,735</u>
<u>17,612</u>	<u>(757)</u>
-	398,588
-	(39,316)
<u>-</u>	<u>359,272</u>
17,612	159,385
224,605	706,034
<u>\$ 242,217</u>	<u>\$ 865,419</u>

City of Alpena

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>MARINA</b>				
Revenues				
Licenses and permits	\$ 1,000	\$ 1,200	\$ 1,610	\$ 410
State revenue	70,300	84,300	52,210	(32,090)
Investment income and rents	60,000	42,330	54,949	12,619
Other	2,000	500	150	(350)
Transfer in	30,000	120,000	120,000	-
Total revenues	<u>163,300</u>	<u>248,330</u>	<u>228,919</u>	<u>(19,411)</u>
Expenditures				
Recreation and culture	<u>207,414</u>	<u>198,405</u>	<u>150,910</u>	<u>47,495</u>
Total expenditures	<u>207,414</u>	<u>198,405</u>	<u>150,910</u>	<u>47,495</u>
Net change in fund balances	(44,114)	49,925	78,009	28,084
Fund balances - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of the year	<u>\$ (44,114)</u>	<u>\$ 49,925</u>	<u>\$ 78,009</u>	<u>\$ 28,084</u>
<b>TREE/PARK IMPROVEMENT</b>				
Revenues				
Investment income and rents	<u>\$ 5,400</u>	<u>\$ 6,000</u>	<u>\$ 8,375</u>	<u>\$ 2,375</u>
Total revenues	<u>5,400</u>	<u>6,000</u>	<u>8,375</u>	<u>2,375</u>
Expenditures				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,400	6,000	8,375	2,375
Fund balances - beginning of the year	<u>168,820</u>	<u>170,375</u>	<u>170,375</u>	<u>1,555</u>
Fund balances - end of the year	<u>\$ 174,220</u>	<u>\$ 176,375</u>	<u>\$ 178,750</u>	<u>\$ 3,930</u>

continued

City of Alpena

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR SPECIAL REVENUE FUNDS- Continued**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>BROWNFIELD REDEVELOPMENT AUTHORITY</b>				
Revenues				
Taxes	\$ 16,730	\$ 16,490	\$ 16,232	\$ (258)
Other	1,000	-	-	-
Total revenues	<u>17,730</u>	<u>16,490</u>	<u>16,232</u>	<u>(258)</u>
Expenditures				
General government	800	2,000	2,083	(83)
Transfer out	10,400	10,400	10,400	-
Total expenditures	<u>11,200</u>	<u>12,400</u>	<u>12,483</u>	<u>(83)</u>
Net change in fund balances	6,530	4,090	3,749	(341)
Fund balances - beginning of the year	<u>10,194</u>	<u>10,480</u>	<u>9,840</u>	<u>(640)</u>
Fund balances - end of the year	<u>\$ 16,724</u>	<u>\$ 14,570</u>	<u>\$ 13,589</u>	<u>\$ (981)</u>
<b>BUDGET STABILIZATION</b>				
Revenues				
Investment income and rents	\$ 400	\$ 220	\$ 216	\$ (4)
Total revenues	<u>400</u>	<u>220</u>	<u>216</u>	<u>(4)</u>
Expenditures				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	400	220	216	(4)
Other financing sources (uses)				
Transfer out	(400)	(220)	(216)	4
	<u>(400)</u>	<u>(220)</u>	<u>(216)</u>	<u>4</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning of the year	<u>6,200</u>	<u>5,000</u>	<u>5,000</u>	<u>(1,200)</u>
Fund balances - end of the year	<u>\$ 6,200</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ (1,200)</u>

**ALPENA**  
**MICHIGAN'S ADVENSHORE**

City of Alpena

**Internal Service Funds**

Description of Funds

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

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

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

City of Alpena

**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**

June 30, 2008

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets			
Pooled cash and investments	\$ 1,902,058	\$ 67,461	\$ 1,969,519
Cash and cash equivalents	100,000	-	100,000
Investments - at fair value	801,093	-	801,093
Receivables (net of allowance for uncollectible accounts)	39,963	-	39,963
Interest receivable	6,630	-	6,630
Inventories	-	236,370	236,370
Due from other funds	265,533	-	265,533
Total current assets	<u>3,115,277</u>	<u>303,831</u>	<u>3,419,108</u>
Noncurrent assets			
Capital assets not being depreciated	1,000	-	1,000
Capital assets, net of accumulated depreciation	811,972	-	811,972
Total noncurrent assets	<u>812,972</u>	<u>-</u>	<u>812,972</u>
Total assets	<u>3,928,249</u>	<u>303,831</u>	<u>4,232,080</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	24,213	-	24,213
Accrued payroll	7,567	-	7,567
Total current liabilities	<u>31,780</u>	<u>-</u>	<u>31,780</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	812,972	-	812,972
Unrestricted	3,083,497	303,831	3,387,328
Total net assets	<u>\$ 3,896,469</u>	<u>\$ 303,831</u>	<u>\$ 4,200,300</u>



City of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS**

Year ended June 30, 2008

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,114,727	\$ 89,807	\$ 1,204,534
Total operating revenues	<u>1,114,727</u>	<u>89,807</u>	<u>1,204,534</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	141,901	-	141,901
Employee benefits	51,848	-	51,848
Administrative services	259,845	46,710	306,555
Insurance	23,601	-	23,601
Maintenance	151,214	-	151,214
Depreciation	304,105	-	304,105
Supplies and other	181,994	89,807	271,801
Total operating expenses	<u>1,114,508</u>	<u>136,517</u>	<u>1,251,025</u>
<b>OPERATING INCOME (LOSS)</b>	<u>219</u>	<u>(46,710)</u>	<u>(46,491)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income and rents	161,655	-	161,655
Contributions and donations	17,320	-	17,320
Sale of assets	2,722	-	2,722
	<u>181,697</u>	<u>-</u>	<u>181,697</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>181,916</u>	<u>(46,710)</u>	<u>135,206</u>
<b>TRANSFERS</b>			
Transfers in	-	55,500	55,500
Transfers out	(103,238)	-	(103,238)
	<u>(103,238)</u>	<u>55,500</u>	<u>(47,738)</u>
<b>CHANGE IN NET ASSETS</b>	78,678	8,790	87,468
<b>NET ASSETS, beginning of the year</b>	<u>3,817,791</u>	<u>295,041</u>	<u>4,112,832</u>
<b>NET ASSETS, end of the year</b>	<u>\$ 3,896,469</u>	<u>\$ 303,831</u>	<u>\$ 4,200,300</u>

City of Alpena

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

Year Ended June 30, 2008

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund service provided	\$ 1,102,742	\$ 89,807	\$ 1,192,549
Payments to suppliers	(348,540)	(118,091)	(466,631)
Payments to employees	(191,727)	-	(191,727)
Payments for interfund services used	(204,667)	(46,710)	(251,377)
Net cash provided (used) by operating activities	<u>357,808</u>	<u>(74,994)</u>	<u>282,814</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Contributions and donations	17,320	-	17,320
Transfer in	-	55,500	55,500
Transfer out	(103,238)	-	(103,238)
Net cash provided (used) by noncapital financing activities	<u>(85,918)</u>	<u>55,500</u>	<u>(30,418)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the sale of capital assets	2,722	-	2,722
Acquisition of capital assets	(134,169)	-	(134,169)
Net cash provided (used) by capital and related financing activities	<u>(131,447)</u>	<u>-</u>	<u>(131,447)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of investment securities	1,850,000	-	1,850,000
Purchase of investment securities	(1,500,000)	-	(1,500,000)
Interest and dividends received	137,269	-	137,269
Net cash provided (used) by investing activities	<u>487,269</u>	<u>-</u>	<u>487,269</u>
Net increase (decrease) in cash and cash equivalents	627,712	(19,494)	608,218
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,374,346</u>	<u>86,955</u>	<u>1,461,301</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 2,002,058</u>	<u>\$ 67,461</u>	<u>\$ 2,069,519</u>

continued

City of Alpena

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS - Continued**

Year Ended June 30, 2008

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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)	\$ 219	\$ (46,710)	\$ (46,491)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	304,105	-	304,105
(Increase) decrease in receivables	(11,985)	-	(11,985)
(Increase) decrease in due from other funds	55,178	-	55,178
(Increase) decrease in inventories	-	(25,700)	(25,700)
Increase (decrease) in accounts payable	8,269	(2,584)	5,685
Increase (decrease) in accrued payroll	2,022	-	2,022
	<u>\$ 357,808</u>	<u>\$ (74,994)</u>	<u>\$ 282,814</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Increase (decrease) in fair value of investments	<u>\$ 28,706</u>	<u>\$ -</u>	<u>\$ 28,706</u>

**ALPENA**  
**MICHIGAN'S ADVENSHORE**

City of Alpena

**General Fund**

Description of Fund

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

City of Alpena

General Fund

**COMPARATIVE BALANCE SHEET**

	June 30,	
	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Pooled cash and investments	\$ 999,013	\$ -
Cash and cash equivalents	1,088,274	554,967
Investments - at fair value	399,213	2,269,343
Receivables (net of allowance for for uncollectible accounts)	310,552	409,383
Taxes receivable	2,910	5,160
Special assessments receivable	229,321	306,273
Interest receivable	19,419	55,294
Due from other governmental units	49,819	287,110
Total assets	<u>\$ 3,098,521</u>	<u>\$ 3,887,530</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities		
Accounts payable	\$ 215,181	\$ 228,928
Accrued payroll	188,457	161,182
Due to other funds	278,035	995,243
Due to component units	15,583	13,990
Deferred revenue	232,231	311,433
Total liabilities	<u>929,487</u>	<u>1,710,776</u>
Fund equity		
Fund balances		
Unreserved		
Undesignated	2,169,034	2,176,754
Total fund equity	<u>2,169,034</u>	<u>2,176,754</u>
Total liabilities and fund equity	<u>\$ 3,098,521</u>	<u>\$ 3,887,530</u>

City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL**

	Year Ended June 30, 2008			
	Budgeted Amounts		Actual Amounts	2007 Actual
	Original	Final		
<b>REVENUES</b>				
<b>TAXES</b>				
Current property	\$ 4,248,963	\$ 4,262,310	\$ 4,254,563	\$ 4,177,169
Other	65,500	69,000	67,873	67,867
	<u>4,314,463</u>	<u>4,331,310</u>	<u>4,322,436</u>	<u>4,245,036</u>
<b>LICENSES AND PERMITS</b>	<u>165,600</u>	<u>165,630</u>	<u>176,914</u>	<u>137,734</u>
<b>STATE REVENUE</b>				
Sales tax	1,397,150	1,351,700	1,339,730	1,391,218
Grants	387,455	487,795	344,671	372,961
	<u>1,784,605</u>	<u>1,839,495</u>	<u>1,684,401</u>	<u>1,764,179</u>
<b>FEDERAL REVENUE</b>	<u>175,000</u>	<u>133,600</u>	<u>138,903</u>	<u>40,134</u>
<b>LOCAL GRANT REVENUE</b>	<u>762,541</u>	<u>776,540</u>	<u>642,514</u>	<u>630,295</u>
<b>CHARGES FOR SERVICES</b>				
Ambulance	640,000	560,000	792,953	629,985
Cemetery	60,800	58,570	54,105	56,774
Sidewalks and trees	110,060	116,000	110,135	27,041
Water department	97,685	97,685	97,685	94,840
Sewage department	115,930	115,930	115,930	112,550
Stores	46,710	46,710	46,710	45,350
Perpetual lot care	31,000	31,000	30,110	59,520
Equipment	222,700	222,700	222,700	216,210
Retirement	25,135	25,135	25,135	24,400
Other	53,185	50,465	50,583	53,230
	<u>1,403,205</u>	<u>1,324,195</u>	<u>1,546,046</u>	<u>1,319,900</u>
<b>INVESTMENT INCOME AND RENTS</b>	<u>102,000</u>	<u>132,420</u>	<u>114,614</u>	<u>247,129</u>
<b>FINES AND FORFEITURES</b>	<u>28,500</u>	<u>30,000</u>	<u>30,232</u>	<u>31,218</u>
<b>OTHER</b>				
Reimbursements and refunds	28,250	133,225	91,549	93,005
Sale of assets	500	500	-	-
Miscellaneous	80,500	42,240	27,235	152,648
	<u>109,250</u>	<u>175,965</u>	<u>118,784</u>	<u>245,653</u>
Total revenues	<u>8,845,164</u>	<u>8,909,155</u>	<u>8,774,844</u>	<u>8,661,278</u>

continued

City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL - Continued**

	Year Ended June 30, 2008			
	Budgeted Amounts		Actual Amounts	2007 Actual
	Original	Final		
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>GENERAL GOVERNMENT</b>				
Salaries and wages	\$ 672,800	\$ 700,000	\$ 698,262	\$ 748,778
Employee benefits	288,930	281,390	280,292	259,095
Supplies	72,500	62,700	56,670	59,726
Contracted services	152,670	163,270	120,925	105,536
Continuing education	22,410	20,900	17,461	20,096
Public relations	74,200	73,500	66,257	78,747
Insurance	20,900	20,900	18,724	23,627
Utilities	38,325	38,325	30,783	32,782
Repairs and maintenance	26,500	26,000	20,674	21,785
Equipment rental	209,770	204,780	203,687	206,338
Rental rehabilitation	17,500	151,300	128,332	171,626
Community Events Center	55,790	55,790	53,907	51,496
Miscellaneous	301,510	299,680	207,272	235,316
Capital outlay	27,000	27,000	-	-
	<u>1,980,805</u>	<u>2,125,535</u>	<u>1,903,246</u>	<u>2,014,948</u>
<b>BUILDING AUTHORITY</b>				
Lease - lakeside	38,325	38,325	38,325	39,325
	<u>38,325</u>	<u>38,325</u>	<u>38,325</u>	<u>39,325</u>
<b>CEMETERY</b>				
Salaries and wages	65,980	68,000	71,484	73,805
Employee benefits	41,740	40,510	39,801	40,471
Supplies	3,500	3,400	2,867	3,869
Contracted services	700	700	741	613
Continuing education	450	300	282	204
Insurance	4,815	4,220	4,216	4,630
Utilities	11,000	18,500	15,901	10,366
Repairs and maintenance	5,500	3,500	2,631	2,252
Equipment rental	23,800	23,800	16,532	21,777
Miscellaneous	275	100	82	352
Capital outlay	-	-	-	2,200
	<u>157,760</u>	<u>163,030</u>	<u>154,537</u>	<u>160,539</u>
Total general government	<u>2,176,890</u>	<u>2,326,890</u>	<u>2,096,108</u>	<u>2,214,812</u>



City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL**

	Year Ended June 30, 2008			
	Budgeted Amounts		Actual Amounts	2007 Actual
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>PUBLIC SAFETY</b>				
<b>POLICE</b>				
Salaries and wages	\$ 1,076,680	\$ 1,025,000	\$ 1,050,303	\$ 1,011,268
Employee benefits	329,115	311,245	294,584	339,392
Supplies	18,000	18,500	14,766	17,741
Contracted services	35,201	28,201	25,775	25,350
Continuing education	13,580	13,580	11,738	11,567
Insurance	41,030	38,067	38,067	39,622
Utilities	41,100	43,000	41,448	39,449
Repairs and maintenance	71,375	88,300	81,081	69,008
Equipment rental	36,990	38,830	39,214	36,345
Miscellaneous	3,500	3,500	2,974	2,367
Capital outlay	36,200	29,260	27,714	47,478
	<u>1,702,771</u>	<u>1,637,483</u>	<u>1,627,664</u>	<u>1,639,587</u>
<b>FIRE</b>				
Salaries and wages	663,120	663,120	659,907	609,993
Employee benefits	330,876	307,021	306,862	324,401
Supplies	12,500	12,400	11,270	22,014
Contracted services	6,000	7,250	6,701	15,792
Continuing education	5,500	5,200	4,917	3,821
Insurance	24,830	23,340	23,336	23,872
Utilities	22,000	22,000	21,203	20,566
Repairs and maintenance	21,675	23,500	20,619	20,636
Hydrant rental	60,000	60,000	60,000	60,000
Equipment rental	184,600	181,250	180,629	179,356
Miscellaneous	4,000	3,000	2,391	2,907
Capital outlay	8,000	7,950	7,944	2,405
	<u>1,343,101</u>	<u>1,316,031</u>	<u>1,305,779</u>	<u>1,285,763</u>
<b>AMBULANCE</b>				
Salaries and wages	642,000	659,650	657,628	609,540
Employee benefits	313,350	298,780	299,667	312,533
Supplies	10,000	12,700	11,445	13,095
Contracted services	51,000	47,000	50,570	53,956
Continuing education	10,000	7,000	6,977	7,806
Insurance	30,600	28,090	28,085	29,436
Utilities	21,000	21,000	20,699	20,196
Repairs and maintenance	31,175	32,000	33,787	32,123
Equipment rental	14,205	13,655	13,947	13,574
Miscellaneous	4,000	3,000	2,452	3,580
Capital outlay	128,000	126,360	1,596	1,665
	<u>1,255,330</u>	<u>1,249,235</u>	<u>1,126,853</u>	<u>1,097,504</u>

continued

City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL - Continued**

	Year Ended June 30, 2008			
	Budgeted Amounts		Actual Amounts	2007 Actual
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>BUILDING INSPECTION</b>				
Salaries and wages	\$ 72,100	\$ 74,600	\$ 75,835	\$ 73,447
Employee benefits	34,555	37,075	36,883	34,951
Supplies	4,500	3,500	6,287	4,315
Contracted services	2,000	2,500	2,537	2,573
Continuing education	3,000	2,800	2,521	3,552
Insurance	1,900	1,530	1,531	1,763
Utilities	2,150	2,150	1,619	1,721
Repairs and maintenance	1,800	1,400	1,130	1,134
Equipment rental	6,460	6,510	6,511	6,257
Office rent	4,250	4,250	3,716	3,716
Miscellaneous	700	500	480	655
	<u>133,415</u>	<u>136,815</u>	<u>139,050</u>	<u>134,084</u>
Total public safety	<u>4,434,617</u>	<u>4,339,564</u>	<u>4,199,346</u>	<u>4,156,938</u>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS</b>				
Salaries and wages	196,900	196,900	163,425	163,564
Employee benefits	60,900	59,180	57,264	27,909
Supplies	32,000	29,000	24,728	32,711
Contracted services	49,400	68,850	69,857	79,602
Continuing education	1,000	450	404	40
Insurance	30,160	26,800	22,355	27,006
Utilities	46,350	49,000	43,824	50,810
Repairs and maintenance	23,500	23,500	22,073	27,689
Equipment rental	100,050	109,660	101,267	102,365
Miscellaneous	1,000	2,000	1,770	254
Capital outlay	221,500	267,400	236,410	189,684
	<u>762,760</u>	<u>832,740</u>	<u>743,377</u>	<u>701,634</u>
<b>HIGHWAYS, STREETS AND LIGHTS</b>				
Salaries and wages	22,895	22,895	23,038	23,234
Employee benefits	17,400	17,520	17,302	16,786
Supplies	900	600	117	743
Contracted services	15,000	9,000	9,491	8,946
Insurance	1,150	940	937	1,112
Utilities	86,000	94,500	91,815	82,968
Repairs and maintenance	25,000	30,000	30,588	27,536
Equipment rental	18,000	16,000	16,679	16,441
Miscellaneous	100	-	-	72
Capital outlay	2,000	76,305	66,404	-
	<u>188,445</u>	<u>267,760</u>	<u>256,371</u>	<u>177,838</u>
Total public works	<u>951,205</u>	<u>1,100,500</u>	<u>999,748</u>	<u>879,472</u>

City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL**

	Year Ended June 30, 2008			
	Budgeted Amounts		Actual Amounts	2007 Actual
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>RECREATION AND CULTURE</b>				
<b>PARKS AND RECREATION</b>				
Salaries and wages	\$ 108,190	\$ 137,000	\$ 131,131	\$ 164,543
Employee benefits	72,115	71,890	68,601	71,637
Supplies	4,200	4,175	3,052	6,150
Contracted services	1,000	3,000	1,254	4,061
Continuing education	100	60	24	28
City Band	11,000	11,000	11,000	11,000
Advertising	6,000	5,900	4,102	2,696
Insurance	33,460	27,750	27,750	32,172
Utilities	18,500	24,500	23,170	22,059
Repairs and maintenance	44,400	43,900	35,580	111,114
Equipment rental	156,000	156,000	116,644	154,135
Miscellaneous	47,350	47,500	47,628	47,492
Capital outlay	526,060	463,620	446,040	331,214
	<u>1,028,375</u>	<u>996,295</u>	<u>915,976</u>	<u>958,301</u>
<b>OTHER</b>				
<b>CONTINGENCIES</b>	<u>(41,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEBT SERVICE</b>				
Principal retirement	1,150	6,180	6,152	1,152
	<u>1,150</u>	<u>6,180</u>	<u>6,152</u>	<u>1,152</u>
Total expenditures	<u>8,550,337</u>	<u>8,769,429</u>	<u>8,217,330</u>	<u>8,210,675</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>294,827</u>	<u>139,726</u>	<u>557,514</u>	<u>450,603</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>TRANSFER IN:</b>				
Issuance of long term debt	-	-	50,000	-
Budget Stabilization Fund	500	500	216	6,454
Brownfield Redevelopment Authority	10,400	10,400	10,400	-
	<u>10,900</u>	<u>10,900</u>	<u>60,616</u>	<u>6,454</u>
<b>TRANSFER OUT:</b>				
Local Street Fund	(275,000)	(275,000)	(275,000)	(150,000)
General Debt Service Fund	(50,350)	(50,350)	(50,350)	(51,865)
2002 G.O. Debt Service Fund	(125,000)	(125,000)	(125,000)	(125,000)
Marina Fund	(30,000)	(120,000)	(120,000)	-
Stores Fund	(55,500)	(55,500)	(55,500)	(55,500)
	<u>(535,850)</u>	<u>(625,850)</u>	<u>(625,850)</u>	<u>(382,365)</u>

City of Alpena

General Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES  
- BUDGET AND ACTUAL - Continued**

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	Year Ended June 30, 2008			2007 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (524,950)</u>	<u>\$ (614,950)</u>	<u>\$ (565,234)</u>	<u>\$ (375,911)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(230,123)	(475,224)	(7,720)	74,692
<b>FUND BALANCES</b> , beginning of year	<u>1,508,756</u>	<u>2,176,754</u>	<u>2,176,754</u>	<u>2,102,062</u>
<b>FUND BALANCES</b> , end of year	<u><u>\$ 1,278,633</u></u>	<u><u>\$ 1,701,530</u></u>	<u><u>\$ 2,169,034</u></u>	<u><u>\$ 2,176,754</u></u>

City of Alpena

**Enterprise Funds**

Description of Funds

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

**Sewage Fund.** This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly 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 ASSETS**

	June 30,	
	2008	2007
<b>ASSETS</b>		
Current assets		
Pooled cash and investments	\$ 1,671,667	\$ 1,405,882
Receivables (net of allowance for for uncollectible accounts)	877,077	163,693
Due from other governmental units	-	56,360
Total current assets	<u>2,548,744</u>	<u>1,625,935</u>
Noncurrent assets		
Deferred charges	14,875	16,375
Capital assets not being depreciated	710,528	14,772
Capital assets, net of accumulated depreciation	15,749,438	14,885,559
Total noncurrent assets	<u>16,474,841</u>	<u>14,916,706</u>
Total assets	<u>19,023,585</u>	<u>16,542,641</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	730,068	40,803
Accrued payroll	1,157	925
Accrued interest payable	22,010	18,131
Bonds and notes payable - current portion	110,000	100,000
Total current liabilities	<u>863,235</u>	<u>159,859</u>
Noncurrent liabilities		
Bonds and notes payable	<u>3,092,625</u>	<u>1,450,000</u>
Total liabilities	<u>3,955,860</u>	<u>1,609,859</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,257,341	13,350,331
Restricted for		
Debt retirement	179,250	179,250
Capital outlay	200,000	251,438
Unrestricted	<u>1,431,134</u>	<u>1,151,763</u>
Total net assets	<u>\$ 15,067,725</u>	<u>\$ 14,932,782</u>

City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

	Years Ended June 30,	
	2008	2007
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,082,366	\$ 1,901,753
Other services	5,447	1,833
Total operating revenues	<u>2,087,813</u>	<u>1,903,586</u>
<b>OPERATING EXPENSES</b>		
Treatment plant		
Employee benefits	413	948
Administrative services	115,930	112,550
Contracted services	580,860	582,060
Insurance	35,805	41,480
Utilities	269,537	244,564
Depreciation	252,547	254,067
Supplies and other	35,998	44,565
	<u>1,291,090</u>	<u>1,280,234</u>
Collection system		
Salaries and wages	33,691	31,753
Employee benefits	10,522	11,779
Contracted services	241,674	155,843
Utilities	21,692	19,612
Maintenance	3,252	25,250
Equipment rental	14,748	16,007
Depreciation	268,842	251,957
Supplies and other	919	57
	<u>595,340</u>	<u>512,258</u>
Total operating expenses	<u>1,886,430</u>	<u>1,792,492</u>
<b>OPERATING INCOME (LOSS)</b>	<u>201,383</u>	<u>111,094</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal revenue	(16,069)	1,183,342
Investment income and rents	76,187	64,535
Contributions and donations	-	81,262
Interest expense	(87,649)	(75,347)
Sale of assets	(38,909)	-
Total nonoperating revenues (expenses)	<u>(66,440)</u>	<u>1,253,792</u>
Net income (loss) before transfers	134,943	1,364,886
Transfer in	-	57,070
<b>CHANGE IN NET ASSETS</b>	<u>134,943</u>	<u>1,421,956</u>
<b>NET ASSETS, beginning of the year</b>	<u>14,932,782</u>	<u>13,510,826</u>
<b>NET ASSETS, end of the year</b>	<u>\$ 15,067,725</u>	<u>\$ 14,932,782</u>

City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS**

	Years Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,430,789	\$ 1,832,880
Payments to suppliers	(498,729)	(1,106,725)
Payments to employees	(44,394)	(45,329)
Payments for interfund services used	(132,421)	(112,550)
Net cash provided (used) by operating activities	<u>755,245</u>	<u>568,276</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer in	-	57,070
Federal grants	(16,069)	1,183,342
Contributions and donations	-	81,262
Net cash provided (used) by noncapital financing activities	<u>(16,069)</u>	<u>1,321,674</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,119,933)	(1,851,005)
Proceeds from long term debt	1,752,625	-
Principal paid on capital debt	(100,000)	(75,000)
Interest paid on capital debt	(82,270)	(75,019)
Net cash provided (used) by capital and related financing activities	<u>(549,578)</u>	<u>(2,001,024)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	500,000
Interest and dividends received	76,187	64,335
Net cash provided (used) by investing activities	<u>76,187</u>	<u>564,335</u>
Net increase (decrease) in cash and cash equivalents	265,785	453,261
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,405,882</u>	<u>952,621</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,671,667</u>	<u>\$ 1,405,882</u>

continued



City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS - Continued**

	Years Ended June 30,	
	<u>2008</u>	<u>2007</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 201,383	\$ 111,094
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	521,389	506,024
(Increase) decrease in receivables	(713,384)	(14,346)
(Increase) decrease in due from other governmental units	56,360	(56,360)
Increase (decrease) in accounts payable	689,265	22,713
Increase (decrease) in accrued payroll	232	(849)
Net cash provided (used) by operating activities	<u>\$ 755,245</u>	<u>\$ 568,276</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ (5,090)</u>

## City of Alpena

## Water Fund

**COMPARATIVE SCHEDULE OF NET ASSETS**

	June 30,	
	2008	2007
<b>ASSETS</b>		
Current assets		
Pooled cash and investments	\$ 1,622,094	\$ 1,475,069
Receivables (net of allowance for for uncollectible accounts)	902,031	686,078
Total current assets	<u>2,524,125</u>	<u>2,161,147</u>
Noncurrent assets		
Deferred charges	14,875	16,375
Capital assets not being depreciated	217,321	22,555
Capital assets, net of accumulated depreciation	7,887,367	6,693,623
Total noncurrent assets	<u>8,119,563</u>	<u>6,732,553</u>
Total assets	<u>10,643,688</u>	<u>8,893,700</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	224,897	37,908
Accrued payroll	1,655	1,165
Accrued interest payable	22,010	18,131
Bonds and notes payable - current portion	110,000	100,000
Total current liabilities	<u>358,562</u>	<u>157,204</u>
Noncurrent liabilities		
Bonds and notes payable	<u>2,720,406</u>	<u>1,450,000</u>
Total liabilities	<u>3,078,968</u>	<u>1,607,204</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,274,282	5,166,178
Restricted for		
Debt retirement	179,250	179,250
Capital outlay	300,000	830,619
Unrestricted	<u>1,811,188</u>	<u>1,110,449</u>
Total net assets	<u>\$ 7,564,720</u>	<u>\$ 7,286,496</u>

## City of Alpena

## Water Fund

**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

	Years Ended June 30,	
	2008	2007
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,654,213	\$ 1,466,346
Other services	24,516	23,254
Total operating revenues	<u>1,678,729</u>	<u>1,489,600</u>
<b>OPERATING EXPENSES</b>		
Production		
Contracted services	510,433	507,058
Utilities	114,765	107,752
Depreciation	57,114	62,465
Supplies and other	90,062	81,180
	<u>772,374</u>	<u>758,455</u>
Distribution		
Salaries and wages	35,059	33,442
Employee benefits	2,682	1,606
Contracted services	214,622	140,426
Maintenance	4,544	8,801
Equipment rental	15,578	19,533
Depreciation	168,409	154,255
Supplies and other	461	22
	<u>441,355</u>	<u>358,085</u>
Commercial and general		
Employee benefits	9,347	10,857
Administrative services	97,685	94,840
Contracted services	56,394	41,133
Insurance	10,040	11,841
	<u>173,466</u>	<u>158,671</u>
Total operating expenses	<u>1,387,195</u>	<u>1,275,211</u>
<b>OPERATING INCOME (LOSS)</b>	<u>291,534</u>	<u>214,389</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal revenue	765	378,759
Investment income and rents	88,440	82,795
Contributions and donations	-	68,767
Interest expense	(89,160)	(75,347)
Sale of assets	(13,355)	-
Total nonoperating revenues (expenses)	<u>(13,310)</u>	<u>454,974</u>
<b>CHANGE IN NET ASSETS</b>	278,224	669,363
<b>NET ASSETS</b> , beginning of the year	<u>7,286,496</u>	<u>6,617,133</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 7,564,720</u>	<u>\$ 7,286,496</u>

City of Alpena

Water Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS**

	Years Ended June 30,	
	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,462,776	\$ 1,396,720
Payments to suppliers	(814,332)	(902,914)
Payments to employees	(46,598)	(45,157)
Payments for interfund services used	(113,263)	(94,840)
Net cash provided (used) by operating activities	<u>488,583</u>	<u>353,809</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal grants	765	378,759
Contributions and donations	-	68,767
Net cash provided (used) by noncapital financing activities	<u>765</u>	<u>447,526</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,627,388)	(808,211)
Proceeds from long term debt	1,380,406	-
Principal paid on capital debt	(100,000)	(75,000)
Interest paid on capital debt	(83,781)	(75,019)
Net cash provided (used) by capital and related financing activities	<u>(430,763)</u>	<u>(958,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	500,000
Purchase of investments	-	-
Interest and dividends received	88,440	82,595
Net cash provided (used) by investing activities	<u>88,440</u>	<u>582,595</u>
Net increase (decrease) in cash and cash equivalents	147,025	425,700
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,475,069</u>	<u>1,049,369</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,622,094</u>	<u>\$ 1,475,069</u>

continued

City of Alpena

Water Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS - Continued**

	Years Ended June 30,	
	<u>2008</u>	<u>2007</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 291,534	\$ 214,389
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	225,523	216,720
(Increase) decrease in receivables	(215,953)	(92,880)
Increase (decrease) in accounts payable	186,989	14,832
Increase (decrease) in accrued payroll	490	748
Net cash provided (used) by operating activities	<u>\$ 488,583</u>	<u>\$ 353,809</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ (5,090)</u>

**ALPENA**  
**FROM THE**  
**MICHIGAN'S ADVENSHORE**

City of Alpena

**Fiduciary Funds**

Description of Funds

**PENSION TRUST FUND**

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

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

**AGENCY FUNDS**

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

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

City of Alpena

**COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**

June 30, 2008

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	Pension (and Other Employee Benefit)		
	Trust Funds		Totals
	Pension Trust Fund	Employee Health Care Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 300,000	\$ 300,000
Investments - at fair value			
Short-term investment funds	5,858,568	324,801	6,183,369
U.S. government securities	3,231,027	-	3,231,027
U.S. government agencies	506,250	-	506,250
Corporate bonds	9,842,572	-	9,842,572
Foreign bonds	256,000	-	256,000
Equity securities	8,251,644	-	8,251,644
Amounts due from broker under securities lending agreements	790,509	-	790,509
Interest receivable	137,625	1,414	139,039
	<u>28,874,195</u>	<u>626,215</u>	<u>29,500,410</u>
<b>LIABILITIES</b>			
Accounts payable	16,611	-	16,611
Amounts due to broker under securities lending agreements	471,652	-	471,652
	<u>488,263</u>	<u>-</u>	<u>488,263</u>
<b>NET ASSETS</b>			
Reserved for employees retirement and other purposes	<u>28,385,932</u>	<u>626,215</u>	<u>29,012,147</u>
	<u>\$ 28,385,932</u>	<u>\$ 626,215</u>	<u>\$ 29,012,147</u>



City of Alpena

**COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS**

For the Year Ended June 30, 2008

	Pension (and other employee benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 322,970	\$ 150,175	\$ 473,145
Employees	136,187	-	136,187
Other	4,536	247,711	252,247
Total contributions	<u>463,693</u>	<u>397,886</u>	<u>861,579</u>
Investment income			
Net increase (decrease) in fair value of investments	133,854	-	133,854
Interest	736,953	19,614	756,567
Dividends	138,376	-	138,376
	<u>1,009,183</u>	<u>19,614</u>	<u>1,028,797</u>
Less investment expense	<u>89,624</u>	<u>-</u>	<u>89,624</u>
Net investment income	<u>919,559</u>	<u>19,614</u>	<u>939,173</u>
Total additions	<u>1,383,252</u>	<u>417,500</u>	<u>1,800,752</u>
<b>DEDUCTIONS</b>			
Benefits	1,504,063	113,315	1,617,378
Lump-sum retirement payments	56,452	-	56,452
Administrative expense	25,996	-	25,996
Total deductions	<u>1,586,511</u>	<u>113,315</u>	<u>1,699,826</u>
Change in net assets	(203,259)	304,185	100,926
Net assets - beginning of the year	<u>28,589,191</u>	<u>322,030</u>	<u>28,911,221</u>
Net assets - end of the year	<u>\$ 28,385,932</u>	<u>\$ 626,215</u>	<u>\$ 29,012,147</u>

City of Alpena

**COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES - ALL AGENCY FUNDS**

For the Year Ended June 30, 2008

	Balances, June 30, 2007	Additions	Deductions	Balances, June 30, 2008
<b>GENERAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 168,102	\$ 4,993,699	\$ 5,156,420	\$ 5,381
Taxes receivable	8,245	1,732,604	1,734,311	6,538
	<u>\$ 176,347</u>	<u>\$ 6,726,303</u>	<u>\$ 6,890,731</u>	<u>\$ 11,919</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 168,102	\$ 3,676	\$ 166,397	\$ 5,381
Due to other governmental units	8,245	7,467,380	7,469,087	6,538
	<u>\$ 176,347</u>	<u>\$ 7,471,056</u>	<u>\$ 7,635,484</u>	<u>\$ 11,919</u>
<b>SPECIAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,115	\$ 105,800	\$ 105,082	\$ 34,833
	<u>\$ 34,115</u>	<u>\$ 105,800</u>	<u>\$ 105,082</u>	<u>\$ 34,833</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 34,115	\$ 106,599	\$ 105,881	\$ 34,833
	<u>\$ 34,115</u>	<u>\$ 106,599</u>	<u>\$ 105,881</u>	<u>\$ 34,833</u>
<b>TOTALS, ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 202,217	\$ 5,099,499	\$ 5,261,502	\$ 40,214
Taxes receivable	8,245	1,732,604	1,734,311	6,538
	<u>\$ 210,462</u>	<u>\$ 6,832,103</u>	<u>\$ 6,995,813</u>	<u>\$ 46,752</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 202,217	\$ 110,275	\$ 272,278	\$ 40,214
Due to other governmental units	8,245	7,467,380	7,469,087	6,538
	<u>\$ 210,462</u>	<u>\$ 7,577,655</u>	<u>\$ 7,741,365</u>	<u>\$ 46,752</u>

### III. STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</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.	144
<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.	154
<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.	158
<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.	165
<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.	168

**Sources.** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Alpena

**NET ASSETS BY COMPONENT (accrual basis of accounting)**

Last Five Fiscal Years Ended June 30

	Years Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 26,918,064	\$ 27,330,944	\$ 26,337,821
Restricted	590,071	520,819	579,215
Unrestricted	<u>6,685,956</u>	<u>6,656,208</u>	<u>7,084,054</u>
Total governmental activities net assets	<u>34,194,091</u>	<u>34,507,971</u>	<u>34,001,090</u>
Business-type activities:			
Invested in capital assets, net of related debt	18,531,623	18,516,509	16,448,578
Restricted	858,500	1,440,557	658,500
Unrestricted	<u>3,242,322</u>	<u>2,262,212</u>	<u>3,142,280</u>
Total business-type activities net assets	<u>22,632,445</u>	<u>22,219,278</u>	<u>20,249,358</u>
Primary government:			
Invested in capital assets, net of related debt	45,449,687	45,847,453	42,786,399
Restricted	1,448,571	1,961,376	1,237,715
Unrestricted	<u>9,928,278</u>	<u>8,918,420</u>	<u>10,226,334</u>
Total primary government net assets	<u>56,826,536</u>	<u>56,727,249</u>	<u>54,250,448</u>

Note: The City of Alpena implemented GASB Statement No. 34 reporting model for 2003 year end.

Table 1

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<u>2005</u>	<u>2004</u>
\$ 24,140,441	\$ 23,557,458
1,662,969	1,400,491
<u>7,316,878</u>	<u>7,249,460</u>
<u>33,120,288</u>	<u>32,207,409</u>
16,615,577	16,633,496
754,709	803,951
<u>2,764,352</u>	<u>2,447,072</u>
<u>20,134,638</u>	<u>19,884,519</u>
40,756,018	40,190,954
2,417,678	2,204,442
<u>10,081,230</u>	<u>9,696,532</u>
<u>53,254,926</u>	<u>52,091,928</u>

City of Alpena

**CHANGES IN NET ASSETS (accrual basis of accounting)**

Last Five Fiscal Years Ended June 30

	Years Ended June 30,		
	2008	2007	2006
<b>Expenses:</b>			
Governmental activities:			
General government	\$ 3,427,102	\$ 3,640,489	\$ 3,033,225
Public safety	4,332,714	4,217,798	4,235,233
Public works	3,031,421	2,841,724	1,665,614
Community and economic development	199,130	-	-
Parks and recreation	1,076,439	840,117	933,897
Interest on long-term debt	153,895	173,983	192,895
Total governmental activities expenses	<u>12,220,701</u>	<u>11,714,111</u>	<u>10,060,864</u>
Business-type activities:			
Water	1,476,355	1,350,558	1,351,809
Sewage	1,974,079	1,867,839	1,863,167
D.A.R.T.	-	256,306	544,326
Total business-type expenses	<u>3,450,434</u>	<u>3,474,703</u>	<u>3,759,302</u>
Total primary government expenses	<u>15,671,135</u>	<u>15,188,814</u>	<u>13,820,166</u>
<b>Program Revenues:</b>			
Governmental activities:			
Charges for services:			
General government	1,813,481	1,877,997	840,865
Public safety	1,011,958	791,506	1,091,874
Public works	225,725	427,737	908,115
Parks and recreation	77,289	236,438	249,187
Operating grants and contributions	1,964,007	1,302,312	1,593,145
Capital grants and contributions	172,564	916,510	112,538
Total governmental activities program revenues	<u>5,265,024</u>	<u>5,552,500</u>	<u>4,795,724</u>
Business-type activities:			
Charges for services:			
Water	1,678,729	1,489,600	1,476,697
Sewage	2,087,813	1,903,586	1,642,677
D.A.R.T.	-	16,162	84,521
Operating grants and contributions	(15,304)	77,353	439,758
Capital grants and contributions	-	1,562,101	-
Total business-type activities program revenues	<u>3,751,238</u>	<u>5,048,802</u>	<u>3,643,653</u>
Total primary government program revenues	<u>9,016,262</u>	<u>10,601,302</u>	<u>8,439,377</u>
<b>Net (Expense) Revenue:</b>			
Governmental activities	(6,955,677)	(6,161,611)	(5,265,140)
Business-type activities	300,804	1,574,099	(115,649)
Total primary government net (expense) revenue	<u>(6,654,873)</u>	<u>(4,587,512)</u>	<u>(5,380,789)</u>

Table 2

	2005		2004
\$	2,854,309	\$	2,823,709
	3,983,177		3,923,500
	3,080,038		3,060,171
	-		-
	803,975		668,947
	199,798		157,677
	<u>10,921,297</u>		<u>10,634,004</u>
	1,219,311		1,265,219
	1,737,605		1,715,127
	728,710		736,014
	<u>3,685,626</u>		<u>3,716,360</u>
	<u>14,606,923</u>		<u>14,350,364</u>
	800,994		1,474,710
	994,356		762,349
	934,899		751,573
	278,968		94,167
	2,232,836		1,824,269
	505,570		222,866
	<u>5,747,623</u>		<u>5,129,934</u>
	1,407,893		1,386,148
	1,662,131		1,764,603
	75,663		65,433
	615,225		785,113
	-		-
	<u>3,760,912</u>		<u>4,001,297</u>
	<u>9,508,535</u>		<u>9,131,231</u>
	(5,173,674)		(5,504,070)
	75,286		284,937
	<u>(5,098,388)</u>		<u>(5,219,133)</u>

(continued)

City of Alpena

**CHANGES IN NET ASSETS (accrual basis of accounting) - continued**

Last Five Fiscal Years Ended June 30

	Years Ended June 30,		
	2008	2007	2006
<b>General Revenues:</b>			
Governmental activities:			
Property taxes, levied for general purposes	\$ 4,595,076	\$ 4,405,018	\$ 4,163,630
Property taxes, levied for debt service	328,138	327,693	292,030
State sales tax	1,339,730	1,391,218	1,404,357
Investment earnings	376,131	601,632	275,650
Donations	-	-	-
Gain on sale of capital assets	2,722	-	10,275
Transfers (in/out)	-	(57,070)	-
Total Governmental activities:	<u>6,641,797</u>	<u>6,668,491</u>	<u>6,145,942</u>
Business-type activities:			
Property taxes, levied for general purposes	-	41,101	126,370
Investment earnings	164,627	147,621	103,999
Gain (Loss) on sale of capital assets	(52,264)	-	-
Donations	-	150,029	-
Transfers (in/out)	-	57,070	-
Total Business-type activities	<u>112,363</u>	<u>395,821</u>	<u>230,369</u>
Total primary government	<u>6,754,160</u>	<u>7,064,312</u>	<u>6,376,311</u>
<b>Change in Net Assets</b>			
Governmental activities	(313,880)	506,880	(15,669)
Business-type activities	413,167	1,969,920	1,804,468
Total primary government	<u>\$ 99,287</u>	<u>\$ 2,476,800</u>	<u>\$ 1,788,799</u>

Note: The City of Alpena implemented GASB Statement No. 34 reporting model for 2003 year end.



Table 2 (continued)

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<u>2005</u>	<u>2004</u>
\$ 4,095,547	\$ 3,913,939
332,184	324,128
1,424,107	1,482,054
216,529	120,395
-	-
18,186	-
-	-
<u>6,086,553</u>	<u>5,840,516</u>
122,433	117,017
52,400	41,741
-	-
-	-
-	-
<u>174,833</u>	<u>158,758</u>
<u>6,261,386</u>	<u>5,999,274</u>
821,413	666,842
59,184	234,044
<u>\$ 880,597</u>	<u>\$ 900,886</u>

City of Alpena

**FUND BALANCES OF GOVERNMENTAL FUNDS  
(modified accrual basis of accounting)**

For the Last Ten Years June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,169,034</u>	<u>2,176,754</u>	<u>2,102,062</u>	<u>2,058,127</u>
Total General fund	<u>2,169,034</u>	<u>2,176,754</u>	<u>2,102,062</u>	<u>2,058,127</u>
All Other Governmental Funds:				
Reserved for debt service	11,769	11,266	13,075	21,141
Reserved for capital outlay	578,302	509,553	566,140	1,641,828
Unreserved, reported in:				
Special revenue funds	573,967	678,775	1,370,347	1,697,187
Permanent fund	<u>835,886</u>	<u>806,390</u>	<u>784,584</u>	<u>790,213</u>
Total all other governmental funds	<u>1,999,924</u>	<u>2,005,984</u>	<u>2,734,146</u>	<u>4,150,369</u>
Total governmental funds	<u>\$ 4,168,958</u>	<u>\$ 4,182,738</u>	<u>\$ 4,836,208</u>	<u>\$ 6,208,496</u>

Table 3

2004	2003	2002	2001	2000	1999
\$ -	\$ -	\$ 34,900	\$ 356,200	\$ 185,000	\$ 55,000
<u>2,019,285</u>	<u>2,191,505</u>	<u>3,029,007</u>	<u>2,731,050</u>	<u>3,387,709</u>	<u>3,591,552</u>
<u>2,019,285</u>	<u>2,191,505</u>	<u>3,063,907</u>	<u>3,087,250</u>	<u>3,572,709</u>	<u>3,646,552</u>
16,098	34,804	46,122	53,560	26,655	38,820
<u>1,384,393</u>	<u>1,318,827</u>	<u>1,344,880</u>	<u>1,258,757</u>	<u>1,140,109</u>	<u>1,118,776</u>
1,857,862	2,086,078	1,590,406	1,405,473	2,234,674	2,019,909
<u>784,837</u>	<u>801,936</u>	<u>790,290</u>	<u>753,058</u>	<u>720,779</u>	<u>703,978</u>
<u>4,043,190</u>	<u>4,241,645</u>	<u>3,771,698</u>	<u>3,470,848</u>	<u>4,122,217</u>	<u>3,881,483</u>
<u>\$ 6,062,475</u>	<u>\$ 6,433,150</u>	<u>\$ 6,835,605</u>	<u>\$ 6,558,098</u>	<u>\$ 7,694,926</u>	<u>\$ 7,528,035</u>

City of Alpena

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
(modified accrual basis of accounting)**

For the Last Ten Years June 30,

	2008	2007	2006	2005
<b>REVENUES</b>				
Taxes	\$ 4,925,464	\$ 4,730,096	\$ 4,507,955	\$ 4,436,789
Licenses and permits	178,524	137,734	159,414	154,869
State revenue	2,669,946	2,701,762	2,401,595	3,504,886
Federal revenue	146,520	271,426	-	77,473
Local grant revenue	642,514	630,295	708,445	580,154
Charges for services	1,592,621	1,374,937	1,413,317	1,221,464
Investment income and rents	309,106	432,340	316,901	301,127
Fines and forfeitures	30,232	31,218	33,899	39,050
Other	140,106	436,553	187,214	251,875
<b>Total revenues</b>	<b>10,635,033</b>	<b>10,746,361</b>	<b>9,728,740</b>	<b>10,567,687</b>
<b>EXPENDITURES</b>				
General government	2,128,595	2,275,874	1,943,642	2,047,589
Public safety	4,199,346	4,156,938	4,162,007	4,026,676
Public works	2,497,700	3,247,119	2,592,875	2,992,332
Community and economic development	199,130	-	-	-
Parks and recreation	1,066,886	958,301	716,213	969,685
Capital outlay	-	99,404	1,108,482	1,585,041
Debt service				
Principal retirement	496,693	475,541	430,541	415,541
Interest and fees	158,201	178,109	196,568	183,302
<b>Total expenditures</b>	<b>10,746,551</b>	<b>11,391,286</b>	<b>11,150,328</b>	<b>12,220,166</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(111,518)</b>	<b>(644,925)</b>	<b>(1,421,588)</b>	<b>(1,652,479)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond and note proceeds	50,000	-	-	1,800,000
Payments to escrow agent	-	-	-	-
Transfers from other funds	812,904	440,844	1,067,215	1,265,279
Transfers to other funds	(765,166)	(449,389)	(1,017,915)	(1,266,779)
<b>Total other financing sources (uses)</b>	<b>97,738</b>	<b>(8,545)</b>	<b>49,300</b>	<b>1,798,500</b>
<b>Net Change in Fund Balances</b>	<b>\$ (13,780)</b>	<b>\$ (653,470)</b>	<b>\$ (1,372,288)</b>	<b>\$ 146,021</b>
<b>Debt service as a percentage of Noncapital expenditures</b>	<b>6.09%</b>	<b>5.79%</b>	<b>6.24%</b>	<b>5.63%</b>

Table 4

2004	2003	2002	2001	2000	1999
\$ 4,235,765	\$ 4,207,225	\$ 4,162,288	\$ 4,063,997	\$ 3,985,298	\$ 3,917,253
139,405	82,087	113,802	70,102	81,407	139,865
2,912,378	2,838,230	2,917,121	2,715,185	2,789,476	2,781,915
82,722	148,611	139,399	305,713	1,233,810	62,944
534,089	497,800	671,691	450,939	453,830	553,404
1,289,249	1,237,802	1,523,765	1,477,428	1,489,983	1,491,119
239,274	293,772	340,627	588,380	240,007	462,628
31,621	21,215	22,299	35,931	32,090	42,282
444,942	384,769	323,211	171,936	445,200	239,827
<u>9,909,445</u>	<u>9,711,511</u>	<u>10,214,203</u>	<u>9,879,611</u>	<u>10,751,101</u>	<u>9,691,237</u>
1,932,597	1,968,481	2,037,717	2,359,459	1,654,565	1,586,679
3,672,633	3,584,989	3,740,259	3,592,374	3,463,289	3,449,841
3,245,367	728,910	2,531,838	3,349,338	3,892,224	2,571,636
-	-	-	-	-	-
738,511	1,661,368	878,391	1,095,628	843,944	1,265,488
7,574	1,459,453	343,724	-	81,069	-
472,591	473,988	504,610	344,908	295,000	275,000
155,347	191,277	332,752	234,232	220,219	237,912
<u>10,224,620</u>	<u>10,068,466</u>	<u>10,369,291</u>	<u>10,975,939</u>	<u>10,450,310</u>	<u>9,386,556</u>
<u>(315,175)</u>	<u>(356,955)</u>	<u>(155,088)</u>	<u>(1,096,328)</u>	<u>300,791</u>	<u>304,681</u>
-	-	2,404,777	-	-	-
-	-	(1,931,682)	-	-	-
1,301,695	1,337,046	1,301,797	1,313,206	1,260,000	2,240,000
(1,357,195)	(1,382,546)	(1,342,297)	(1,353,706)	(1,393,900)	(2,287,300)
<u>(55,500)</u>	<u>(45,500)</u>	<u>432,595</u>	<u>(40,500)</u>	<u>(133,900)</u>	<u>(47,300)</u>
<u>\$ (370,675)</u>	<u>\$ (402,455)</u>	<u>\$ 277,507</u>	<u>\$ (1,136,828)</u>	<u>\$ 166,891</u>	<u>\$ 257,381</u>
<u>6.15%</u>	<u>7.73%</u>	<u>8.35%</u>	<u>5.28%</u>	<u>4.97%</u>	<u>5.46%</u>

City of Alpena

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	Real Property		Personal Property	
		Taxable Value	Estimated True Cash Value	Taxable Value	Estimated True Cash Value
06/30/99	1998	\$ 162,795,378	\$ 346,668,600	\$ 60,409,200	\$ 120,818,400
06/30/00	1999	168,840,594	366,354,200	62,738,400	125,476,800
06/30/01	2000	176,805,633	394,712,800	55,792,000	111,584,000
06/30/02	2001	184,855,233	413,508,800	54,347,400	108,694,800
06/30/03	2002	194,545,560	433,775,400	46,942,500	93,885,000
06/30/04	2003	198,685,391	450,540,800	44,676,600	89,353,200
06/30/05	2004	205,694,458	470,235,000	46,453,800	92,907,600
06/30/06	2005	212,890,984	484,538,000	47,235,300	94,470,600
06/30/07	2006	220,542,038	500,516,000	48,445,800	96,891,600
06/30/08	2007	228,260,817	507,741,600	48,643,100	97,286,200

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

(2) Real Property includes a separate class of property created in 2003 called Personal/Real.

Source: City assessor's office

**PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Levy	
06/30/99	1998	\$ 3,959,235	\$ 3,833,305	96.82%	\$ 125,903
06/30/00	1999	4,047,227	4,037,229	99.75%	9,751
06/30/01	2000	4,083,556	4,072,535	99.73%	10,789
06/30/02	2001	4,178,371	4,151,233	99.35%	26,800
06/30/03	2002	4,226,527	4,208,012	99.56%	16,819
06/30/04	2003	4,253,600	4,244,609	99.79%	8,759
06/30/05	2004	4,444,195	4,437,279	99.84%	6,880
06/30/06	2005	4,478,660	4,472,438	99.86%	6,218
06/30/07	2006	4,623,985	4,452,027	96.28%	171,440
06/30/08	2007	4,528,107	4,319,971	95.40%	-

Source: City clerk/treasurer/finance director's office

Table 5

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Total		Taxable Value To Estimated Actual Value	Total Direct Tax Rate
Taxable Value	Estimated True Cash Value		
\$ 223,204,578	\$ 467,487,000	47.75%	18.4251
231,578,994	491,831,000	47.09%	18.1805
232,597,633	506,296,800	45.94%	18.1805
239,202,633	522,203,600	45.81%	18.3905
241,488,060	527,660,400	45.77%	18.3905
243,361,991	539,894,000	45.08%	18.3429
252,148,258	563,142,600	44.78%	18.2886
260,126,284	579,008,600	44.93%	18.0886
268,987,838	597,407,600	45.03%	18.3407
276,903,917	605,027,800	45.77%	18.3407

Table 6

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Total Collections to Date	
Amount	Percentage of Levy
\$ 3,959,208	100.00%
4,046,980	99.99%
4,083,324	99.99%
4,178,033	99.99%
4,224,831	99.96%
4,253,368	99.99%
4,444,159	100.00%
4,478,656	100.00%
4,623,467	99.99%
4,319,971	95.40%

City of Alpena

**PRINCIPAL TAXPAYERS - TOP TEN**

Current Year and Nine Years Ago

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<u>Taxpayer</u>	<u>Type of Business</u>
Lafarge Midwest, Inc.	Cement production
Decorative Panels, Inc.	Hardboard manufacturing
Besser Company	Concrete block making machines
Alpena Power Company	Electric power utility
ATI Casting Service	Metal Fabrication
Panel Processing, Inc.	Hardboard processing plant
Alpena Hotel, LLC	Motel and restaurant
Conveyor Systems, Inc.	Conveyor Manufacturer
Alpena Wholesale Grocery	Wholesale Groceries
Alpena Marc, LLC	Commercial Rental/Brewery
First Federal Savings & Loan	Bank
Fletcher Paper Company	Paper Mill
DG Trim Products	Automotive carpeting
Thunder Bay Manufacturing	Machine Shop and Foundry
Michigan Consolidated Gas	Natural gas utility

Ten largest taxpayers

Other taxpayers

The taxable values indicated above were established as of December 31, 2007 to be used in computing the tax levy for the fiscal year July 1, 2008 through June 30, 2009.

Source: City assessor's office.



Table 7

June 30, 2008			June 30, 1999		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 42,331,809	1	14.91%	\$ 37,624,948	1	16.86%
4,832,323	4	1.70%	10,444,204	2	4.68%
7,391,330	2	2.60%	9,469,316	3	4.24%
4,979,407	3	1.75%	4,220,087	5	1.89%
2,792,000	6	0.98%	-	-	-
3,526,099	5	1.24%	-	-	-
2,239,700	9	0.80%	1,605,006	8	0.72%
2,305,857	7	0.82%	-	-	-
2,289,332	8	0.81%	-	-	-
2,140,947	10	0.75%	-	-	-
-	-	-	1,077,600	10	0.48%
-	-	-	9,044,447	4	4.05%
-	-	-	2,233,200	6	1.00%
-	-	-	2,164,002	7	0.97%
-	-	-	1,527,800	9	0.69%
74,828,804		26.36%	79,410,610		35.58%
209,085,466		73.64%	143,793,968		64.42%
<u>\$ 283,914,270</u>		<u>100.00%</u>	<u>\$ 223,204,578</u>		<u>100.00%</u>

City of Alpena

**DIRECT AND OVERLAPPING PROPERTY TAX MILLAGE RATES (1)  
(PER \$1,000 OF ASSESSED VALUE)**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Tax Year Roll	General Fund	Dial-a-Ride Fund	Debt Service	Community Events Center	Total City Tax Rate
06/30/99	1998 (A)	16.1305	0.4946	1.8000	-	18.4251
06/30/99	1998 (B)	16.1305	0.4946	1.8000	-	18.4251
06/30/00	1999 (A)	16.1305	0.4000	1.6500	-	18.1805
06/30/00	1999 (B)	16.1305	0.4000	1.6500	-	18.1805
06/30/01	2000 (A)	16.1305	0.4500	1.6000	-	18.1805
06/30/01	2000 (B)	16.1305	0.4500	1.6000	-	18.1805
06/30/02	2001 (A)	16.1305	0.4500	1.6000	0.2100	18.3905
06/30/02	2001 (B)	16.1305	0.4500	1.6000	0.2100	18.3905
06/30/03	2002 (A)	16.3000	0.5000	1.3805	0.2100	18.3905
06/30/03	2002 (B)	16.3000	0.5000	1.3805	0.2100	18.3905
06/30/04	2003 (A)	16.2544	0.4986	1.3805	0.2094	18.3429
06/30/04	2003 (B)	16.2544	0.4986	1.3805	0.2094	18.3429
06/30/05	2004 (A)	16.2316	0.4979	1.3500	0.2091	18.2886
06/30/05	2004 (B)	16.2316	0.4979	1.3500	0.2091	18.2886
06/30/06	2005 (A)	16.2316	0.4979	1.1500	0.2091	18.0886
06/30/06	2005 (B)	16.2316	0.4979	1.1500	0.2091	18.0886
06/30/07	2006 (A)	16.2316	0.6500	1.2500	0.2091	18.3407
06/30/07	2006 (B)	16.2316	0.6500	1.2500	0.2091	18.3407
06/30/08	2007 (A)	16.2316	0.6500	1.2500	0.2091	18.3407
06/30/08	2007 (B)	16.2316	0.6500	1.2500	0.2091	18.3407

(1) In addition, the Downtown Development Authority levies 2.00 mills in the Downtown District.

(A) Homestead Property

(B) Non-Homestead Property

Source: City Treasurer

**SPECIAL ASSESSMENT COLLECTIONS**

Last Ten Fiscal Years Ended June 30

Table 9

Fiscal Year Ended	Tax Year	Special Assessments Billed	Special Assessments Collected	Ratio of Collections to Amount Billed	Total Outstanding Assessments
06/30/99	1998	\$ 147,125	\$ 145,162	98.67%	\$ 67,112
06/30/00	1999	38,303	52,661	137.49%	52,754
06/30/01	2000	60,576	56,156	92.70%	57,174
06/30/02	2001	233,319	89,345	38.29%	200,667
06/30/03	2002	-	69,977	N/A	130,689
06/30/04	2003	322,211	185,103	57.45%	267,797
06/30/05	2004	104,016	104,453	100.42%	267,361
06/30/06	2005	148,210	126,013	85.02%	299,794
06/30/07	2006	208,818	133,666	64.01%	374,946
06/30/08	2007	-	112,193	N/A	262,753

Source: City Treasurer

Table 8

Alpena Public Schools	Alpena Community College	Educational Service District	Alpena County	State Education Tax	Total Millage Rate
2.9800	2.3073	2.2223	8.0380	6.0000	39.9727
20.9800	2.3073	2.2223	8.0380	6.0000	57.9727
2.4406	2.4990	2.2190	8.0243	6.0000	39.3634
20.4406	2.4990	2.2190	8.0243	6.0000	57.3634
2.1787	2.4868	2.2104	7.9521	6.0000	39.0085
20.1787	2.4868	2.2104	7.9521	6.0000	57.0085
2.4500	2.4787	2.1991	7.5552	6.0000	39.0735
20.4500	2.4787	2.1991	7.5552	6.0000	57.0735
2.3500	2.4750	2.1941	8.0978	6.0000	39.5074
20.3500	2.4750	2.1941	8.0978	6.0000	57.5074
2.3000	2.4750	2.1941	8.0978	6.0000	39.4098
18.0000	2.4750	2.1941	8.0978	6.0000	55.1098
2.2000	2.4410	2.1566	8.0062	6.0000	39.0924
17.8364	2.4410	2.1566	8.0062	6.0000	54.7288
2.1000	2.4373	2.1454	7.9969	6.0000	38.7682
17.8364	2.4373	2.1454	7.9969	6.0000	56.6046
2.0000	2.4373	2.1447	8.0068	6.0000	38.9295
20.0000	2.4373	2.1447	8.0068	6.0000	56.9295
1.9500	2.4358	2.1902	8.0681	6.0000	38.9848
18.0000	2.4358	2.1902	8.0681	6.0000	56.9848

City of Alpena

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Land Purchase Loans	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds
06/30/99	\$ 4,110,000	\$ -	\$ -	\$ -	\$ 4,000,000
06/30/00	3,815,000	-	331,000	-	3,900,000
06/30/01	3,525,000	825,092	261,000	-	3,800,000
06/30/02	3,680,000	635,482	181,000	-	3,700,000
06/30/03	3,355,000	486,494	91,000	-	3,600,000
06/30/04	2,980,000	388,903	26,170	-	3,500,000
06/30/05	4,415,000	338,362	13,085	-	3,400,000
06/30/06	4,025,000	297,821	4,032	-	3,250,000
06/30/07	3,590,000	257,280	2,880	-	3,100,000
06/30/08	3,140,000	261,739	1,728	995,000	5,038,031

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	General Obligation Bonds				
	1992 Unlimited Tax refunding	1994 Unlimited Tax refunding	2002 Unlimited Tax refunding	2001 Building Authority	2004 Building Authority
06/30/99	\$ 2,300,000	\$ 1,810,000	\$ -	\$ -	\$ -
06/30/00	2,175,000	1,640,000	-	-	-
06/30/01	2,050,000	1,475,000	-	-	-
06/30/02	-	1,285,000	1,995,000	400,000	-
06/30/03	-	1,100,000	1,855,000	400,000	-
06/30/04	-	915,000	1,685,000	380,000	-
06/30/05	-	735,000	1,520,000	360,000	1,800,000
06/30/06	-	560,000	1,355,000	335,000	1,775,000
06/30/07	-	385,000	1,145,000	310,000	1,750,000
06/30/08	-	190,000	940,000	285,000	1,725,000

(1) - Per Northeast Michigan Community Service Agency

(2) - Per Table 5

Table 10

	Total Primary Government	Percentage of Personal Income	Per Capita
\$	8,110,000	3.39%	696
	8,046,000	3.26%	690
	8,411,092	3.42%	744
	8,196,482	4.15%	725
	7,532,494	2.78%	666
	6,895,073	2.55%	610
	8,166,447	3.02%	722
	7,576,853	2.92%	702
	6,950,160	2.69%	641
	9,436,498	3.15%	900

Table 11

	Total	Population (1)	Taxable Value (2)	Percentage of Actual Taxable Value of Property	Per Capita
\$	4,110,000	11,656	\$ 223,204,578	1.84%	353
	3,815,000	11,665	231,578,994	1.65%	327
	3,525,000	11,304	232,597,633	1.52%	312
	3,680,000	11,304	239,202,633	1.54%	326
	3,355,000	11,304	241,488,060	1.39%	297
	2,980,000	11,304	243,361,991	1.22%	264
	4,415,000	11,304	252,148,258	1.75%	391
	4,025,000	10,792	260,126,284	1.55%	373
	3,590,000	10,772	268,987,838	1.33%	333
	3,140,000	10,490	276,903,917	1.13%	299

City of Alpena

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years Ended June 30

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	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limit	\$ 22,152,313	\$ 21,519,027	\$ 20,810,103	\$ 20,171,861
Total net debt applicable to limit	<u>9,424,729</u>	<u>6,938,894</u>	<u>7,559,746</u>	<u>8,145,306</u>
Legal debt margin	<u>\$ 12,727,584</u>	<u>\$ 14,580,133</u>	<u>\$ 13,250,357</u>	<u>\$ 12,026,555</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>42.55%</u>	<u>32.25%</u>	<u>36.33%</u>	<u>40.38%</u>

Table 12

2004	2003	2002	2001	2000	1999
\$ 19,468,959	\$ 19,319,045	\$ 19,136,211	\$ 18,607,811	\$ 18,523,270	\$ 17,856,366
6,878,975	7,497,690	8,150,360	7,532,440	7,688,345	8,071,180
<u>\$ 12,589,984</u>	<u>\$ 11,821,355</u>	<u>\$ 10,985,851</u>	<u>\$ 11,075,371</u>	<u>\$ 10,834,925</u>	<u>\$ 9,785,186</u>
<u>35.33%</u>	<u>38.81%</u>	<u>42.59%</u>	<u>40.48%</u>	<u>41.51%</u>	<u>45.20%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2008

Total taxable assessed valuation		\$ 276,903,917
Charter debt limit - 8% of total taxable value		22,152,313
Total General obligation debt	\$ 9,436,498	
Less: Amount available in debt funds	<u>11,769</u>	
Total net debt applicable to limit		<u>9,424,729</u>
Legal debt margin		<u>\$ 12,727,584</u>

City of Alpena

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2008

Table 13

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>(1) Percentage Applicable to City of Alpena</u>	<u>Amount Applicable to City of Alpena</u>
Direct Debt			
City of Alpena			
Water and Sewage Disposal System	\$ 2,900,000	100.00%	\$ 2,900,000
Alpena County Sanitary Sewage Bonds	190,000	100.00%	190,000
Public Safety Building Bonds	940,000	100.00%	940,000
Building Authority Bonds	2,010,000	100.00%	2,010,000
Installment Loans	261,739	100.00%	261,739
Capital Lease	1,728	100.00%	1,728
SRF	1,255,125	100.00%	3,590,000
DWRP	882,906	100.00%	3,650,000
G.O (Ineligible)	995,000	100.00%	995,000
			<u>14,538,467</u>
Overlapping Debt			
Alpena County	11,435,000	29.24%	3,343,594
Alpena Public Schools	18,775,000	25.51%	4,789,503
Alpena Community College	1,520,000	25.51%	387,752
			<u>8,520,849</u>
Total			<u>\$ 23,059,316</u>

(1) Percentage applicable to the City of Alpena determined using taxable value of the City divided by the taxable value of the taxing district.



City of Alpena

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Fiscal Years Ended June 30

Table 14

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<u>Fiscal Year Ended</u>	<u>(1) Population</u>	<u>(2) Personal Income (In Thousands)</u>	<u>(3) Per Capita Income</u>	<u>(4) Median Age</u>	<u>(5) Education Level in Years of Formal Schooling</u>	<u>(6) School Enrollment</u>	<u>(7) Unemployment Rate</u>
06/30/99	11,656	\$ 239,298	\$ 20,530	38.4	12.9	1,989	6.3%
06/30/00	11,665	246,656	21,145	39.7	12.9	1,871	5.7%
06/30/01	11,304	246,190	21,779	39.6	12.9	1,953	6.2%
06/30/02	11,304	197,549	17,476	39.6	12.9	1,843	8.6%
06/30/03	11,304	270,844	23,960	39.6	12.9	1,858	9.5%
06/30/04	11,304	270,844	23,960	39.6	12.9	1,767	6.8%
06/30/05	11,304	270,844	23,960	39.6	12.9	1,727	7.0%
06/30/06	10,792	258,576	23,960	39.6	12.9	1,619	7.5%
06/30/07	10,772	258,097	23,960	39.6	12.9	1,598	8.7%
06/30/08	10,490	299,490	28,550	39.6	12.9	1,592	8.3%

(4) (5) U.S. Bureau of the Census

(1) (2) (3) (7) Per Northeast Michigan Community Service Agency

(6) Alpena Public Schools - City of Alpena residents  
public schools

City of Alpena

**PRINCIPAL EMPLOYERS**

Current Year and Three Years Ago

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<u>Taxpayer</u>	<u>Type of Business</u>
Alpena Regional Medical Center	Hospital
Alpena Public Schools	Education
Northeast Michigan Community Mental Health	Multi-county authority
Alpena Community College	Community College
Lafarge Midwest, Inc.	Cement production
Besser Company	Concrete block making machines
Decorative Panels, Inc.	Hardboard manufacturing
Tendercare Michigan Inc.	Long term care facility
County of Alpena, Michigan	Local government
ATI Casting Services	Machine shop and foundry
Devere Construction Company	Construction contractor
Inland Lakes Management Inc.	Shipping contractor
Crittenden Construction Company	Construction contractor

Largest employers

Other employers

Total employment

Source: Direct phone call to companies

Note: The City of Alpena began keeping track of statistical information on taxpayers with the largest number of employees in 2005.

Table 15

June 30, 2008			June 30, 2005		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of Total City Employment
977	1	7.21%	922	1	6.64%
600	2	4.43%	650	2	4.68%
485	3	3.58%	200	6	1.44%
262	4	1.93%	-	-	0.00%
240	5	1.77%	288	4	2.07%
222	6	1.64%	450	3	3.24%
186	7	1.37%	250	5	1.80%
185	8	1.36%	150	10	1.08%
180	9	1.33%	196	7	1.41%
71	10	0.52%	-	-	0.00%
-	-	-	175	8	1.26%
-	-	-	151	9	1.09%
-	-	-	150	10	1.08%
3,408		25.14%	3,582		25.79%
10,134		74.86%	10,306		74.21%
<u>13,542</u>		<u>100.00%</u>	<u>13,888</u>		<u>100.00%</u>

City of Alpena

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

For the Last Ten Years June 30,

<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government	27	28	26	26
Police protection				
Officers	16	16	17	17
Civilians	-	-	-	-
Fire protection				
Firefighters and officers	23	23	23	23
DPW	13	14	14	14
<b>Total</b>	<b>79</b>	<b>81</b>	<b>80</b>	<b>80</b>

Source: City Manager's Office

**OPERATING INDICATORS BY FUNCTION**

For the Last Ten Years June 30,

<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police protection				
Physical arrests	625	722	823	735
Traffic violations	759	727	845	1,308
Traffic violations - O.W.I.	60	73	127	178
Parking violations	787	653	668	443
Fire protection				
Calls answered	1,017	1,006	874	766
Insections conducted	345	327	321	470
Ambulance runs	2,947	2,689	2,701	2,361
Sewage system				
Number of service connections	4,774	4,755	4,755	4,747
Average daily treatment-in gallons	2,590,000	2,876,000	2,876,000	2,549,000
Water system				
Number of service connections	4,770	4,757	4,757	4,749
Average daily treatment-in gallons	2,190,000	2,091,000	2,091,000	2,097,000

Sources: Various City departments

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

Table 16

2004	2003	2002	2001	2000	1999
26	26	24	28	29	28
17	17	17	19	19	21
-	-	-	4	4	4
22	21	25	24	26	25
14	15	15	15	15	15
<u>79</u>	<u>79</u>	<u>81</u>	<u>90</u>	<u>93</u>	<u>93</u>

Table 17

2004	2003	2002	2001	2000	1999
735	704	642	817	790	1,147
1,308	1,610	1,399	1,845	2,375	2,883
168	132	105	114	93	127
443	230	318	756	320	730
746	808	887	920	989	824
223	243	173	163	315	315
2,379	2,538	2,657	2,222	2,384	2,405
4,742	4,729	4,714	4,698	4,698	4,681
2,386,000	2,386,000	2,902,000	2,902,000	2,315,000	2,700,000
4,743	4,730	4,717	4,699	4,699	4,682
2,083,425	2,150,000	2,250,000	2,250,000	2,250,000	2,320,000

City of Alpena

**CAPITAL ASSETS STATISTICS BY FUNCTION**

For the Last Ten Years June 30,

<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public works				
Major streets (miles)	25.81	25.81	25.81	25.81
Local streets (miles)	44.04	43.60	43.60	43.60
Streetlights	895	784	784	780
Culture and recreation				
Community centers	1	1	1	1
Parks	16	16	16	16
Tennis courts	6	4	4	4
Volleyball courts	6	6	0	0
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
Outdoor ice rinks	0	1	1	1
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	2	2
Bi-Path (miles)	16.45	14.38	13.5	13.5
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
Police protection				
Stations	1	1	1	1
Marked patrol units	6	6	6	6
Unmarked patrol units	4	4	4	4
Sewage system				
Sanitary sewers (miles)	82.60	82.60	82.60	82.60
Storm sewers (miles)	35.90	35.90	35.90	35.90
Treatment capacity (gallons)	15,200,000	15,200,000	15,200,000	15,200,000
Water				
Water mains (miles)	81.31	81.31	81.31	80.90
Fire hydrants	608	605	605	603
Treatment capacity (gallons)	6,000,000	6,000,000	6,000,000	6,000,000

Sources: Various City of Alpena departments



City of Alpena

**MISCELLANEOUS STATISTICS**

June 30, 2008

Table 19

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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: 8

City: 3

Number of Elementary School Instructors

School District: 117

City: 60

Number of Secondary Schools

School District: 3

City: 1

Number of Secondary School Instructors

School District: 122

City: 84

Number of Community Colleges: 1

Number of Universities: 0

Hospitals

Number of Hospitals: 1

Number of Patient Beds: 146