

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# CITY OF ALPENA, MICHIGAN

Year Ended June 30, 2007

## **City Council**

John F. Gilmet, Mayor

David R. Karschnick Sr., Mayor Pro-Tem  
Carol A. Shafto, Councilwoman  
Michael P. Polluch, Councilman  
Sam Eiler, Councilman

## **Interim City Manager**

Thad Taylor

## **Financial Officer**

Karen Hebert

## **Prepared by:**

City Clerk/Treasurer/Finance Director's Office

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF ALPENA, MICHIGAN	County ALPENA
Fiscal Year End JUNE 30, 2007	Opinion Date NOVEMBER 26, 2007	Date Audit Report Submitted to State DECEMBER 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) STRALEY, ILSLEY & LAMP P.C.		Telephone Number (989) 356-4531		
Street Address 2106 US 23 SOUTH		City ALPENA	State MI	Zip 49707
Authorizing CPA Signature 		Printed Name MARK L. SANDULA		License Number A 263 243

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# City of Alpena

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

November 26, 2007

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, 2007. 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, Ilsley & 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, 2007, 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, 2007, 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. Many government agencies, organizations, and commercial concerns make the City their headquarters for this area and lend stability to the economy. Alpena continues a gradual economic growth.

According to the 2000 census, the City of Alpena, with 11,304 persons, is the largest political entity within the county and comprises more than 37% of total county population. The City is completely surrounded by Alpena Township. The City has 4,874 households with a total of 5,200 total housing units according to the 2000 census. The largest percentage of workers (18.7%) is employed in the retail trade industry; 16.3% are government workers; 12.87% manufacturing; health services 10%, and educational services 9.6%. Totally, 4,558 workers are employed in the City. In a 10-year period through June 30, 2007, the increase in taxable valuation was 27.62% to \$268,987,838.

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 By 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. The facility is for sale and the City is working with the owners toward the sale and re-opening of the plant. The local real estate market has also been impacted by the struggles of the state economy resulting in an increase in the number of homes on the market. 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 viewed as an activity, which promotes the area and attracts visitors in increasing numbers each year. These visitors make a contribution to the vitality of the business community throughout the region. Unemployment rates in Alpena County as a whole are above average at 8.3% for June of 2007 compared to 7.4% for the State in June of 2007. Alpena is actively preparing for accommodating a large and growing elderly population who settle in the area close to the regional hospital. Hunting, fishing, and nearby Lake Huron make the environment conducive to exceptional living.

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 with a tasting and special events room opening in November 2005. A major component of the development is a pedestrian boardwalk/trail along the north bank of the Thunder Bay River completed in June 2007. This 14-foot wide walkway will extend 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.

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 sidewalk along the river side of Fletcher Street was constructed at a width of eight feet and has been incorporated into the City's Bi-Path system. The Fletcher Street 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. 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. The State of Michigan recently 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 should assist in the sale of lots within the industrial park.

Oxbow Park, located on the City's northwest side, contains approximately 40 acres. The selected developer, Walden Properties LLC envisions a mixed-use development 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 phase of a senior housing development (Turning Brook) containing 20 assisted living units has been completed and the second phase with an additional 20 assisted living units will begin construction in fall 2007. 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 final infrastructure improvement – installation of a water main extension – was completed in 2005. 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. 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 interest in the site has been minimal, and the City is not actively marketing the site.

The National Guard Armory Building on Water Street was sold by the State of Michigan to a private local development team 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 of 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 have actively promoted the building as a replacement for the City's current Civic Center. A final decision by the City Council on the fate of the Civic Center and its possible renovation or re-location is anticipated during the first quarter 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 has very recently completed the assembly of land along U.S. 23 North across the road from the North Industrial Park for future industrial and commercial development. The City purchased approximately 100 acres of land. The purchase of this land by the City will provide unique opportunities to enhance its economic base and attract new industry and business to the City. The City is currently in negotiations with a new party for the sale of approximately 8+ acres fronting directly on US 23 for the development of a new automobile/truck sales dealership, and will entertain other proposals it considers consistent with its vision for the site.

The City will complete in October 2007 its third successful MSHDA-funded Rental Rehabilitation program. Unlike its previous grants these funds target specific areas of the City and have been 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 very low income households in the Lincoln School neighborhood on the City's north side. A total of fourteen (14) units will have been rehabbed at the completion of the program. The second \$100,000 program is a pilot project that provides assistance in the development of new upper story residential rental units in commercial buildings in the City's downtown. A total of 4 units will be constructed, with two completed and rented thus far. The final two units will be completed by November 2007.

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 spur additional 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. By the end of 2007 a total of 54 units will have been rehabilitated and made available to low income households, with an additional four (4) new units created in the downtown. Three of the downtown units will be affordable for moderate income households and the fourth will be a market rate unit.

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 of the greater Alpena area throughout the state, region, nation and the world. Target Alpena has been restructured and is in the process of finalizing a new short term and long-term strategic economic development plan for Alpena County including the City of Alpena.

### **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.*

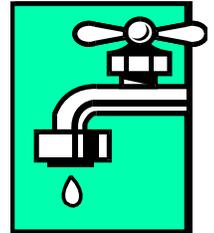
1. Explore senior housing opportunities and demands in future years.

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:

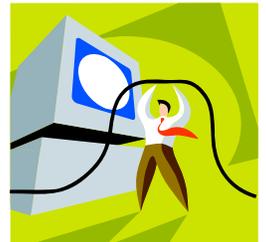
- A. *Continue to provide water, sewer, and other infrastructure that meets all needs.*
  1. Inventory and computer map all utility infrastructure presently in place.
  2. Investigate the impact if the City of Alpena were to provide water to other townships on an "as requested" basis.
  3. Explore all 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.





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, 2007, the City had six debt issues outstanding. These issues included \$1,145,000 of general obligation bonds, \$385,000 of sanitary sewage bonds which are contractual obligations with Alpena County, \$2,060,000 in Building Authority Bonds, a land purchase bank loan for \$257,280, an installment purchase agreement of \$2,880, and \$3,100,000 of water supply and sewage disposal system revenue bonds,. 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, 2007, the City's total obligation debt of \$6,938,834 was well below the legal limit of \$21,519,027.

**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.** For the year ended June 30, 2007, the City participated with St. Paul Traveler's Insurance with Arthur J. Gallagher & Company of Michigan serving as our representative, for liability and property insurance coverage's. The City's liability coverage amount was increased to \$15,000,000. The City has a low claim history with St. Paul's, therefore reducing our annual premiums.

The City's workers' compensation insurance is provided through the Michigan Municipal Worker's Compensation Fund, operated by the Michigan Municipal League. To keep rates down, it is important to keep the experience modifier below one. The City's is currently 1.06.

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, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

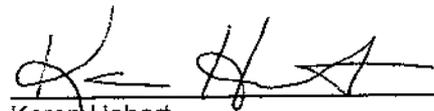
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal 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 thirteen consecutive years (fiscal years ended June 30, 1994 through 2006). 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  
Interim 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, 2006

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.

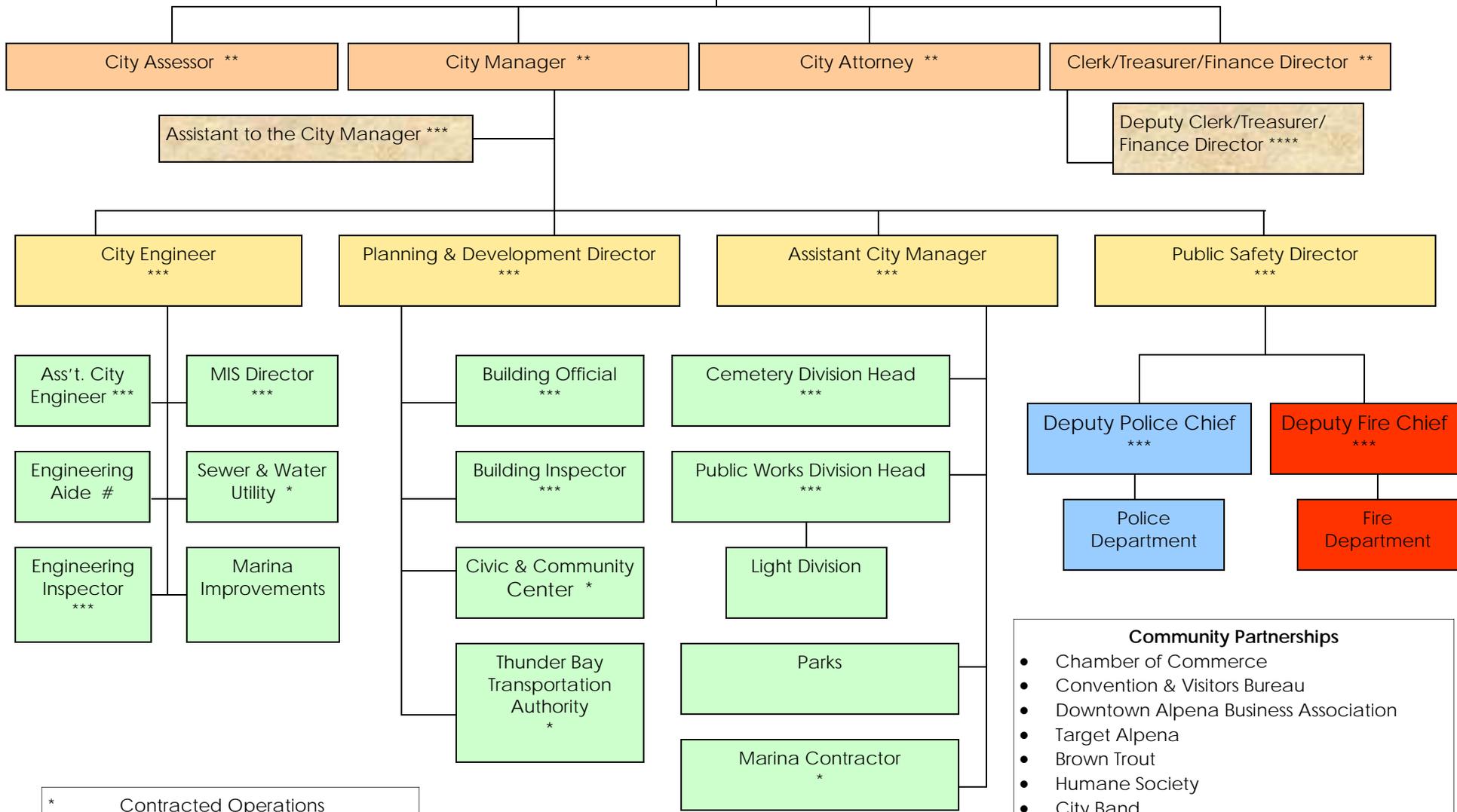


President

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  
 # Civil Service Position

- 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

Interim City Manager

Thad Taylor

City Clerk/Treasurer/Finance Director

Karen Hebert

City Assessor

Jeffery A. Shea

City Attorney

Keith D. Wallace

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



Certified Public Accountants

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### 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, 2007, 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, 2007, 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 November 26, 2007 on our consideration of the City of Alpena's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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, Ivisley & Lamb P.C.*

November 26, 2007

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, 2007. 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 3-25 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 \$56,727,249 (*net assets*). Of this amount, \$8,918,420 (*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 \$2,476,800. This was the result of an increase in the net assets of governmental activities of \$506,880 along with an increase in the net assets of business-type activities of \$1,969,920.
- The City of Alpena provided services of \$11,714,111 in governmental activities and \$3,474,703 of business-type activities for expenses totaling \$15,188,814 during the year ended June 30, 2007.
- At the close of the fiscal year, the City of Alpena's governmental funds reported a combined ending fund balance of \$4,182,738 with \$520,819 reserved for specific purposes. This is a decrease of \$58,396.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,176,754 or 25.3 percent of total general fund expenditures and transfers to other funds in comparison to \$2,102,062 at the close of the prior year, an increase of \$74,692.

**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, Sewage and Dial-A-Ride Transportation (D.A.R.T.). This is the final year that Dial-A-Ride Transportation (D.A.R.T.) will be managed through the City. The operation was transferred to the Thunder Bay Transportation Authority.

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 45-47 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 fourteen 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 ten 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 48-55 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 and for its D.A.R.T. fund. *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 and for the D.A.R.T. fund, all 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 56-63 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 67-69 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 70-90.

**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 91-96 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 97-138 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 140-168 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 \$56,727,249 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 \$45,847,453 (80.8 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 8,173,441	\$ 8,539,619	\$ 3,819,832	\$ 3,900,074	\$ 11,993,273	\$ 12,439,693
Capital assets	31,181,104	30,664,674	21,616,509	19,698,578	52,797,613	50,363,252
Total assets	<u>39,354,545</u>	<u>39,204,293</u>	<u>25,436,341</u>	<u>23,598,652</u>	<u>64,790,886</u>	<u>62,802,945</u>
Current liabilities	520,766	422,720	117,063	99,294	637,829	522,014
Noncurrent liabilities	4,325,808	4,780,483	3,100,000	3,250,000	7,425,808	8,030,483
Total liabilities	<u>4,846,574</u>	<u>5,203,203</u>	<u>3,217,063</u>	<u>3,349,294</u>	<u>8,063,637</u>	<u>8,552,497</u>
Net assets:						
Invested in capital assets, net of related debt	27,330,944	26,337,821	18,516,509	16,448,578	45,847,453	42,786,399
Restricted	520,819	579,215	1,440,557	658,500	1,961,376	1,237,715
Unrestricted	6,656,208	7,084,054	2,262,212	3,142,280	8,918,420	10,226,334
Total net assets	<u>\$ 34,507,971</u>	<u>\$ 34,001,090</u>	<u>\$ 22,219,278</u>	<u>\$ 20,249,358</u>	<u>\$ 56,727,249</u>	<u>\$ 54,250,448</u>

An additional portion of the City of Alpena's net assets \$1,961,376 (3.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,918,420 (15.7 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 \$2,476,800 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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 3,333,678	\$ 3,090,041	\$ 3,409,348	\$ 3,203,895	\$ 6,743,026	\$ 6,293,936
Operating grants and Contributions	1,302,312	1,593,145	77,353	439,758	1,379,665	2,032,903
Capital grants and Contributions	916,510	112,538	1,562,101	-	2,478,611	112,538
General revenues:						
Property taxes	4,732,711	4,455,660	41,101	126,370	4,773,812	4,582,030
Other	1,992,850	1,690,282	297,650	103,999	2,290,500	1,794,281
Transfers	(57,070)	-	57,070	-	-	-
Total revenues	<u>12,220,991</u>	<u>10,941,666</u>	<u>5,444,623</u>	<u>3,874,022</u>	<u>17,665,614</u>	<u>14,815,688</u>

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 3,640,489	\$ 3,033,225	\$ -	\$ -	\$ 3,640,489	\$ 3,033,225
Public safety	4,217,798	4,235,233	-	-	4,217,798	4,235,233
Public works	2,841,724	1,665,614	-	-	2,841,724	1,665,614
Parks and recreation	840,117	933,897	-	-	840,117	933,897
Interest on long-term debt	173,983	192,895	-	-	173,983	192,895
Water	-	-	1,350,558	1,351,809	1,350,558	1,351,809
Sewage	-	-	1,867,839	1,863,167	1,867,839	1,863,167
DART	-	-	256,306	544,326	256,306	544,326
<b>Total expenses</b>	<b>11,714,111</b>	<b>10,060,864</b>	<b>3,474,703</b>	<b>3,759,302</b>	<b>15,188,814</b>	<b>13,820,166</b>
Change in net assets	506,880	880,802	1,969,920	114,720	2,476,800	995,522
Net assets – beginning	34,001,091	33,120,288	20,249,358	20,134,638	54,250,449	53,254,927
Net assets – end	\$ 34,507,971	\$ 34,001,090	\$ 22,219,278	\$ 20,249,358	\$ 56,727,249	\$ 54,250,449

Governmental activities experienced an increase in net assets during the current fiscal year of \$506,880. The City's overall expenses increased by \$1,368,648, primarily due to the rental rehabilitation program which is offset by grant revenue, and the City's cost to pay property taxes on City property on U.S. 23 after the loss of a tax exemption appeal to the State. There were more capital projects in Parks and Recreation in 2006/2007. The City attempts to keep salary increases at the cost-of-living each year and seeks to decrease or hold healthcare costs steady. Increases in capital grants and contributions of the governmental activities along with donations received helped to attribute to the increase of net assets. The revenue of the business-type activities exceeds expenditure by \$1,969,920 due to grants and an increase in usage rates of 13%. The usage rates for water and sewer are normally kept at the rate of inflation. In anticipation of the need to sell bonds for infrastructure improvements, the City raised rates 13% for 2005/2006 and 2006/2007. Even with the rate increases, the City has low usage rates compared to other cities in Michigan.

**Cost of Services - Governmental Activities**

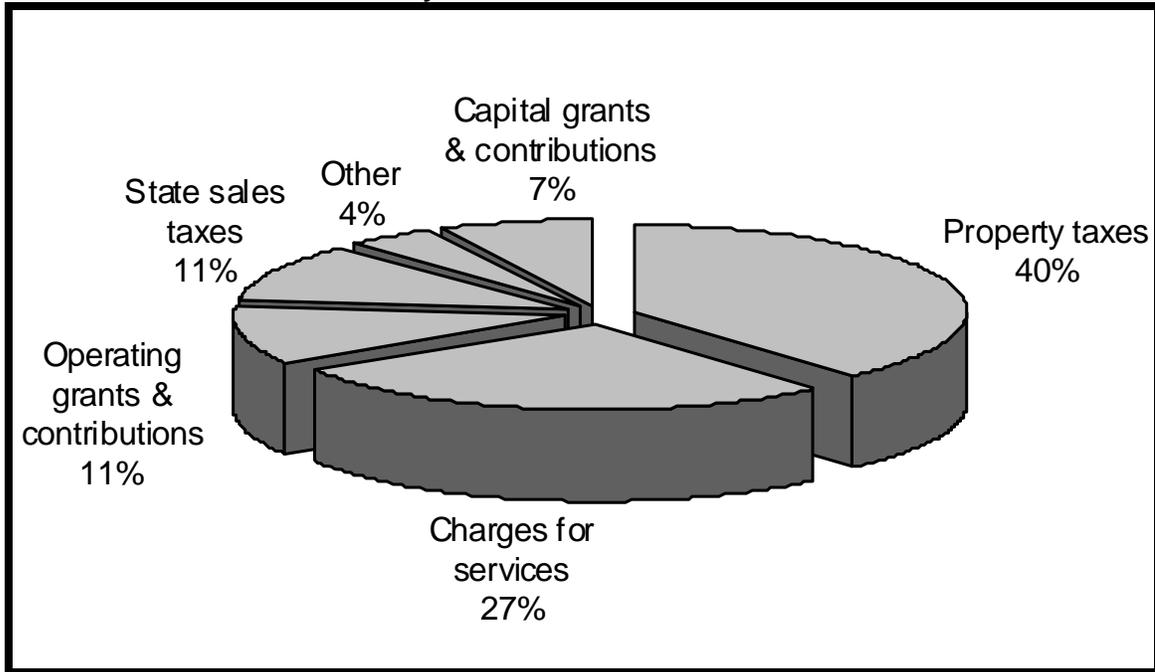
	Total Cost of Services		Program Revenues		Net Cost of Services	
	2007	2006	2007	2006	2007	2006
Functions/Programs:						
General government	\$ 3,640,489	\$ 3,033,225	\$ 2,104,663	\$ 873,574	\$ 1,535,826	\$ 2,159,651
Public safety	4,217,798	4,235,233	1,457,021	1,823,524	2,760,777	2,411,709
Public works	2,841,724	1,665,614	1,606,821	1,849,439	1,234,903	(183,825)
Parks and recreation	840,117	933,897	383,995	249,187	456,122	684,710
Interest on long-term debt	173,983	192,895	-	-	173,983	192,895
<b>Total expenses</b>	<b>\$ 11,714,111</b>	<b>\$ 10,060,864</b>	<b>\$ 5,545,943</b>	<b>\$ 4,795,724</b>	<b>\$ 6,161,611</b>	<b>\$ 5,265,140</b>

The Net Cost of Services for General Government increased marginally. Program Revenues increased as a result of General government charges for services and capital grant activity in public works. There were medial increases in the remaining functions/programs. The total cost of services increased for capital projects in General Government and Parks and Recreation.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues by Source - Governmental Activities**



**REVENUES**

Property taxes continue to be our largest source of revenue. We had an increase this fiscal year of \$277,051, including \$65,266 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. The total taxable value on all real and personal property amounted to \$268,987,838 for the fiscal year ending 2006-2007. The valuation represents an increase of \$8,861,554 from the preceding year. Total millage for the City of Alpena homestead property was 38.9295 and non-homestead property was 56.9295.

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 be placed on the roll at their full value.

Licenses and Permit revenue was lower than 2006 and is dependent on the type and scope of construction for the year.

State revenue sharing was to remain the same as 2006 but was actually \$13,139 less. While the decreases have not been as severe as 2003 through 2005, we have seen a reduction for the past six years. The cumulative loss of revenue since 2002 is over \$1.5 million.

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

Revenue for charges and services decreased. The revenue for Ambulance, Sidewalk and Tree services decreased but Cemetery, Equipment and Sewer increased. The overall effect was a decrease of \$37,456. This area fluctuates annually depending on available programs and activities.

Investment Income did better than budgeted but did come in slightly lower than 2006.

City of Alpena

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Revenue from miscellaneous sources increased significantly in 2007, however this revenue fluctuates annually because it includes tax collection fees and election and insurance reimbursements.

**Business-type Activities.** All three 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.

Responsibility for the Dial-A-Ride Transportation (D.A.R.T.) system operations lies with Prell’s Service. Operations are financed through Federal, State, and City operating grants and fare box revenues. The D.A.R.T. system was transferred to the Thunder Bay Transportation Authority on October 1, 2006. The City will no longer administer the program.

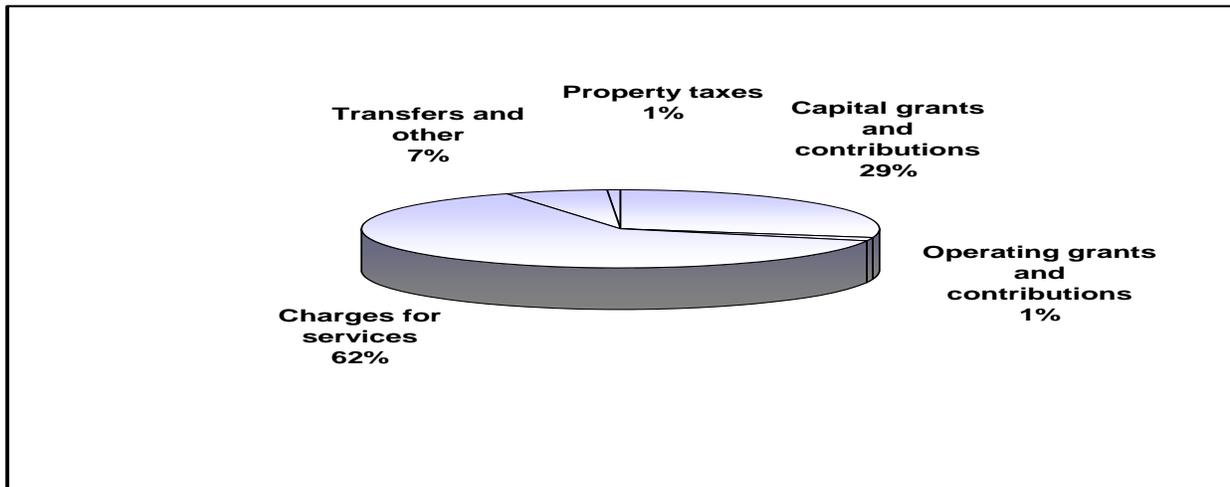
Thunder Bay Transportation Authority is a public authority in existence since October 1, 2005. It is a regional transportation entity providing services throughout a three county area. The transfer of the D.A.R.T. system will make it more efficient and more affordable to operate because of the opportunity for grant monies, and remove the insurance liability of insuring the buses.

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

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2007	2006	2007	2006	2007	2006
Functions/Programs:						
Water	\$ 1,350,558	\$ 1,351,809	\$ 2,019,921	\$ 1,598,216	\$ (669,363)	\$ (246,407)
Sewage	1,867,839	1,863,167	3,289,795	1,643,160	(1,421,956)	220,007
D.A.R.T.	256,306	544,326	134,907	402,277	121,399	142,049
Total expenses	<u>\$ 3,474,703</u>	<u>\$ 3,759,302</u>	<u>\$ 5,444,623</u>	<u>\$ 3,643,653</u>	<u>\$ (1,969,920)</u>	<u>\$ 115,649</u>

There were no major unforeseen expenses in the Water or Sewer Funds. The increases from 2006 to 2007 were spread pretty evenly among all the operating expenses. The annual increase is based on the Proposal A rate of inflation or 3 percent, whichever is less. The only major difference in expenses from 2006 was the contracted services in the collection system. There was a decrease in contracted services due to less pavement restoration and curb, gutter, and sidewalk work.

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



City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The revenue in the water fund increased slightly. The large increase in the sewer fund was due to a grant reimbursement for engineering design work needed to submit our State Revolving Loan Fund (SRF) application.

The City submitted applications to the Michigan Department of Environmental Quality in 2006/2007 for low-interest loan assistance. The State offers a State Revolving Loan Fund (SRF) program and a Drinking Water Revolving Loan Fund (DWRP). 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 will be heavy activity in 2007/2008 and 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 \$4,182,738, a decrease of \$653,470 in comparison with the prior year. Approximately 88% of this total amount (\$3,661,919) 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 (\$11,266), and 2) for future capital outlay (\$509,553).

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 \$2,176,754, 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 25.3% of total general fund expenditures and operating transfers to other funds.

The fund balance of the City of Alpena's General Fund was increased by \$74,692 during the current fiscal year. The increase is due to the increase in property tax revenue, state revenue and federal revenue.

The major and local street funds have unreserved fund balances of \$299,997 and \$193,563, respectively. This represents funds available for future street maintenance and construction. This is a significant decrease from 2005/2006 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 2007, the City transferred \$6,454 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 \$11,266, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal (\$1,809). The City of Alpena was able to make additional payments to reduce the balance of the Land Purchase Bank Loan.

The City at the end of the fiscal year had \$509,553 in fund balance reserved for future capital outlay in its combined capital project funds.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 and D.A.R.T. funds at the end of the year amounted to \$1,110,449, \$1,151,763, and \$0 respectively. The change in net assets for the funds was \$669,368, \$1,421,956, and (\$121,399), 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 2006-2007 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 2005-2006 amount), and state grants (the timing of the grant payment was carried into 2007/2008). 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, 2007, amounts to \$45,371,805. 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.

**CITY OF ALPENNA'S, Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Historical cost:						
Land	\$ 3,018,071	\$ 3,018,071	\$ 12	\$ 12	\$ 3,018,083	\$ 3,018,083
Construction in progress	108,158	80,606	37,315	550	145,473	81,156
Land improvements	4,648,137	4,433,559	446,340	427,423	5,094,477	4,860,982
Buildings and improvements	9,589,809	9,356,188	4,509,074	4,506,709	14,098,883	13,862,897
Machinery and equipment	6,698,581	6,439,553	1,496,867	2,125,030	8,195,448	8,564,583
Infrastructure	37,667,004	35,904,859	29,415,302	26,839,397	67,082,306	62,744,256
	<u>61,729,760</u>	<u>59,232,836</u>	<u>35,904,910</u>	<u>33,899,121</u>	<u>97,634,670</u>	<u>93,131,957</u>
Accumulated depreciation:						
Land improvements	(1,269,894)	(1,126,389)	(100,318)	(87,499)	(1,370,212)	(1,213,888)
Buildings and improvements	(3,878,185)	(3,631,549)	(1,684,985)	(1,556,251)	(5,563,170)	(5,187,800)
Machinery and equipment	(5,037,544)	(4,677,651)	(1,043,282)	(1,612,142)	(6,080,826)	(6,289,793)
Infrastructure	(20,363,033)	(19,132,573)	(11,459,816)	(10,944,651)	(31,822,849)	(30,077,224)
	<u>(30,548,656)</u>	<u>(28,568,162)</u>	<u>(14,288,401)</u>	<u>(14,200,543)</u>	<u>(44,837,057)</u>	<u>(42,768,705)</u>
Net Capital Assets	<u>\$ 31,181,104</u>	<u>\$ 30,664,674</u>	<u>\$ 21,616,509</u>	<u>\$ 19,698,578</u>	<u>\$ 52,797,613</u>	<u>\$ 50,363,252</u>

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information on the City of Alpena's capital assets can be found in Note 6 on pages 80-81 of this report.

**CITY OF ALPENA'S OUTSTANDING DEBT**

At the end of the current fiscal year, the City of Alpena had total debt from bonds and loans outstanding of \$6,950,160. Of this amount, \$1,530,000 comprises general obligation bond debt backed by the full faith and credit of the government, \$2,060,000 is building authority bonds \$257,280, a bank loan secured by land and a capital lease agreement of \$2,880. The remainder of the City of Alpena's debt of \$3,100,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Capital Asset and Debt Administration (continued)**

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 1,530,000	\$ 1,915,000	\$ -	\$ -	\$ 1,530,000	\$ 1,915,000
Building authority bonds	2,060,000	2,110,000	-	-	2,060,000	2,110,000
Land purchase bank loan	257,280	297,821	-	-	257,280	297,821
Installment loan	-	-	-	-	-	-
Capital lease agreement	2,880	4,032	-	-	2,880	4,032
Revenue bonds	-	-	3,100,000	3,250,000	3,100,000	3,250,000
	<u>\$ 3,850,160</u>	<u>\$ 4,326,853</u>	<u>\$ 3,100,000</u>	<u>\$ 3,250,000</u>	<u>\$ 6,950,160</u>	<u>\$ 7,576,853</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 \$21,519,027, which is significantly in excess of the City of Alpena's outstanding general obligation debt.

The City of Alpena's decreased its total debt from bonds and loans by \$626,693 during the current fiscal year.

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

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

- At fiscal year end 2007, the County-wide unemployment rate was 8.3 percent compared to 7.4 percent for the state.
- There has been a continual decline in the State Revenue Sharing. We received \$37,000 less in fiscal year ending 2002, \$183,513 less in fiscal year ending 2003, and \$52,990 less in fiscal year ending 2004. In fiscal year ending 2005, we received \$1,422,328 which is \$59,726 less than fiscal year ending 2004. The State projected the same level of revenue for 2006 that was received in 2005; however, we received \$1,404,357 in 2006 which was \$19,750 less than 2005 revenue received. We were to receive the same amount of revenue sharing in 2007 as 2006 but received \$13,139 less. The City has lost a cumulative amount of \$1,577,390 since fiscal year ending 2002.
- 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 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.
  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 will be complete 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.
- Both the Coast Guard and NOAA have a presence in Alpena. The Coast Guard is seeking a location for developing 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 \$1,184,084. 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 \$1,508,756 for 2007 but the actual fund balance was \$2,176,754, a difference of \$667,998. 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 used \$6,454 from the Budget Stabilization Fund for the 2006/2007 fiscal year. This left a balance of \$5,000 in the fund. There are also vacant positions in the Police, Fire, Clerical and Department of Public Works that have not been filled, and the staffing in the City Clerk/Treasurer/Finance Director's office was reduced.

The maximum charter millage rate is 17.50, but due to Headlee reductions the City's 2007 maximum millage is 16.2316. The City levies the full 16.2316.

City of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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 .13% of payroll for the General Fund and 11.69% of payroll for the Firemen into the Retirement System. There has been no contribution for the Policemen since 1998/1999. The 2006/2007 contribution was \$195,491. The 2007/2008 contribution is \$322,970. The City is currently funded at 106.8%.

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. 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. The program will require an increase in rates to pay the debt on these improvements. Council approved a 13% rate increase for 2006-2007 and another 13% rate increase for 2007-2008

**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, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Pooled cash and investments	\$ 2,017,804	\$ 2,880,951	\$ 4,898,755	\$ 22,786
Cash and cash equivalents	976,722	-	976,722	99,651
Investments - at fair value	3,775,918	-	3,775,918	-
Receivables (net of allowance for uncollectible accounts)	1,192,327	906,131	2,098,458	77
Due from primary government	-	-	-	13,990
Inventories	210,670	-	210,670	-
Deferred charges	-	32,750	32,750	-
Noncurrent assets:				
Capital assets not being depreciated	3,126,229	37,327	3,163,556	63,156
Capital assets, net of accumulated depreciation	<u>28,054,875</u>	<u>21,579,182</u>	<u>49,634,057</u>	<u>39,037</u>
Total assets	<u>39,354,545</u>	<u>25,436,341</u>	<u>64,790,886</u>	<u>238,697</u>
<b>LIABILITIES</b>				
Accounts payable	285,296	78,711	364,007	1,728
Accrued payroll	181,388	2,090	183,478	1,283
Accrued interest payable	40,092	36,262	76,354	-
Due to component units	13,990	-	13,990	-
Noncurrent liabilities				
Due within one year				
Compensated absences	276,048	-	276,048	-
Bonds and loans	491,693	200,000	691,693	-
Due in more than one year				
Compensated absences	199,600	-	199,600	-
Bonds and loans	<u>3,358,467</u>	<u>2,900,000</u>	<u>6,258,467</u>	<u>-</u>
Total liabilities	<u>4,846,574</u>	<u>3,217,063</u>	<u>8,063,637</u>	<u>3,011</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	27,330,944	18,516,509	45,847,453	102,193
Restricted for:				
Debt service	11,266	358,500	369,766	-
Capital outlay	509,553	1,082,057	1,591,610	-
Unrestricted	<u>6,656,208</u>	<u>2,262,212</u>	<u>8,918,420</u>	<u>133,493</u>
Total net assets	<u>\$ 34,507,971</u>	<u>\$ 22,219,278</u>	<u>\$ 56,727,249</u>	<u>\$ 235,686</u>

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2007

	<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	\$ 3,640,489	\$ 1,877,997	\$ 226,666	\$ -
Public safety	4,217,798	791,506	658,958	6,557
Public works	2,841,724	427,737	269,131	909,953
Parks and recreation	840,117	236,438	147,557	-
Interest on long-term debt	173,983	-	-	-
Total governmental activities	<u>11,714,111</u>	<u>3,333,678</u>	<u>1,302,312</u>	<u>916,510</u>
Business-type activities:				
Water	1,350,558	1,489,600	-	378,759
Sewage	1,867,839	1,903,586	-	1,183,342
D.A.R.T	256,306	16,162	77,353	-
Total business-type activities	<u>3,474,703</u>	<u>3,409,348</u>	<u>77,353</u>	<u>1,562,101</u>
Total primary government	<u>\$ 15,188,814</u>	<u>\$ 6,743,026</u>	<u>\$ 1,379,665</u>	<u>\$ 2,478,611</u>
<b>Component Units:</b>				
Downtown Development Authority No.2	\$ 84,572	\$ -	\$ 600	\$ -
Downtown Development Authority No.5	20,578	-	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 105,150</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
State shared revenues - unrestricted				
Investment earnings				
Donations				
Transfers in / (out)				
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	
\$ (1,535,826)	\$ -	\$ (1,535,826)	\$ -
(2,760,777)	-	(2,760,777)	-
(1,234,903)	-	(1,234,903)	-
(456,122)	-	(456,122)	-
(173,983)	-	(173,983)	-
<u>(6,161,611)</u>	<u>-</u>	<u>(6,161,611)</u>	<u>-</u>
-	517,801	517,801	-
-	1,219,089	1,219,089	-
-	(162,791)	(162,791)	-
<u>-</u>	<u>1,574,099</u>	<u>1,574,099</u>	<u>-</u>
<u>(6,161,611)</u>	<u>1,574,099</u>	<u>(4,587,512)</u>	<u>-</u>
-	-	-	(83,972)
-	-	-	(20,578)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,550)</u>
4,405,018	41,101	4,446,119	112,676
327,693	-	327,693	-
1,391,218	-	1,391,218	-
601,632	147,621	749,253	4,706
-	150,029	150,029	-
(57,070)	57,070	-	-
<u>6,668,491</u>	<u>395,821</u>	<u>7,064,312</u>	<u>117,382</u>
506,880	1,969,920	2,476,800	12,832
<u>34,001,091</u>	<u>20,249,358</u>	<u>54,250,449</u>	<u>222,854</u>
<u>\$ 34,507,971</u>	<u>\$ 22,219,278</u>	<u>\$ 56,727,249</u>	<u>\$ 235,686</u>

See accompanying notes to financial statements.

City of Alpena

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2007

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	General	Major Street	Local Street
<b>ASSETS</b>			
Pooled cash and investments	\$ -	\$ 99,367	\$ 161,040
Cash and cash equivalents	554,967	-	-
Investments - at fair value	2,269,343	-	-
Receivables (net of allowance for for uncollectible accounts)	409,383	-	-
Taxes receivable	5,160	-	-
Special assessments receivable	306,273	18,203	50,469
Interest receivable	55,294	-	-
Due from other governmental units	287,110	17,290	-
Due from other funds	-	200,000	64,680
Total assets	<u>\$ 3,887,530</u>	<u>\$ 334,860</u>	<u>\$ 276,189</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 228,928	\$ 10,677	\$ 23,479
Accrued payroll	161,182	5,983	8,678
Due to other funds	995,243	-	-
Due to component units	13,990	-	-
Deferred revenue	311,433	18,203	50,469
Total liabilities	<u>1,710,776</u>	<u>34,863</u>	<u>82,626</u>
Fund Balances:			
Reserved for debt service	-	-	-
Reserved for capital outlay	-	-	-
Unreserved, reported in:			
General fund	2,176,754	-	-
Special revenue funds	-	299,997	193,563
Permanent fund	-	-	-
Total fund balances	<u>2,176,754</u>	<u>299,997</u>	<u>193,563</u>
Total liabilities and fund balances	<u>\$ 3,887,530</u>	<u>\$ 334,860</u>	<u>\$ 276,189</u>

Perpetual Lot Care	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 296,096	\$ 556,503
408,133	13,622	976,722
384,188	-	2,653,531
1,320	-	410,703
-	-	5,160
-	-	374,945
2,897	-	58,191
-	-	304,400
9,852	400,000	674,532
<u>\$ 806,390</u>	<u>\$ 709,718</u>	<u>\$ 6,014,687</u>
\$ -	\$ 3,684	\$ 266,768
-	-	175,843
-	-	995,243
-	-	13,990
-	-	380,105
<u>-</u>	<u>3,684</u>	<u>1,831,949</u>
-	11,266	11,266
-	509,553	509,553
-	-	2,176,754
-	185,215	678,775
806,390	-	806,390
<u>806,390</u>	<u>706,034</u>	<u>4,182,738</u>
<u>\$ 806,390</u>	<u>\$ 709,718</u>	<u>\$ 6,014,687</u>

See accompanying notes to financial statements.

City of Alpena

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

As of June 30, 2007

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Fund balances - Total governmental funds \$ 4,182,738

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	\$ 57,044,115	
Less accumulated depreciation	<u>(26,845,919)</u>	30,198,196

Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets.

Deferred revenue		380,105
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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	(3,590,000)	
Land purchase bank loan	(257,280)	
Capital lease agreement	(2,880)	
Compensated absences	(475,648)	
Accrued interest payable	<u>(40,092)</u>	(4,365,900)

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.

4,112,832

Net Assets of Governmental Activities \$ 34,507,971

City of Alpena

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

For the Year Ended June 30, 2007

	General	Major Street	Local Street
<b>REVENUES</b>			
Taxes	\$ 4,245,036	\$ -	\$ -
Licenses and permits	137,734	-	-
State revenue	1,764,179	703,558	234,025
Federal revenue	40,134	186,278	45,014
Local grant revenue	630,295	-	-
Charges for services	1,319,900	14,465	29,007
Investment income and rents	247,129	18,147	27,822
Fines and forfeitures	31,218	-	-
Other	245,653	2,770	252
Total revenues	<u>8,661,278</u>	<u>925,218</u>	<u>336,120</u>
<b>EXPENDITURES</b>			
Current operations			
General government	2,215,964	-	-
Public safety	4,156,938	-	-
Public works	879,472	1,138,049	1,139,176
Parks and recreation	958,301	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>8,210,675</u>	<u>1,138,049</u>	<u>1,139,176</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>450,603</u>	<u>(212,831)</u>	<u>(803,056)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	6,454	-	150,000
Transfers to other funds	(382,365)	-	-
Total other financing sources (uses)	<u>(375,911)</u>	<u>-</u>	<u>150,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	74,692	(212,831)	(653,056)
<b>FUND BALANCES</b> , beginning of the year	<u>2,102,062</u>	<u>512,828</u>	<u>846,619</u>
<b>FUND BALANCES</b> , end of the year	<u>\$ 2,176,754</u>	<u>\$ 299,997</u>	<u>\$ 193,563</u>

Perpetual Lot Care	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 485,060	\$ 4,730,096
-	-	137,734
-	-	2,701,762
-	-	271,426
-	-	630,295
11,565	-	1,374,937
66,800	72,442	432,340
-	-	31,218
3,056	184,822	436,553
<u>81,421</u>	<u>742,324</u>	<u>10,746,361</u>
59,615	295	2,275,874
-	-	4,156,938
-	90,422	3,247,119
-	-	958,301
-	99,404	99,404
-	475,541	475,541
-	178,109	178,109
<u>59,615</u>	<u>843,771</u>	<u>11,391,286</u>
<u>21,806</u>	<u>(101,447)</u>	<u>(644,925)</u>
-	284,390	440,844
-	(67,024)	(449,389)
<u>-</u>	<u>217,366</u>	<u>(8,545)</u>
21,806	115,919	(653,470)
<u>784,584</u>	<u>590,115</u>	<u>4,836,208</u>
<u>\$ 806,390</u>	<u>\$ 706,034</u>	<u>\$ 4,182,738</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, 2007

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Net change in fund balances - Total governmental funds		\$	(653,470)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$	2,340,482	
Less current year depreciation		<u>(1,797,782)</u>	542,700

The borrowing of and repayment of bond and land purchase bank 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.

Bond principal payments		435,000	
Land purchase bank loan principal payments		40,541	
Capital lease agreement		<u>1,152</u>	476,693

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		(12,936)	
Change in deferred revenue		<u>77,766</u>	64,830

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		4,126	
Change in long-term compensated absences		<u>(22,018)</u>	(17,892)

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>94,019</u>
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Change in Net Assets of Governmental Activities		\$	<u><u>506,880</u></u>
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See accompanying notes to financial statements.

## City of Alpena

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewage	D.A.R.T
<b>ASSETS</b>			
Current assets			
Pooled cash and investments	\$ 1,475,069	\$ 1,405,882	\$ -
Investments - at fair value	-	-	-
Accounts receivable (net of allowance for uncollectible accounts)	686,078	163,693	-
Interest receivable	-	-	-
Due from other governmental units	-	56,360	-
Due from other funds	-	-	-
Inventories	-	-	-
Total current assets	<u>2,161,147</u>	<u>1,625,935</u>	<u>-</u>
Noncurrent assets			
Deferred charges	16,375	16,375	-
Capital assets not being depreciated	22,555	14,772	-
Capital assets, net of accumulated depreciation	<u>6,693,623</u>	<u>14,885,559</u>	<u>-</u>
Total noncurrent assets	<u>6,732,553</u>	<u>14,916,706</u>	<u>-</u>
Total assets	<u>8,893,700</u>	<u>16,542,641</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	37,908	40,803	-
Accrued payroll	1,165	925	-
Accrued interest payable	18,131	18,131	-
Bonds and notes payable - current portion	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total current liabilities	<u>157,204</u>	<u>159,859</u>	<u>-</u>
Noncurrent liabilities			
Bonds and notes payable	<u>1,450,000</u>	<u>1,450,000</u>	<u>-</u>
Total liabilities	<u>1,607,204</u>	<u>1,609,859</u>	<u>-</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,166,178	13,350,331	-
Restricted for debt service	179,250	179,250	-
Restricted for capital asset purchases	830,619	251,438	-
Unrestricted	<u>1,110,449</u>	<u>1,151,763</u>	<u>-</u>
Total net assets	<u>\$ 7,286,496</u>	<u>\$ 14,932,782</u>	<u>\$ -</u>

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Totals	Governmental Activities
Current Year	Internal Service
<u>Current Year</u>	<u>Funds</u>
\$ 2,880,951	\$ 1,461,301
-	1,122,387
849,771	27,978
-	10,950
56,360	-
-	320,711
-	210,670
<u>3,787,082</u>	<u>3,153,997</u>
32,750	-
37,327	1,000
<u>21,579,182</u>	<u>981,908</u>
<u>21,649,259</u>	<u>982,908</u>
25,436,341	4,136,905
78,711	18,528
2,090	5,545
36,262	-
200,000	-
<u>317,063</u>	<u>24,073</u>
2,900,000	-
<u>3,217,063</u>	<u>24,073</u>
18,516,509	982,908
358,500	-
1,082,057	-
<u>2,262,212</u>	<u>3,129,924</u>
<u>\$ 22,219,278</u>	<u>\$ 4,112,832</u>

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, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewage	D.A.R.T
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,466,346	\$ 1,901,753	\$ 16,162
Other services	23,254	1,833	-
Total operating revenues	<u>1,489,600</u>	<u>1,903,586</u>	<u>16,162</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	33,442	31,753	-
Employee benefits	12,463	12,727	-
Administrative services	94,840	112,550	2,333
Contracted services	688,617	737,903	102,029
Insurance	11,841	41,480	4,953
Utilities	107,752	264,176	733
Maintenance	8,801	25,250	1,155
Equipment rental	19,533	16,007	-
Depreciation	216,720	506,024	5,043
Supplies and other	81,202	44,622	14,020
Total operating expenses	<u>1,275,211</u>	<u>1,792,492</u>	<u>130,266</u>
<b>OPERATING INCOME (LOSS)</b>	<u>214,389</u>	<u>111,094</u>	<u>(114,104)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Property taxes	-	-	41,101
State revenue	-	-	57,817
Federal revenue	378,759	1,183,342	19,536
Investment income and rents	82,795	64,535	291
Donations	68,767	81,262	-
Interest expense	(75,347)	(75,347)	-
Specialized services pass-through	-	-	(126,040)
Total nonoperating revenues (expenses)	<u>454,974</u>	<u>1,253,792</u>	<u>(7,295)</u>
Net income (loss) before transfers	669,363	1,364,886	(121,399)
Transfers in / (out)	-	57,070	-
<b>CHANGE IN NET ASSETS</b>	669,363	1,421,956	(121,399)
<b>NET ASSETS</b> , beginning of the year	<u>6,617,133</u>	<u>13,510,826</u>	<u>121,399</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 7,286,496</u>	<u>\$ 14,932,782</u>	<u>\$ -</u>

Totals	Governmental Activities
Current Year	Internal Service Funds
\$ 3,384,261	\$ 1,190,849
25,087	-
<u>3,409,348</u>	<u>1,190,849</u>
65,195	139,845
25,190	85,010
209,723	322,674
1,528,549	-
58,274	28,304
372,661	-
35,206	185,280
35,540	-
727,787	321,883
139,844	228,394
<u>3,197,969</u>	<u>1,311,390</u>
211,379	(120,541)
41,101	-
57,817	6,557
1,581,637	-
147,621	241,544
150,029	14,984
(150,694)	-
(126,040)	-
<u>1,701,471</u>	<u>263,085</u>
1,912,850	142,544
57,070	(48,525)
1,969,920	94,019
<u>20,249,358</u>	<u>4,018,813</u>
<u>\$ 22,219,278</u>	<u>\$ 4,112,832</u>

See accompanying notes to financial statements.

## City of Alpena

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewage	D.A.R.T
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,396,720	\$ 1,832,880	\$ 56,117
Receipts from interfund service provided	-	-	-
Payments to suppliers	(902,914)	(1,106,725)	(137,572)
Payments to employees	(45,157)	(45,329)	-
Payments for interfund services used	(94,840)	(112,550)	-
Net cash provided (used) by operating activities	<u>353,809</u>	<u>568,276</u>	<u>(81,455)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from (to) other funds	-	57,070	-
Property taxes	-	-	41,101
State grants	-	-	57,817
Federal grants	378,759	1,183,342	19,536
Specialized services pass-through	-	-	(112,542)
Donations	68,767	81,262	-
	<u>447,526</u>	<u>1,321,674</u>	<u>5,912</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(808,211)	(1,851,005)	-
Principal paid on capital debt	(75,000)	(75,000)	-
Interest paid on capital debt	(75,019)	(75,019)	-
Net cash provided (used) by capital and related financing activities	<u>(958,230)</u>	<u>(2,001,024)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	500,000	500,000	-
Interest and dividends received	82,595	64,335	291
Net cash provided (used) by investing activities	<u>582,595</u>	<u>564,335</u>	<u>291</u>
Net increase (decrease) in cash and cash equivalents	425,700	453,261	(75,252)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,049,369</u>	<u>952,621</u>	<u>75,252</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,475,069</u>	<u>\$ 1,405,882</u>	<u>\$ -</u>

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Totals	Governmental Activities
Current Year	Internal Service
	Funds
\$ 3,285,717	\$ -
-	1,190,849
(2,147,211)	(427,857)
(90,486)	(224,655)
(207,390)	(267,496)
<u>840,630</u>	<u>270,841</u>
57,070	(48,525)
41,101	-
57,817	6,557
1,581,637	-
(112,542)	-
150,029	14,984
<u>1,775,112</u>	<u>(26,984)</u>
(2,659,216)	(308,549)
(150,000)	-
<u>(150,038)</u>	<u>-</u>
<u>(2,959,254)</u>	<u>(308,549)</u>
1,000,000	500,000
147,221	221,367
<u>1,147,221</u>	<u>721,367</u>
803,709	656,675
<u>2,077,242</u>	<u>804,626</u>
<u>\$ 2,880,951</u>	<u>\$ 1,461,301</u>

continued

See accompanying notes to financial statements.

## City of Alpena

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

For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewage	D.A.R.T
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 214,389	\$ 111,094	\$ (114,104)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	216,720	506,024	5,043
(Increase) decrease in accounts receivable	(92,880)	(14,346)	33,557
(Increase) decrease in due from other governmental units	-	(56,360)	-
(Increase) decrease in due from other funds	-	-	6,398
(Increase) decrease inventories	-	-	-
(Increase) decrease in prepaid items	-	-	4,982
Increase (decrease) in accounts payable	14,832	22,713	(17,331)
Increase (decrease) in accrued payroll	748	(849)	-
Net cash provided (used) by operating activities	<u>\$ 353,809</u>	<u>\$ 568,276</u>	<u>\$ (81,455)</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Increase (decrease) in the fair value of investments	<u>\$ (5,090)</u>	<u>\$ (5,090)</u>	<u>\$ -</u>

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<u>Totals</u> <u>Current Year</u>	<u>Governmental Activities</u> <u>Internal Service</u> <u>Funds</u>
\$ 211,379	\$ (120,541)
727,787	321,883
(73,669)	2,718
(56,360)	-
6,398	55,178
-	3,369
4,982	-
20,214	8,034
(101)	200
<u>\$ 840,630</u>	<u>\$ 270,841</u>
<u>\$ (10,180)</u>	<u>\$ (24,818)</u>

See accompanying notes to financial statements.



City of Alpena

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

For the Year Ended June 30, 2007

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	<u>Pension (and Other Employee Benefit) Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 443,796
Employees	133,015
Other	4,707
Total contributions	<u>581,518</u>
Investment income	
Net increase (decrease) in fair value of investments	2,494,070
Interest	622,135
Dividends	231,241
	<u>3,347,446</u>
Less investment expense	89,049
Net investment income	<u>3,258,397</u>
Total additions	<u>3,839,915</u>
<b>DEDUCTIONS</b>	
Benefits	1,640,375
Lump-sum retirement payments	124,773
Administrative expense	24,898
Total deductions	<u>1,790,046</u>
Change in net assets	2,049,869
Net assets - beginning of the year	<u>26,861,352</u>
Net assets - end of the year	<u>\$ 28,911,221</u>

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF NET ASSETS - COMPONENT UNITS**

June 30, 2007

	Downtown Development Authority No. 2	Downtown Development Authority No. 5	Economic Development Corporation	Total
<b>ASSETS</b>				
Pooled cash and investments	\$ -	\$ 22,786	\$ -	\$ 22,786
Cash and cash equivalents	96,005	-	3,646	99,651
Receivables (net of allowance for uncollectible accounts)	-	77	-	77
Due from primary government	13,990	-	-	13,990
Capital assets not being depreciated	63,156	-	-	63,156
Capital assets, net of accumulated depreciation	39,037	-	-	39,037
Total assets	<u>212,188</u>	<u>22,863</u>	<u>3,646</u>	<u>238,697</u>
<b>LIABILITIES</b>				
Accounts payable	1,728	-	-	1,728
Accrued payroll	693	590	-	1,283
Total liabilities	<u>2,421</u>	<u>590</u>	<u>-</u>	<u>3,011</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	102,193	-	-	102,193
Unrestricted	107,574	22,273	3,646	133,493
Total net assets	<u>\$ 209,767</u>	<u>\$ 22,273</u>	<u>\$ 3,646</u>	<u>\$ 235,686</u>

See accompanying notes to financial statements.

City of Alpena

**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

For the Year Ended June 30, 2007

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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	\$ 84,572	\$ -	\$ 600	\$ -
Downtown Development Authority No.5	20,616	-	-	-
Economic Development Corporation	-	-	-	-
	<u>\$ 105,188</u>	<u>\$ -</u>	<u>\$ 600</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
\$ (83,972)	\$ -	\$ -	\$ (83,972)
-	(20,616)	-	(20,616)
-	-	-	-
<u>(83,972)</u>	<u>(20,616)</u>	<u>-</u>	<u>(104,588)</u>
90,467	22,247	-	112,714
3,193	1,490	23	4,706
<u>93,660</u>	<u>23,737</u>	<u>23</u>	<u>117,420</u>
9,688	3,121	23	12,832
<u>200,079</u>	<u>19,152</u>	<u>3,623</u>	<u>222,854</u>
<u>\$ 209,767</u>	<u>\$ 22,273</u>	<u>\$ 3,646</u>	<u>\$ 235,686</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 nine square miles. The City operates under an elected Municipal Council (consisting of the Mayor and four members) and provides services to approximately 11,304 residents (2000 census) 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.

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.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

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:

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

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

**Dial-A-Ride Transportation (D.A.R.T.).** This fund is used to account for the operation of the public transportation system.

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 50 years
Building Improvements	15 to 30 years
Vehicles	6 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 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. 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 for all governmental 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, special revenue funds and debt service funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital project funds. 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.

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>
Major Street Fund - Maintenance	\$ 292,910	\$ 311,186	\$ (18,276)
Local Street Fund – Administration/Engineering	178,200	186,424	(8,224)
Local Street Fund – Maintenance	317,000	360,502	(43,502)
Budget Stabilization Fund – Transfer out	400	6,454	(6,054)

**Accumulated Fund Deficits.** The City of Alpena had no funds with an accumulated fund balance deficit at June 30, 2007.

**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	\$ 2,017,804	\$ 2,880,951	\$ -	\$ 22,786
Cash and cash equivalents	976,722	-	302,217	99,651
Investments – at fair value	<u>3,775,918</u>	<u>-</u>	<u>29,480,755</u>	<u>-</u>
	<u>\$ 6,770,444</u>	<u>\$ 2,880,951</u>	<u>\$ 29,782,972</u>	<u>\$ 122,437</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Cash and investments as of June 30, 2007 consisted of the following:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Component Units
Cash on hand	\$ 2,300	\$ -	\$ -	\$ -
Demand deposits	2,992,226	2,880,951	302,217	122,437
Investments – at fair value				
Short-term investment fund	-	-	1,082,601	-
Certificates of deposit	194,671	-	-	-
U.S. Government securities	1,209,857	-	6,326,466	-
U.S. Government agencies	793,934	-	-	-
Corporate bonds	-	-	5,108,635	-
Foreign bonds	-	-	149,027	-
Commercial paper	1,577,456	-	-	-
Equity securities	-	-	16,814,026	-
<b>Total</b>	<b>\$ 6,770,444</b>	<b>\$ 2,880,951</b>	<b>\$29,782,972</b>	<b>\$ 122,437</b>

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 \$5,748,845 of bank deposits (certificates of deposit, checking, and savings accounts) that were 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)

At year end, the following investment securities were uninsured and unregistered, and held by a counterparty, or by its trust department or agent but not in the City's name:

Investment Type	Fair Value of Government- Wide Investments	Fair Value of Fiduciary Funds Investments	How Held
Short-term investment fund	\$ -	\$ 1,082,601	Counterparty
Certificates of deposit	194,671	-	Counterparty
U.S. Government securities	1,209,857	6,326,466	Counterparty
U.S. Government agencies	793,934	-	Counterparty
Corporate bonds	-	5,108,635	Counterparty
Foreign bonds	-	149,027	Counterparty
Commercial paper	1,577,456	-	Counterparty
Equity securities	-	16,814,026	Counterparty
<b>Total</b>	<b>\$ 3,775,918</b>	<b>\$ 29,480,755</b>	

**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 fund	\$ -	\$ 1,082,601	0 days
Certificates of deposit	194,671	-	188 days
U.S. Government securities	1,209,857	-	1,135 days
U.S. Government securities	-	6,326,466	5,208 days
U.S. Government agencies	296,718	-	230 days
U.S. Government agencies	497,216	-	385 days
Corporate bonds	-	5,108,635	712 days
Foreign bonds	-	149,027	123 days
Commercial paper	1,577,456	-	162 days
<b>Total</b>	<b>\$ 3,775,918</b>	<b>\$ 12,666,729</b>	

**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) are as follows:

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Investment Type	Fair Value of Investments	Rating	Rating Organization
Corporate bonds	\$ 1,489,505	AAA to AA	Standard & Poor's
Corporate bonds	3,619,130	A+ to A-	Standard & Poor's
Foreign bonds	149,027	AA+	Standard & Poor's
Commercial paper	1,577,456	A+	Standard & Poor's
<b>Total</b>	<b>\$ 6,835,118</b>		

**Concentration of Credit Risk** - Through its investment policy, the City places a 5 percent limit on the amount the City may invest in any one issuer.

**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 system restricts the amount of investments in foreign currency denominated investments to 5 percent of total pension system investments.

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, 2007 are as follows:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Receivables (net of allowance for uncollectibles)	\$ 438,681	\$ 849,771	\$ 1,288,452	\$ -
Taxes receivable	5,160	-	5,160	77
Special assessments receivable	374,945	-	374,945	-
Interest receivable	69,141	-	69,141	-
Due from governmental units	304,400	56,360	360,760	-
	<u>\$ 1,192,327</u>	<u>\$ 906,131</u>	<u>\$ 2,098,458</u>	<u>\$ 77</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 2006 ad valorem tax is levied and collectible on July 1, 2006, 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.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5--PROPERTY TAXES.** (continued)

The 2006 taxable valuation of the City of Alpena amounted to \$268,987,838 on which ad valorem taxes of 16.2316 mills were levied for City operating purposes; 1.2500 mills for debt retirement, .6500 for Dial-A-Ride transportation and .2091 for community events center.

The 2006 current tax levy raised \$4,177,169 for City operating; \$53,427 for community events center; \$327,693 for the City debt retirement and \$41,101 for Dial-A-Ride transportation. These amounts are recognized in the respective general fund, debt service funds, and enterprise fund 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 8.0068 mills for County operations, 2.4373 mills for the Community College, and 2.1447 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 2.0000 mills for school debt.

**NOTE 6--CAPITAL ASSETS.**

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

	Balance June 30, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Governmental Activities:</b>				
Capital assets not being				
Depreciated:				
Land	\$ 3,018,071	\$ -	\$ -	\$ 3,018,071
Construction in progress	80,606	27,595	(43)	108,158
	<u>3,098,677</u>	<u>27,595</u>	<u>(43)</u>	<u>3,126,229</u>
Capital assets being				
Depreciated:				
Land improvements	4,433,559	214,578	-	4,648,137
Buildings and improvements	9,356,188	236,157	(2,536)	9,589,809
Machinery and equipment	6,439,553	389,343	(130,315)	6,698,581
Infrastructure	35,904,859	1,781,358	(19,213)	37,667,004
	<u>56,134,159</u>	<u>2,621,436</u>	<u>(152,064)</u>	<u>58,603,531</u>
Accumulated depreciation:				
Land improvements	(1,126,389)	(143,505)	-	(1,269,894)
Buildings and improvements	(3,631,549)	(248,792)	2,156	(3,878,185)
Machinery and equipment	(4,677,651)	(490,208)	130,315	(5,037,544)
Infrastructure	(19,132,573)	(1,237,160)	6,700	(20,363,033)
	<u>(28,568,162)</u>	<u>(2,119,665)</u>	<u>139,171</u>	<u>(30,548,656)</u>
Net capital assets being				
Depreciated	<u>27,565,997</u>	<u>501,771</u>	<u>(12,893)</u>	<u>28,054,875</u>
Net governmental capital assets	<u>\$30,664,674</u>	<u>\$ 529,366</u>	<u>\$ (12,936)</u>	<u>\$31,181,104</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

	Balance June 30, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12	\$ -	\$ -	\$ 12
Construction in progress	550	36,765	-	37,315
	<u>562</u>	<u>36,765</u>	<u>-</u>	<u>37,327</u>
Capital assets being Depreciated:				
Land improvements	427,423	20,117	(1,200)	446,340
Buildings and improvements	4,506,709	2,365	-	4,509,074
Machinery and equipment	2,125,030	27,845	(656,008)	1,496,867
Infrastructure	26,839,397	2,575,905	-	29,415,302
	<u>33,898,559</u>	<u>2,626,232</u>	<u>(657,208)</u>	<u>35,867,583</u>
Accumulated depreciation:				
Land improvements	(87,499)	(14,019)	1,200	(100,318)
Buildings and improvements	(1,556,251)	(128,734)	-	(1,684,985)
Machinery and equipment	(1,612,142)	(69,870)	638,730	(1,043,282)
Infrastructure	(10,944,651)	(515,165)	-	(11,459,816)
	<u>(14,200,543)</u>	<u>(727,788)</u>	<u>639,930</u>	<u>(14,288,401)</u>
Net capital assets being Depreciated	<u>19,698,016</u>	<u>1,898,444</u>	<u>(17,278)</u>	<u>21,579,182</u>
Net business-type capital assets	<u>\$19,698,578</u>	<u>\$ 1,935,209</u>	<u>\$ (17,278)</u>	<u>\$21,616,509</u>

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

Governmental activities:		
General government		\$ 85,720
Public safety		279,045
Public works		1,527,622
Parks and recreation		<u>227,278</u>
		<u>\$ 2,119,665</u>
Business-type activities:		
Water		\$ 216,720
Sewage		506,025
D.A.R.T.		<u>5,043</u>
		<u>\$ 727,788</u>

City of Alpena

NOTES TO FINANCIAL STATEMENTS

NOTE 7--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances at June 30, 2007 is as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General Fund	\$ -	\$ 995,243
Permanent Fund		
Perpetual Lot Care Fund	9,852	-
Special Revenue Funds		
Major Street	200,000	-
Local Street	64,680	-
Capital Projects Funds		
Public Safety Facility Construction	200,000	-
D.P.W. Construction	200,000	-
Internal Service Funds		
Equipment Fund	320,711	-
Internal balances	<u>\$ 995,243</u>	<u>\$ 995,243</u>

The Interfund balances at June 30, 2007 represent routine and temporary cash flow assistance to the General Fund within the pooled cash and investment accounts until amounts are transferred from cash and investment accounts.

	Transfer In	Transfer Out
General Fund	\$ 6,454	\$ -
Budget stabilization fund	-	6,454
Local street fund	150,000	-
General debt service fund	51,865	-
2002 G.O. debt fund	125,000	-
Stores fund	55,500	-
General fund	-	382,365
Building authority debt fund	104,025	-
Equipment fund	-	104,025
Sewage fund	57,070	-
Building authority construction fund	-	57,070
Building authority construction fund	3,500	-
D.P.W. construction fund	-	3,500
Total Transfers	<u>\$ 553,414</u>	<u>\$ 553,414</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

The transfer from the Budget Stabilization Fund represents the transfer of unrestricted resources for expenditures for current operations in the General Fund.

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 Stores Fund represents cash flow assistance for the purpose of purchasing materials and supplies.

The transfer from the Equipment Fund to the Building Authority Debt Fund represents cash flow assistance for the repayment of long-term debt.

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

The transfer from the D.P.W. Construction Fund to the Building Authority Construction 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, 2006</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances, June 30, 2007</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 ranges 2.80%-5.0% Principle maturity range \$175,000- \$195,000					
	\$ 560,000	\$ -	\$ (175,000)	\$ 385,000	\$ 195,000
2001 Building Authority Bonds: Amount of issue - \$400,000 Maturing through 2016 Interest rate ranges 4.00%-6.00% Principle maturity range \$20,000- \$50,000					
	335,000	-	(25,000)	310,000	25,000

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

	Balances, June 30, 2006	Additions	(Deductions)	Balances, June 30, 2007	Due Within One Year
2002 unlimited tax refunding bonds:					
Amount of issue - \$1,995,000					
Maturing through 2012					
Interest rate ranges 3.50%-4.20%					
Principle maturity range \$140,000-					
\$245,000	\$ 1,355,000	\$ -	\$ (210,000)	\$ 1,145,000	\$ 205,000
2004 Building Authority Bonds:					
Amount of issue - \$1,800,000					
Maturing through 2030					
Interest rate ranges 3.10%-5.10%					
Principle maturity range \$25,000-					
\$125,000	1,775,000	-	(25,000)	1,750,000	25,000
Installment purchase agreements:					
2000 Land purchase bank loan:					
Amount of issue - \$880,000					
Maturing through 2014					
Interest rate ranges 3.75%					
Principle maturity range \$40,541	297,821	-	(40,541)	257,280	40,541
2005 Installment purchase:					
Amount of issue - \$4,590					
Maturing through 2010					
Principle maturity range \$1,152	4,032	-	(1,152)	2,880	1,152
Total bond and installment purchase obligations	4,326,853	-	(476,693)	3,850,160	491,693
Other long-term obligations:					
Compensated absences	453,630	287,218	(265,200)	475,648	276,048
Total governmental activities	<u>\$ 4,780,483</u>	<u>\$ 287,218</u>	<u>\$ (741,893)</u>	<u>\$ 4,325,808</u>	<u>\$ 767,741</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%-6.25%					
Principle maturity range \$100,000-					
\$300,000	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 3,100,000</u>	<u>\$ 200,000</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 767,741	\$ 157,682	\$ 200,000	\$ 138,800
2009	531,693	136,287	200,000	126,300
2010	355,749	118,209	200,000	115,150
2011	374,265	103,940	250,000	104,625
2012	374,114	89,149	250,000	93,375
2013 through 2017	622,246	287,637	1,400,000	288,375
2018 through 2022	375,000	270,592	600,000	25,500
2023 through 2027	450,000	178,606	-	-
2028 through 2030	475,000	49,813	-	-
Total	<u>\$ 4,325,808</u>	<u>\$ 1,391,915</u>	<u>\$ 3,100,000</u>	<u>\$ 892,125</u>

**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--NET ASSET RESERVATIONS AND RESTRICTIONS.**

**Governmental Activities**

Restricted for debt service

General debt	\$ 3,381
2002 G.O. debt	4,519
Building authority debt	3,366
	<u>11,266</u>

Restricted for capital outlay

Public safety facility construction	284,532
D.P.W. construction	224,605
Building authority construction	416
	<u>509,553</u>

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9--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	830,619
Sewage fund	251,438
	<u>1,082,057</u>

**Fiduciary Funds**

Held in trust for pension benefits and other purposes	
Pension trust fund	28,589,191
Employee health care fund	322,030
	<u>28,911,221</u>

**NOTE 10--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, 2007, the City of Alpena collected \$87,775 in building permit fees. For the same time period, the City expended \$134,084. The City subsidized the construction permit program with \$ 20,000.

**NOTE 11--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.

**NOTE 12--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.

City of Alpena

NOTES TO FINANCIAL STATEMENTS

NOTE 12--RISK MANAGEMENT. (continued)

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

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.

NOTE 13--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, 2005, the date of the most recent actuarial valuation, membership consisted of 100 retirees and beneficiaries currently receiving benefits, 6 terminated employees entitled to benefits but not yet receiving them, and 85 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	
General	- 0.13% of covered payroll
Police	- 0.00% of covered payroll
Fire	- 11.69% of covered payroll
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	- 6.0% of covered payroll
Command Officers	- 6.0% of covered payroll
Firemen	- 3.5% of covered payroll

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13--DEFINED BENEFIT PENSION PLAN. (continued)**

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.
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.
Deputy Fire Chief	- Age 60, 2 year extensions based on satisfactory medical exam, with
Deputy Police Chief	with maximum age of 70.
General Union	- Age 60 with 10 years of service
DWP 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

City of Alpena

NOTES TO FINANCIAL STATEMENTS

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

**Annual Pension Cost.** For the year ended December 31, 2006, the City's annual pension cost of \$195,491 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, 2006, 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>
2004	\$ 27,790	100%
2005	129,008	100%
2006	195,491	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, 2006, 2005 and 2004, respectively was \$28,589,191, \$26,685,987, and \$27,063,597.

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.

NOTE 14--POSTRETIREMENT BENEFIT DISCLOSURES.

In addition to the pension benefits described in Note 13, 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 100 retirees; 69 are eligible to receive health care benefits and 54 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 \$113,295 was recognized for post retirement health care and \$687 for retiree life insurance.

NOTE 15--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.

City of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 16--COMPONENT UNIT DISCLOSURES.**

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

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
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>
Accumulated depreciation:				
Land improvements	(35,071)	(4,020)	-	(39,091)
Buildings and improvements	(4,880)	-	-	(4,880)
	<u>(39,951)</u>	<u>(4,020)</u>	<u>-</u>	<u>(43,971)</u>
Net capital assets being				
Depreciated	<u>43,057</u>	<u>(4,020)</u>	<u>-</u>	<u>39,037</u>
Net component unit assets	<u>\$ 106,213</u>	<u>\$ (4,020)</u>	<u>\$ -</u>	<u>\$ 102,193</u>

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

Downtown Development Authority No. 2	<u>\$ 4,020</u>
--------------------------------------	-----------------

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, 2007.

City of Alpena

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 4,279,326	\$ 4,277,080	\$ 4,245,036	\$ (32,044)
Licenses and permits	159,800	148,880	137,734	(11,146)
State revenue	1,901,600	1,898,485	1,764,179	(134,306)
Federal revenue	-	37,100	40,134	3,034
Local grant revenue	624,753	625,253	630,295	5,042
Charges for services	1,158,880	1,288,147	1,319,900	31,753
Investment income and rents	137,800	180,520	247,129	66,609
Fines and forfeitures	33,000	27,250	31,218	3,968
Other	129,900	220,635	245,653	25,018
Total revenues	<u>8,425,059</u>	<u>8,703,350</u>	<u>8,661,278</u>	<u>(42,072)</u>
Expenditures				
General government				
General government	2,082,596	2,243,196	2,016,100	227,096
Building authority	39,625	39,325	39,325	-
Cemetery	165,930	161,265	160,539	726
	<u>2,288,151</u>	<u>2,443,786</u>	<u>2,215,964</u>	<u>227,822</u>
Public safety				
Police	1,706,705	1,678,400	1,639,587	38,813
Fire	1,349,345	1,312,220	1,285,763	26,457
Ambulance	1,109,525	1,117,645	1,097,504	20,141
Building inspection	136,170	135,410	134,084	1,326
	<u>4,301,745</u>	<u>4,243,675</u>	<u>4,156,938</u>	<u>86,737</u>
Public works				
Public works	982,740	980,550	701,634	278,916
Highways, streets and lights	195,665	205,555	177,838	27,717
	<u>1,178,405</u>	<u>1,186,105</u>	<u>879,472</u>	<u>306,633</u>
Parks and recreation	<u>999,280</u>	<u>1,043,295</u>	<u>958,301</u>	<u>84,994</u>
Total expenditures	<u>8,767,581</u>	<u>8,916,861</u>	<u>8,210,675</u>	<u>706,186</u>
Excess of revenues over (under) expenditures	(342,522)	(213,511)	450,603	664,114
Other financing sources (uses)				
Transfers from other funds	-	2,570	6,454	3,884
Transfers to other funds	(382,365)	(382,365)	(382,365)	-
	<u>(382,365)</u>	<u>(379,795)</u>	<u>(375,911)</u>	<u>3,884</u>
Net change in fund balances	(724,887)	(593,306)	74,692	667,998
Fund balances - beginning of the year	1,635,822	2,102,062	2,102,062	-
Fund balances - end of the year	<u>\$ 910,935</u>	<u>\$ 1,508,756</u>	<u>\$ 2,176,754</u>	<u>\$ 667,998</u>

City of Alpena

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues				
State revenue	\$ 744,710	\$ 701,630	\$ 703,558	\$ 1,928
Federal revenue	1,020,200	280,100	186,278	(93,822)
Charges for services	4,300	14,730	14,465	(265)
Investment income and rents	11,000	16,000	18,147	2,147
Other	1,200	2,600	2,770	170
Total revenues	<u>1,781,410</u>	<u>1,015,060</u>	<u>925,218</u>	<u>(89,842)</u>
Expenditures				
Public works				
Administration and engineering	97,700	90,490	88,430	2,060
Construction	1,558,155	773,250	660,836	112,414
Maintenance	332,320	292,910	311,186	(18,276)
Maintenance - trunkline	86,000	78,555	77,597	958
Total expenditures	<u>2,074,175</u>	<u>1,235,205</u>	<u>1,138,049</u>	<u>97,156</u>
Net change in fund balances	(292,765)	(220,145)	(212,831)	7,314
Fund balances - beginning of the year	436,939	512,828	512,828	-
Fund balances - end of the year	<u>\$ 144,174</u>	<u>\$ 292,683</u>	<u>\$ 299,997</u>	<u>\$ 7,314</u>

City of Alpena

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues				
State revenue	\$ 249,390	\$ 238,630	\$ 234,025	\$ (4,605)
Federal revenue	148,120	154,300	45,014	(109,286)
Charges for services	22,000	31,630	29,007	(2,623)
Investment income and rents	28,000	34,000	27,822	(6,178)
Other	2,000	1,000	252	(748)
Total revenues	<u>449,510</u>	<u>459,560</u>	<u>336,120</u>	<u>(123,440)</u>
Expenditures				
Public works				
Administration and engineering	179,100	178,200	186,424	(8,224)
Construction	808,500	745,630	592,250	153,380
Maintenance	326,300	317,000	360,502	(43,502)
Total expenditures	<u>1,313,900</u>	<u>1,240,830</u>	<u>1,139,176</u>	<u>101,654</u>
Excess of revenues over (under) expenditures	(864,390)	(781,270)	(803,056)	(21,786)
Other financing sources (uses)				
Transfers from other funds	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	(714,390)	(631,270)	(653,056)	(21,786)
Fund balances - beginning of the year	<u>806,838</u>	<u>846,619</u>	<u>846,619</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 92,448</u>	<u>\$ 215,349</u>	<u>\$ 193,563</u>	<u>\$ (21,786)</u>

City of Alpena

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

June 30, 2007

**SCHEDULE OF FUNDING PROGRESS**

The pension systems schedule of funding progress for the past seven 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%)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The pension systems schedule of employer contributions for the past seven 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%

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, special revenue funds and debt service funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital project funds. 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.

City of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2007

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	<u>Nonmajor Special Revenue Funds</u>		
	<u>Tree/Park Improvement</u>	<u>Brownfield Authority</u>	<u>Budget Stabilization</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ 170,375	\$ -	\$ 5,000
Cash and cash equivalents	-	9,840	-
Due from other funds	-	-	-
Total assets	<u>\$ 170,375</u>	<u>\$ 9,840</u>	<u>\$ 5,000</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for debt service	-	-	-
Reserved for capital outlay	-	-	-
Unreserved, reported in:			
Special revenue funds	<u>170,375</u>	<u>9,840</u>	<u>5,000</u>
Total fund balances	<u>170,375</u>	<u>9,840</u>	<u>5,000</u>
Total liabilities and fund balances	<u>\$ 170,375</u>	<u>\$ 9,840</u>	<u>\$ 5,000</u>

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Nonmajor Capital Project Funds			
Brownfield Authority Construction	Building Authority Construction	Public Safety Facility Construction	D.P.W. Construction
\$ -	\$ -	\$ 88,216	\$ 24,605
-	416	-	-
-	-	200,000	200,000
<u>\$ -</u>	<u>\$ 416</u>	<u>\$ 288,216</u>	<u>\$ 224,605</u>
\$ -	\$ -	\$ 3,684	\$ -
-	-	3,684	-
-	-	-	-
-	416	284,532	224,605
-	-	-	-
-	416	284,532	224,605
<u>\$ -</u>	<u>\$ 416</u>	<u>\$ 288,216</u>	<u>\$ 224,605</u>

continued

City of Alpena

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

June 30, 2007

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	<u>Nonmajor Debt Service Funds</u>		
	<u>General Debt Service</u>	<u>2002 G.O. Debt Service</u>	<u>Building Authority Debt</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ 3,381	\$ 4,519	\$ -
Cash and cash equivalents	-	-	3,366
Due from other funds	-	-	-
Total assets	<u>\$ 3,381</u>	<u>\$ 4,519</u>	<u>\$ 3,366</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for debt service	3,381	4,519	3,366
Reserved for capital outlay	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Total fund balances	<u>3,381</u>	<u>4,519</u>	<u>3,366</u>
Total liabilities and fund balances	<u>\$ 3,381</u>	<u>\$ 4,519</u>	<u>\$ 3,366</u>



Total  
Nonmajor  
Governmental  
Funds

\$ 296,096  
13,622  
400,000

\$ 709,718

\$ 3,684

3,684

11,266  
509,553

185,215

706,034

\$ 709,718

City of Alpena

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

For the Year Ended June 30, 2007

	Nonmajor Special Revenue Funds		
	Tree/Park Improvement	Brownfield Authority	Budget Stabilization
<b>REVENUES</b>			
Taxes	\$ -	\$ 9,875	\$ -
Investment income and rents	2,709	-	554
Other	167,666	260	-
Total revenues	170,375	10,135	554
<b>EXPENDITURES</b>			
Current operations			
General government	-	295	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	-	295	-
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	170,375	9,840	554
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	(6,454)
Total other financing sources (uses)	-	-	(6,454)
<b>NET CHANGE IN FUND BALANCES</b>	170,375	9,840	(5,900)
<b>FUND BALANCES</b> , beginning of the year	-	-	10,900
<b>FUND BALANCES</b> , end of the year	\$ 170,375	\$ 9,840	\$ 5,000

Nonmajor Capital Project Funds			
Brownfield Authority Construction	Building Authority Construction	Public Safety Facility Construction	D.P.W. Construction
\$ 147,492	\$ -	\$ -	\$ -
-	22	15,169	10,730
-	-	8,000	8,896
147,492	22	23,169	19,626
-	-	-	-
90,422	-	-	-
-	3,455	95,949	-
-	-	-	-
-	-	-	-
90,422	3,455	95,949	-
57,070	(3,433)	(72,780)	19,626
-	3,500	-	-
(57,070)	-	-	(3,500)
(57,070)	3,500	-	(3,500)
-	67	(72,780)	16,126
-	349	357,312	208,479
\$ -	\$ 416	\$ 284,532	\$ 224,605

City of Alpena

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

For the Year Ended June 30, 2007

	Nonmajor Debt Service Funds		
	General Debt Service	2002 G.O. Debt Service	Building Authority Debt
<b>REVENUES</b>			
Taxes	\$ 199,237	\$ 128,456	\$ -
Investment income and rents	2,499	1,411	39,348
Other	-	-	-
Total revenues	<u>201,736</u>	<u>129,867</u>	<u>39,348</u>
<b>EXPENDITURES</b>			
Current operations			
General government	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	215,541	210,000	50,000
Interest and fees	34,944	49,215	93,950
Total expenditures	<u>250,485</u>	<u>259,215</u>	<u>143,950</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(48,749)</u>	<u>(129,348)</u>	<u>(104,602)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	51,865	125,000	104,025
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>51,865</u>	<u>125,000</u>	<u>104,025</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,116	(4,348)	(577)
<b>FUND BALANCES, beginning of the year</b>	<u>265</u>	<u>8,867</u>	<u>3,943</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 3,381</u>	<u>\$ 4,519</u>	<u>\$ 3,366</u>

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Total Nonmajor Governmental Funds	
\$	485,060
	72,442
	184,822
	<u>742,324</u>
	295
	90,422
	99,404
	475,541
	178,109
	<u>843,771</u>
	<u>(101,447)</u>
	284,390
	<u>(67,024)</u>
	<u>217,366</u>
	115,919
	<u>590,115</u>
\$	<u><u>706,034</u></u>

City of Alpena

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>TREE/PARK IMPROVEMENT</b>				
Revenues				
Investment income and rents	\$ -	\$ 1,150	\$ 2,709	\$ 1,559
Other	-	167,670	167,666	(4)
Total revenues	-	168,820	170,375	1,555
Expenditures				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	168,820	170,375	1,555
Fund balances - beginning of the year	-	-	-	-
Fund balances - end of the year	\$ -	\$ 168,820	\$ 170,375	\$ 1,555
<b>BROWNFIELD AUTHORITY</b>				
Revenues				
Taxes	\$ 9,194	\$ 9,880	\$ 9,875	\$ (5)
Other	1,000	1,000	260	(740)
Total revenues	10,194	10,880	10,135	(745)
Expenditures				
General government	-	400	295	105
Total expenditures	-	400	295	105
Net change in fund balances	10,194	10,480	9,840	(640)
Fund balances - beginning of the year	-	-	-	-
Fund balances - end of the year	\$ 10,194	\$ 10,480	\$ 9,840	\$ (640)

continued

City of Alpena

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>BUDGET STABILIZATION</b>				
Revenues				
Investment income and rents	\$ 100	\$ 400	\$ 554	\$ 154
Total revenues	100	400	554	154
Expenditures				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	100	400	554	154
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(100)	(400)	(6,454)	(6,054)
	(100)	(400)	(6,454)	(6,054)
Net change in fund balances	-	-	(5,900)	(5,900)
Fund balances - beginning of the year	6,200	6,200	10,900	4,700
Fund balances - end of the year	\$ 6,200	\$ 6,200	\$ 5,000	\$ (1,200)

City of Alpena

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

June 30, 2007

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets			
Pooled cash and investments	\$ 1,374,346	\$ 86,955	\$ 1,461,301
Investments - at fair value	1,122,387	-	1,122,387
Receivables (net of allowance for uncollectible accounts)	27,978	-	27,978
Interest receivable	10,950	-	10,950
Inventories	-	210,670	210,670
Due from other funds	320,711	-	320,711
Total current assets	<u>2,856,372</u>	<u>297,625</u>	<u>3,153,997</u>
Noncurrent assets			
Capital assets not being depreciated	1,000	-	1,000
Capital assets, net of accumulated depreciation	981,908	-	981,908
Total noncurrent assets	<u>982,908</u>	<u>-</u>	<u>982,908</u>
Total assets	<u>3,839,280</u>	<u>297,625</u>	<u>4,136,905</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	15,944	2,584	18,528
Accrued payroll	5,545	-	5,545
Total current liabilities	<u>21,489</u>	<u>2,584</u>	<u>24,073</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	982,908	-	982,908
Unrestricted	2,834,883	295,041	3,129,924
Total net assets	<u>\$ 3,817,791</u>	<u>\$ 295,041</u>	<u>\$ 4,112,832</u>

City of Alpena

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

Year ended June 30, 2007

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,094,484	\$ 96,365	\$ 1,190,849
Total operating revenues	<u>1,094,484</u>	<u>96,365</u>	<u>1,190,849</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	139,845	-	139,845
Employee benefits	85,010	-	85,010
Administrative services	252,270	70,404	322,674
Insurance	28,304	-	28,304
Maintenance	185,280	-	185,280
Depreciation	321,883	-	321,883
Supplies and other	132,029	96,365	228,394
Total operating expenses	<u>1,144,621</u>	<u>166,769</u>	<u>1,311,390</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(50,137)</u>	<u>(70,404)</u>	<u>(120,541)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State grants	6,557	-	6,557
Investment income and rents	241,544	-	241,544
Donations	14,984	-	14,984
	<u>263,085</u>	<u>-</u>	<u>263,085</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>212,948</u>	<u>(70,404)</u>	<u>142,544</u>
<b>TRANSFERS</b>			
Transfers in	-	55,500	55,500
Transfers out	(104,025)	-	(104,025)
	<u>(104,025)</u>	<u>55,500</u>	<u>(48,525)</u>
<b>CHANGE IN NET ASSETS</b>	108,923	(14,904)	94,019
<b>NET ASSETS, beginning of the year</b>	<u>3,708,868</u>	<u>309,945</u>	<u>4,018,813</u>
<b>NET ASSETS, end of the year</b>	<u>\$ 3,817,791</u>	<u>\$ 295,041</u>	<u>\$ 4,112,832</u>

City of Alpena

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

Year Ended June 30, 2007

	<u>Equipment</u>	<u>Stores</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund service provided	\$ 1,094,484	\$ 96,365	\$ 1,190,849
Payments to suppliers	(334,226)	(93,631)	(427,857)
Payments to employees	(224,655)	-	(224,655)
Payments for interfund services used	(197,092)	(70,404)	(267,496)
Net cash provided (used) by operating activities	<u>338,511</u>	<u>(67,670)</u>	<u>270,841</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from state grants	6,557	-	6,557
Donations received	14,984	-	14,984
Transfers from (to) other funds	(104,025)	55,500	(48,525)
Net cash provided (used) by noncapital financing activities	<u>(82,484)</u>	<u>55,500</u>	<u>(26,984)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(308,549)	-	(308,549)
Net cash provided (used) by capital and related financing activities	<u>(308,549)</u>	<u>-</u>	<u>(308,549)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of investment securities	500,000	-	500,000
Interest and dividends received	221,367	-	221,367
Net cash provided (used) by investing activities	<u>721,367</u>	<u>-</u>	<u>721,367</u>
Net increase (decrease) in cash and cash equivalents	668,845	(12,170)	656,675
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>705,501</u>	<u>99,125</u>	<u>804,626</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,374,346</u>	<u>\$ 86,955</u>	<u>\$ 1,461,301</u>

continued

City of Alpena

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

Year Ended June 30, 2007

	<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)	\$ (50,137)	\$ (70,404)	\$ (120,541)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	321,883	-	321,883
(Increase) decrease in receivables	2,718	-	2,718
(Increase) decrease in due from other funds	55,178	-	55,178
(Increase) decrease in inventories	-	3,369	3,369
Increase (decrease) in accounts payable	8,669	(635)	8,034
Increase (decrease) in accrued payroll	200	-	200
	<u>\$ 338,511</u>	<u>\$ (67,670)</u>	<u>\$ 270,841</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Increase (decrease) in fair value of investments	<u>\$ (24,818)</u>	<u>\$ -</u>	<u>\$ (24,818)</u>

City of Alpena

General Fund

**COMPARATIVE BALANCE SHEET**

	June 30,	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Pooled cash and investments	\$ -	\$ 455,528
Cash and cash equivalents	554,967	457,303
Investments - at fair value	2,269,343	1,358,572
Receivables (net of allowance for for uncollectible accounts)	409,383	300,604
Taxes receivable	5,160	2,545
Special assessments receivable	306,273	251,601
Interest receivable	55,294	39,986
Due from other governmental units	287,110	211,579
Total assets	<u>\$ 3,887,530</u>	<u>\$ 3,077,718</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities		
Accounts payable	\$ 228,928	\$ 168,196
Accrued payroll	161,182	154,579
Due to other funds	995,243	390,283
Due to component units	13,990	8,452
Deferred revenue	311,433	254,146
Total liabilities	<u>1,710,776</u>	<u>975,656</u>
Fund equity		
Fund balances		
Unreserved		
Undesignated	2,176,754	2,102,062
Total fund equity	<u>2,176,754</u>	<u>2,102,062</u>
Total liabilities and fund equity	<u>\$ 3,887,530</u>	<u>\$ 3,077,718</u>

City of Alpena

General Fund

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

	Year Ended June 30, 2007			2006 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
<b>TAXES</b>				
Current property	\$ 4,226,826	\$ 4,211,790	\$ 4,177,169	\$ 4,111,903
Other	52,500	65,290	67,867	50,442
	<u>4,279,326</u>	<u>4,277,080</u>	<u>4,245,036</u>	<u>4,162,345</u>
<b>LICENSES AND PERMITS</b>	<u>159,800</u>	<u>148,880</u>	<u>137,734</u>	<u>159,414</u>
<b>STATE REVENUE</b>				
Sales tax	1,408,900	1,397,150	1,391,218	1,404,357
Grants	492,700	501,335	372,961	55,914
	<u>1,901,600</u>	<u>1,898,485</u>	<u>1,764,179</u>	<u>1,460,271</u>
<b>FEDERAL REVENUE</b>	<u>-</u>	<u>37,100</u>	<u>40,134</u>	<u>-</u>
<b>LOCAL GRANT REVENUE</b>	<u>624,753</u>	<u>625,253</u>	<u>630,295</u>	<u>708,445</u>
<b>CHARGES FOR SERVICES</b>				
Ambulance	470,000	580,000	629,985	667,077
Cemetery	58,400	59,225	56,774	54,814
Sidewalks and trees	47,000	47,000	27,041	79,492
Water department	94,840	94,840	94,840	92,080
Sewage department	112,550	112,550	112,550	109,270
Stores	45,350	45,350	45,350	44,030
Perpetual lot care	30,000	55,000	59,520	24,532
Equipment	216,210	216,210	216,210	204,475
Retirement	24,400	24,400	24,400	23,690
Other	60,130	53,572	53,230	57,896
	<u>1,158,880</u>	<u>1,288,147</u>	<u>1,319,900</u>	<u>1,357,356</u>
<b>INVESTMENT INCOME AND RENTS</b>	<u>137,800</u>	<u>180,520</u>	<u>247,129</u>	<u>236,255</u>
<b>FINES AND FORFEITURES</b>	<u>33,000</u>	<u>27,250</u>	<u>31,218</u>	<u>33,899</u>
<b>OTHER</b>				
Reimbursements and refunds	36,550	57,470	93,005	58,241
Sale of assets	500	500	-	1,588
Miscellaneous	92,850	162,665	152,648	100,290
	<u>129,900</u>	<u>220,635</u>	<u>245,653</u>	<u>160,119</u>
Total revenues	<u>8,425,059</u>	<u>8,703,350</u>	<u>8,661,278</u>	<u>8,278,104</u>

continued

City of Alpena

General Fund

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

	Year Ended June 30, 2007			
	Budgeted Amounts		Actual Amounts	2006 Actual
	Original	Final		
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>GENERAL GOVERNMENT</b>				
Salaries and wages	\$ 697,900	\$ 713,700	\$ 748,778	\$ 701,534
Employee benefits	276,000	271,070	259,095	227,255
Supplies	64,000	84,200	59,726	66,161
Contracted services	165,000	145,220	105,536	110,564
Continuing education	21,000	24,000	20,096	30,972
Public relations	89,300	83,600	78,747	40,716
Insurance	19,000	22,400	23,627	17,271
Utilities	38,325	36,025	32,782	38,256
Repairs and maintenance	26,500	27,500	21,785	20,551
Equipment rental	188,000	207,150	206,338	198,409
Rental rehabilitation	270,000	282,000	171,626	9,168
Community Events Center	53,801	53,801	51,496	50,617
Miscellaneous	164,880	292,530	236,468	38,019
Capital outlay	8,890	-	-	172,886
	<u>2,082,596</u>	<u>2,243,196</u>	<u>2,016,100</u>	<u>1,722,379</u>
<b>BUILDING AUTHORITY</b>				
Lease - lakeside	39,625	39,325	39,325	40,625
	<u>39,625</u>	<u>39,325</u>	<u>39,325</u>	<u>40,625</u>
<b>CEMETERY</b>				
Salaries and wages	68,550	70,200	73,805	70,581
Employee benefits	41,105	41,160	40,471	37,694
Supplies	3,500	4,000	3,869	2,947
Contracted services	800	600	613	778
Continuing education	450	400	204	140
Insurance	3,200	4,630	4,630	3,104
Utilities	11,000	11,000	10,366	10,224
Repairs and maintenance	7,000	3,480	2,252	3,707
Equipment rental	23,175	23,075	21,777	21,632
Miscellaneous	150	520	352	154
Capital outlay	7,000	2,200	2,200	4,999
	<u>165,930</u>	<u>161,265</u>	<u>160,539</u>	<u>155,960</u>
Total general government	<u>2,288,151</u>	<u>2,443,786</u>	<u>2,215,964</u>	<u>1,918,964</u>

City of Alpena

General Fund

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

	Year Ended June 30, 2007			
	Budgeted Amounts		Actual Amounts	2006 Actual
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>PUBLIC SAFETY</b>				
<b>POLICE</b>				
Salaries and wages	\$ 1,034,000	\$ 1,028,000	\$ 1,011,268	\$ 986,394
Employee benefits	374,055	350,180	339,392	321,854
Supplies	15,650	20,400	17,741	20,379
Contracted services	27,000	25,000	25,350	22,511
Continuing education	12,750	14,060	11,567	10,217
Insurance	36,000	39,450	39,622	34,315
Utilities	39,900	39,900	39,449	42,339
Repairs and maintenance	65,000	72,800	69,008	67,498
Equipment rental	39,650	36,910	36,345	38,336
Miscellaneous	3,500	3,500	2,367	3,230
Capital outlay	59,200	48,200	47,478	36,022
	<u>1,706,705</u>	<u>1,678,400</u>	<u>1,639,587</u>	<u>1,583,095</u>
<b>FIRE</b>				
Salaries and wages	647,175	635,000	609,993	610,823
Employee benefits	319,420	324,580	324,401	295,362
Supplies	23,500	23,000	22,014	12,369
Contracted services	15,000	14,400	15,792	12,016
Continuing education	5,900	4,000	3,821	4,433
Insurance	22,860	23,870	23,872	21,768
Utilities	20,000	20,000	20,566	19,583
Repairs and maintenance	22,000	21,800	20,636	20,056
Hydrant rental	60,000	60,000	60,000	60,000
Equipment rental	192,490	179,160	179,356	188,243
Miscellaneous	4,000	4,000	2,907	7,811
Capital outlay	17,000	2,410	2,405	5,721
	<u>1,349,345</u>	<u>1,312,220</u>	<u>1,285,763</u>	<u>1,258,185</u>
<b>AMBULANCE</b>				
Salaries and wages	624,550	624,550	609,540	610,718
Employee benefits	306,270	309,690	312,533	283,742
Supplies	10,700	13,750	13,095	10,812
Contracted services	59,000	55,950	53,956	64,304
Continuing education	7,000	8,000	7,806	5,935
Insurance	30,700	29,440	29,436	29,253
Utilities	19,000	20,000	20,196	19,351
Repairs and maintenance	27,100	35,500	32,123	30,414
Equipment rental	15,205	13,765	13,574	15,206
Miscellaneous	4,000	4,000	3,580	7,798
Capital outlay	6,000	3,000	1,665	114,235
	<u>1,109,525</u>	<u>1,117,645</u>	<u>1,097,504</u>	<u>1,191,768</u>

continued

City of Alpena

General Fund

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

	Year Ended June 30, 2007			
	Budgeted Amounts		Actual Amounts	2006 Actual
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>BUILDING INSPECTION</b>				
Salaries and wages	\$ 72,100	\$ 72,100	\$ 73,447	\$ 71,797
Employee benefits	35,650	35,675	34,951	33,312
Supplies	5,000	5,000	4,315	3,479
Contracted services	1,950	1,950	2,573	2,467
Continuing education	5,000	4,000	3,552	3,197
Insurance	1,900	1,760	1,763	1,904
Utilities	2,050	2,050	1,721	1,915
Repairs and maintenance	1,800	1,800	1,134	1,068
Equipment rental	5,900	6,255	6,257	5,755
Office rent	4,120	4,120	3,716	3,716
Miscellaneous	700	700	655	349
	<u>136,170</u>	<u>135,410</u>	<u>134,084</u>	<u>128,959</u>
Total public safety	<u>4,301,745</u>	<u>4,243,675</u>	<u>4,156,938</u>	<u>4,162,007</u>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS</b>				
Salaries and wages	165,000	215,000	163,564	174,655
Employee benefits	88,835	53,650	27,909	33,326
Supplies	33,500	35,000	32,711	28,848
Contracted services	83,000	81,400	79,602	77,487
Continuing education	1,000	550	40	206
Insurance	32,130	29,000	27,006	27,814
Utilities	42,000	49,000	50,810	53,766
Repairs and maintenance	21,000	24,450	27,689	22,049
Equipment rental	103,275	105,770	102,365	100,885
Miscellaneous	6,000	3,000	254	2,874
Capital outlay	407,000	383,730	189,684	415,267
	<u>982,740</u>	<u>980,550</u>	<u>701,634</u>	<u>937,177</u>
<b>HIGHWAYS, STREETS AND LIGHTS</b>				
Salaries and wages	20,800	25,000	23,234	22,060
Employee benefits	15,515	16,845	16,786	15,405
Supplies	500	900	743	1,082
Contracted services	21,000	11,500	8,946	9,463
Insurance	850	1,110	1,112	842
Utilities	75,000	82,000	82,968	77,290
Repairs and maintenance	23,000	27,500	27,536	24,285
Equipment rental	15,000	18,000	16,441	14,648
Miscellaneous	-	100	72	77
Capital outlay	24,000	22,600	-	80,741
	<u>195,665</u>	<u>205,555</u>	<u>177,838</u>	<u>245,893</u>
Total public works	<u>1,178,405</u>	<u>1,186,105</u>	<u>879,472</u>	<u>1,183,070</u>

City of Alpena

General Fund

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

	Year Ended June 30, 2007			2006 Actual
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>EXPENDITURES (continued)</b>				
<b>PARKS AND RECREATION</b>				
Salaries and wages	\$ 160,000	\$ 145,000	\$ 164,543	\$ 153,861
Employee benefits	70,360	74,380	71,637	61,532
Supplies	4,900	7,190	6,150	3,515
Contracted services	3,000	4,120	4,061	19,022
Continuing education	100	50	28	21
City Band	11,000	11,000	11,000	11,800
Advertising	4,000	3,000	2,696	3,095
Insurance	25,400	32,170	32,172	24,365
Utilities	24,750	22,000	22,059	22,991
Repairs and maintenance	107,900	112,785	111,114	107,926
Equipment rental	156,000	152,000	154,135	158,273
Miscellaneous	47,400	47,600	47,492	47,287
Capital outlay	384,470	432,000	331,214	102,525
	<u>999,280</u>	<u>1,043,295</u>	<u>958,301</u>	<u>716,213</u>
 Total expenditures	 <u>8,767,581</u>	 <u>8,916,861</u>	 <u>8,210,675</u>	 <u>7,980,254</u>
 <b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>(342,522)</u>	 <u>(213,511)</u>	 <u>450,603</u>	 <u>297,850</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds:				
Budget Stabilization Fund	-	400	6,454	165,000
Brownfield Redevelopment Authority	-	2,170	-	-
	<u>-</u>	<u>2,570</u>	<u>6,454</u>	<u>165,000</u>
 Transfers to other funds:				
Major Street Fund	-	-	-	(130,000)
Local Street Fund	(150,000)	(150,000)	(150,000)	(55,000)
General Debt Service Fund	(51,865)	(51,865)	(51,865)	(53,415)
1992 G.O. Debt Service Fund	(125,000)	(125,000)	(125,000)	(125,000)
Stores Fund	(55,500)	(55,500)	(55,500)	(55,500)
	<u>(382,365)</u>	<u>(382,365)</u>	<u>(382,365)</u>	<u>(418,915)</u>
 <b>TOTAL OTHER FINANCING SOURCES (USES)</b>	 <u>(382,365)</u>	 <u>(379,795)</u>	 <u>(375,911)</u>	 <u>(253,915)</u>

continued

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, 2007			
	Budgeted Amounts		Actual Amounts	2006 Actual
	Original	Final		
<b>NET CHANGE IN FUND BALANCE</b>	\$ (724,887)	\$ (593,306)	\$ 74,692	\$ 43,935
<b>FUND BALANCES</b> , beginning of year	<u>1,635,822</u>	<u>2,102,062</u>	<u>2,102,062</u>	<u>2,058,127</u>
<b>FUND BALANCES</b> , end of year	<u>\$ 910,935</u>	<u>\$ 1,508,756</u>	<u>\$ 2,176,754</u>	<u>\$ 2,102,062</u>

## City of Alpena

## Water Fund

**COMPARATIVE SCHEDULE OF NET ASSETS**

	June 30,	
	2007	2006
<b>ASSETS</b>		
Current assets		
Pooled cash and investments	\$ 1,475,069	\$ 1,049,369
Investments - at fair value	-	494,910
Receivables (net of allowance for for uncollectible accounts)	686,078	593,198
Interest receivable	-	4,890
Total current assets	<u>2,161,147</u>	<u>2,142,367</u>
Noncurrent assets		
Deferred charges	16,375	17,875
Capital assets not being depreciated	22,555	4
Capital assets, net of accumulated depreciation	6,693,623	6,124,683
Total noncurrent assets	<u>6,732,553</u>	<u>6,142,562</u>
Total assets	<u>8,893,700</u>	<u>8,284,929</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	37,908	23,076
Accrued payroll	1,165	417
Accrued interest payable	18,131	19,303
Bonds and notes payable - current portion	100,000	75,000
Total current liabilities	<u>157,204</u>	<u>117,796</u>
Noncurrent liabilities		
Bonds and notes payable	<u>1,450,000</u>	<u>1,550,000</u>
Total liabilities	<u>1,607,204</u>	<u>1,667,796</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,166,178	4,499,687
Restricted for		
Debt retirement	179,250	179,250
Capital outlay	830,619	100,000
Unrestricted	<u>1,110,449</u>	<u>1,838,196</u>
Total net assets	<u>\$ 7,286,496</u>	<u>\$ 6,617,133</u>

## City of Alpena

## Water Fund

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

	Years Ended June 30,	
	2007	2006
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,466,346	\$ 1,452,476
Other services	23,254	24,221
Total operating revenues	<u>1,489,600</u>	<u>1,476,697</u>
<b>OPERATING EXPENSES</b>		
Production		
Contracted services	507,058	482,087
Utilities	107,752	97,959
Depreciation	62,465	62,918
Supplies and other	81,180	81,885
	<u>758,455</u>	<u>724,849</u>
Distribution		
Salaries and wages	33,442	22,482
Employee benefits	1,606	812
Contracted services	140,426	164,523
Maintenance	8,801	11,921
Equipment rental	19,533	15,651
Depreciation	154,255	150,288
Supplies and other	22	775
	<u>358,085</u>	<u>366,452</u>
Commercial and general		
Employee benefits	10,857	9,243
Administrative services	94,840	92,080
Contracted services	41,133	62,317
Insurance	11,841	16,834
	<u>158,671</u>	<u>180,474</u>
Total operating expenses	<u>1,275,211</u>	<u>1,271,775</u>
<b>OPERATING INCOME (LOSS)</b>	<u>214,389</u>	<u>204,922</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal revenue	378,759	121,519
Investment income and rents	82,795	52,320
Donations	68,767	-
Interest expense	(75,347)	(80,034)
Total nonoperating revenues (expenses)	<u>454,974</u>	<u>93,805</u>
<b>CHANGE IN NET ASSETS</b>	669,363	298,727
<b>NET ASSETS</b> , beginning of the year	<u>6,617,133</u>	<u>6,318,406</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 7,286,496</u>	<u>\$ 6,617,133</u>

City of Alpena

Water Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS**

	Years Ended June 30,	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,396,720	\$ 1,528,033
Payments to suppliers	(902,914)	(916,504)
Payments to employees	(45,157)	(32,816)
Payments for interfund services used	(94,840)	(92,080)
Net cash provided (used) by operating activities	<u>353,809</u>	<u>486,633</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from federal grants	378,759	121,519
Donations	68,767	-
Net cash provided (used) by noncapital financing activities	<u>447,526</u>	<u>121,519</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(808,211)	(209,997)
Principal paid on capital debt	(75,000)	(75,000)
Interest paid on capital debt	(75,019)	(79,706)
Net cash provided (used) by capital and related financing activities	<u>(958,230)</u>	<u>(364,703)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	500,000	200,000
Purchase of investments	-	(499,375)
Interest and dividends received	82,595	55,643
Net cash provided (used) by investing activities	<u>582,595</u>	<u>(243,732)</u>
Net increase (decrease) in cash and cash equivalents	425,700	(283)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,049,369</u>	<u>1,049,652</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,475,069</u>	<u>\$ 1,049,369</u>

continued

City of Alpena

Water Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS - Continued**

	Years Ended June 30,	
	<u>2007</u>	<u>2006</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 214,389	\$ 204,922
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	216,720	213,206
(Increase) decrease in receivables	(92,880)	(69,380)
(Increase) decrease in due from other governmental units	-	69,160
(Increase) decrease in due from other funds	-	51,556
Increase (decrease) in accounts payable	14,832	17,448
Increase (decrease) in accrued payroll	748	(279)
Net cash provided (used) by operating activities	<u>\$ 353,809</u>	<u>\$ 486,633</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ (5,090)</u>	<u>\$ 4,277</u>

City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF NET ASSETS**

	June 30,	
	2007	2006
<b>ASSETS</b>		
Current assets		
Pooled cash and investments	\$ 1,405,882	\$ 952,621
Investments - at fair value	-	494,910
Receivables (net of allowance for for uncollectible accounts)	163,693	149,347
Interest receivable	-	4,890
Due from other governmental units	56,360	-
Total current assets	<u>1,625,935</u>	<u>1,601,768</u>
Noncurrent assets		
Deferred charges	16,375	17,875
Capital assets not being depreciated	14,772	558
Capital assets, net of accumulated depreciation	14,885,559	13,554,792
Total noncurrent assets	<u>14,916,706</u>	<u>13,573,225</u>
Total assets	<u>16,542,641</u>	<u>15,174,993</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	40,803	18,090
Accrued payroll	925	1,774
Accrued interest payable	18,131	19,303
Bonds and notes payable - current portion	100,000	75,000
Total current liabilities	<u>159,859</u>	<u>114,167</u>
Noncurrent liabilities		
Bonds and notes payable	<u>1,450,000</u>	<u>1,550,000</u>
Total liabilities	<u>1,609,859</u>	<u>1,664,167</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,350,331	11,930,350
Restricted for		
Debt retirement	179,250	179,250
Capital outlay	251,438	200,000
Unrestricted	<u>1,151,763</u>	<u>1,201,226</u>
Total net assets	<u>\$ 14,932,782</u>	<u>\$ 13,510,826</u>

City of Alpena

Sewage Fund

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

	Years Ended June 30,	
	2007	2006
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,901,753	\$ 1,637,641
Other services	1,833	5,036
Total operating revenues	<u>1,903,586</u>	<u>1,642,677</u>
<b>OPERATING EXPENSES</b>		
Treatment plant		
Employee benefits	948	942
Administrative services	112,550	109,270
Contracted services	582,060	572,769
Insurance	41,480	37,261
Utilities	244,564	225,505
Depreciation	254,067	262,084
Supplies and other	44,565	34,820
	<u>1,280,234</u>	<u>1,242,651</u>
Collection system		
Salaries and wages	31,753	26,478
Employee benefits	11,779	11,538
Contracted services	155,843	202,020
Utilities	19,612	16,436
Maintenance	25,250	13,821
Equipment rental	16,007	17,841
Depreciation	251,957	249,945
Supplies and other	57	2,403
	<u>512,258</u>	<u>540,482</u>
Total operating expenses	<u>1,792,492</u>	<u>1,783,133</u>
<b>OPERATING INCOME (LOSS)</b>	<u>111,094</u>	<u>(140,456)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal revenue	1,183,342	483
Investment income and rents	64,535	49,519
Donations	81,262	-
Interest expense	(75,347)	(80,034)
Total nonoperating revenues (expenses)	<u>1,253,792</u>	<u>(30,032)</u>
Net income (loss) before transfers	1,364,886	(170,488)
Transfers in / (out)	57,070	-
<b>CHANGE IN NET ASSETS</b>	1,421,956	(170,488)
<b>NET ASSETS</b> , beginning of the year	<u>13,510,826</u>	<u>13,681,314</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 14,932,782</u>	<u>\$ 13,510,826</u>

City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS**

	Years Ended June 30,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,832,880	\$ 1,642,059
Payments to suppliers	(1,106,725)	(1,139,131)
Payments to employees	(45,329)	(38,302)
Payments for interfund services used	(112,550)	(109,270)
Net cash provided (used) by operating activities	<u>568,276</u>	<u>355,356</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer in / (out)	57,070	-
Federal grants	1,183,342	483
Donations	81,262	-
Net cash provided (used) by noncapital financing activities	<u>1,321,674</u>	<u>483</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,851,005)	(225,521)
Principal paid on capital debt	(75,000)	(75,000)
Interest paid on capital debt	(75,019)	(79,706)
Net cash provided (used) by capital and related financing activities	<u>(2,001,024)</u>	<u>(380,227)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	500,000	-
Purchase of investments	-	(499,375)
Interest and dividends received	64,335	49,094
Net cash provided (used) by investing activities	<u>564,335</u>	<u>(450,281)</u>
Net increase (decrease) in cash and cash equivalents	453,261	(474,669)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>952,621</u>	<u>1,427,290</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,405,882</u>	<u>\$ 952,621</u>

continued

City of Alpena

Sewage Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS - Continued**

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	Years Ended June 30,	
	<u>2007</u>	<u>2006</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 111,094	\$ (140,456)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	506,024	512,029
(Increase) decrease in receivables	(14,346)	(10,322)
(Increase) decrease in due from other governmental units	(56,360)	9,704
Increase (decrease) in accounts payable	22,713	(16,255)
Increase (decrease) in accrued payroll	(849)	656
Net cash provided (used) by operating activities	<u>\$ 568,276</u>	<u>\$ 355,356</u>
 <b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	<u>\$ (5,090)</u>	<u>\$ 4,465</u>

City of Alpena

D.A.R.T Fund

**COMPARATIVE SCHEDULE OF NET ASSETS**

	June 30,	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets		
Pooled cash and investments	\$ -	\$ 75,252
Receivables (net of allowance for for uncollectible accounts)	-	33,557
Due from other funds	-	6,398
Prepaid items	-	4,982
Total current assets	<u>-</u>	<u>120,189</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation	-	18,541
Total noncurrent assets	<u>-</u>	<u>18,541</u>
Total assets	<u>-</u>	<u>138,730</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	-	17,331
Total liabilities	<u>-</u>	<u>17,331</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	18,541
Unrestricted	-	102,858
Total net assets	<u>\$ -</u>	<u>\$ 121,399</u>

City of Alpena

D.A.R.T Fund

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

	Years Ended June 30,	
	2007	2006
<b>OPERATING REVENUES</b>		
Charges for services	\$ 16,162	\$ 84,461
Other	-	60
Total operating revenues	16,162	84,521
<b>OPERATING EXPENSES</b>		
Administrative services	2,333	8,800
Contracted services	102,029	438,402
Insurance	4,953	12,549
Utilities	733	2,587
Maintenance	1,155	1,168
Depreciation	5,043	27,284
Supplies and other	14,020	53,536
Total operating expenses	130,266	544,326
<b>OPERATING INCOME (LOSS)</b>	(114,104)	(459,805)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property taxes	41,101	126,370
State revenue	57,817	293,319
Federal revenue	19,536	90,303
Investment income and rents	291	2,160
Specialized service pass-through	(126,040)	(65,866)
Total nonoperating revenues (expenses)	(7,295)	446,286
<b>CHANGE IN NET ASSETS</b>	(121,399)	(13,519)
<b>NET ASSETS</b> , beginning of the year	121,399	134,918
<b>NET ASSETS</b> , end of the year	\$ -	\$ 121,399

City of Alpena

D.A.R.T Fund

**COMPARATIVE SCHEDULE OF CASH FLOWS**

	Years Ended June 30,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 56,117	\$ 54,722
Payments to suppliers	(137,572)	(513,999)
Net cash provided (used) by operating activities	(81,455)	(459,277)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	41,101	126,370
State grants	57,817	293,319
Federal grants	19,536	90,303
Specialized services pass-through	(112,542)	(65,866)
Net cash provided (used) by noncapital financing activities	5,912	444,126
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	291	2,160
Net cash provided (used) by investing activities	291	2,160
Net increase (decrease) in cash and cash equivalents	(75,252)	(12,991)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>75,252</u>	<u>88,243</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ -</u>	<u>\$ 75,252</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (114,104)	\$ (459,805)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,043	27,284
(Increase) decrease in receivables	33,557	(29,799)
(Increase) decrease in due from other funds	6,398	(561)
(Increase) decrease in prepaid items	4,982	663
Increase (decrease) in accounts payable	(17,331)	2,941
Net cash provided (used) by operating activities	<u>\$ (81,455)</u>	<u>\$ (459,277)</u>

City of Alpena

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

June 30, 2007

---

	Pension (and Other Employee Benefit)		
	Trust Funds		Totals
	Pension Trust Fund	Employee Health Care Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 100,000	\$ 100,000
Investments - at fair value			
Short-term investment funds	859,274	223,327	1,082,601
U.S. government securities	6,326,466	-	6,326,466
Corporate bonds	5,108,635	-	5,108,635
Foreign bonds	149,027	-	149,027
Equity securities	16,814,026	-	16,814,026
Amounts due from broker under securities lending agreements	323,902	-	323,902
Interest receivable	139,204	603	139,807
	<u>29,720,534</u>	<u>323,930</u>	<u>30,044,464</u>
<b>LIABILITIES</b>			
Accounts payable	33,773	1,900	35,673
Amounts due to broker under securities lending agreements	1,097,570	-	1,097,570
	<u>1,131,343</u>	<u>1,900</u>	<u>1,133,243</u>
<b>NET ASSETS</b>			
Reserved for employees retirement and other purposes	<u>28,589,191</u>	<u>322,030</u>	<u>28,911,221</u>
	<u>\$ 28,589,191</u>	<u>\$ 322,030</u>	<u>\$ 28,911,221</u>

City of Alpena

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

For the Year Ended June 30, 2007

	Pension (and other employee benefit)		Totals
	Trust Funds		
	Pension Trust Fund	Employee Health Care Fund	
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 195,491	\$ 248,305	\$ 443,796
Employees	133,015	-	133,015
Other	4,707	-	4,707
Total contributions	<u>333,213</u>	<u>248,305</u>	<u>581,518</u>
Investment income			
Net increase (decrease) in fair value of investments	2,494,070	-	2,494,070
Interest	609,996	12,139	622,135
Dividends	231,241	-	231,241
	<u>3,335,307</u>	<u>12,139</u>	<u>3,347,446</u>
Less investment expense	89,049	-	89,049
Net investment income	<u>3,246,258</u>	<u>12,139</u>	<u>3,258,397</u>
Total additions	<u>3,579,471</u>	<u>260,444</u>	<u>3,839,915</u>
<b>DEDUCTIONS</b>			
Benefits	1,525,180	115,195	1,640,375
Lump-sum retirement payments	124,773	-	124,773
Administrative expense	24,898	-	24,898
Total deductions	<u>1,674,851</u>	<u>115,195</u>	<u>1,790,046</u>
Change in net assets	1,904,620	145,249	2,049,869
Net assets - beginning of the year	<u>26,684,571</u>	<u>176,781</u>	<u>26,861,352</u>
Net assets - end of the year	<u>\$ 28,589,191</u>	<u>\$ 322,030</u>	<u>\$ 28,911,221</u>

City of Alpena

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

For the Year Ended June 30, 2007

	Balances, June 30, 2006	Additions	Deductions	Balances, June 30, 2007
<b>GENERAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,438	\$ 1,043,300	\$ 892,636	\$ 168,102
Taxes receivable	2,214	1,942,223	1,936,192	8,245
	<u>\$ 19,652</u>	<u>\$ 2,985,523</u>	<u>\$ 2,828,828</u>	<u>\$ 176,347</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,438	\$ 5,517,086	\$ 5,366,422	\$ 168,102
Due to other governmental units	2,214	1,942,223	1,936,192	8,245
	<u>\$ 19,652</u>	<u>\$ 7,459,309</u>	<u>\$ 7,302,614</u>	<u>\$ 176,347</u>
<b>SPECIAL TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,682	\$ 182,064	\$ 180,631	\$ 34,115
	<u>\$ 32,682</u>	<u>\$ 182,064</u>	<u>\$ 180,631</u>	<u>\$ 34,115</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 32,682	\$ 186,656	\$ 185,223	\$ 34,115
	<u>\$ 32,682</u>	<u>\$ 186,656</u>	<u>\$ 185,223</u>	<u>\$ 34,115</u>
<b>TOTALS, ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,120	\$ 1,225,364	\$ 1,073,267	\$ 202,217
Taxes receivable	2,214	1,942,223	1,936,192	8,245
	<u>\$ 52,334</u>	<u>\$ 3,167,587</u>	<u>\$ 3,009,459</u>	<u>\$ 210,462</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 50,120	\$ 5,703,742	\$ 5,551,645	\$ 202,217
Due to other governmental units	2,214	1,942,223	1,936,192	8,245
	<u>\$ 52,334</u>	<u>\$ 7,645,965</u>	<u>\$ 7,487,837</u>	<u>\$ 210,462</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.	140
<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.	150
<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.	156
<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.	161
<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.	164

**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>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 27,330,944	\$ 26,337,821	\$ 24,140,441
Restricted	520,819	579,215	1,662,969
Unrestricted	<u>6,656,208</u>	<u>7,084,054</u>	<u>7,316,878</u>
Total governmental activities net assets	<u>34,507,971</u>	<u>34,001,090</u>	<u>33,120,288</u>
Business-type activities:			
Invested in capital assets, net of related debt	18,516,509	16,448,578	16,615,577
Restricted	1,440,557	658,500	754,709
Unrestricted	<u>2,262,212</u>	<u>3,142,280</u>	<u>2,764,352</u>
Total business-type activities net assets	<u>22,219,278</u>	<u>20,249,358</u>	<u>20,134,638</u>
Primary government:			
Invested in capital assets, net of related debt	45,847,453	42,786,399	40,756,018
Restricted	1,961,376	1,237,715	2,417,678
Unrestricted	<u>8,918,420</u>	<u>10,226,334</u>	<u>10,081,230</u>
Total primary government net assets	<u>56,727,249</u>	<u>54,250,448</u>	<u>53,254,926</u>

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

Table 1

---

<u>2004</u>	<u>2003</u>
\$ 23,557,458	\$ 22,839,291
1,400,491	1,353,631
<u>7,249,460</u>	<u>7,678,041</u>
<u>32,207,409</u>	<u>31,870,963</u>
16,633,496	16,314,802
803,951	641,243
<u>2,447,072</u>	<u>2,484,779</u>
<u>19,884,519</u>	<u>19,440,824</u>
40,190,954	39,154,093
2,204,442	1,994,874
<u>9,696,532</u>	<u>10,162,820</u>
<u>52,091,928</u>	<u>51,311,787</u>

City of Alpena

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

Last Five Fiscal Years Ended June 30

	Years Ended June 30,		
	2007	2006	2005
<b>Expenses:</b>			
Governmental activities:			
General government	\$ 3,640,489	\$ 3,033,225	\$ 2,854,309
Public safety	4,217,798	4,235,233	3,983,177
Public works	2,841,724	1,665,614	3,080,038
Parks and recreation	840,117	933,897	803,975
Interest on long-term debt	173,983	192,895	199,798
Total governmental activities expenses	<u>11,714,111</u>	<u>10,060,864</u>	<u>10,921,297</u>
Business-type activities:			
Water	1,350,558	1,351,809	1,219,311
Sewage	1,867,839	1,863,167	1,737,605
D.A.R.T.	256,306	544,326	728,710
Total business-type expenses	<u>3,474,703</u>	<u>3,759,302</u>	<u>3,685,626</u>
Total primary government expenses	<u>15,188,814</u>	<u>13,820,166</u>	<u>14,606,923</u>
<b>Program Revenues:</b>			
Governmental activities:			
Charges for services:			
General government	1,877,997	840,865	800,994
Public safety	791,506	1,091,874	994,356
Public works	427,737	908,115	934,899
Parks and recreation	236,438	249,187	278,968
Operating grants and contributions	1,302,312	1,593,145	2,232,836
Capital grants and contributions	916,510	112,538	505,570
Total governmental activities program revenues	<u>5,552,500</u>	<u>4,795,724</u>	<u>5,747,623</u>
Business-type activities:			
Charges for services:			
Water	1,489,600	1,476,697	1,407,893
Sewage	1,903,586	1,642,677	1,662,131
D.A.R.T.	16,162	84,521	75,663
Operating grants and contributions	77,353	439,758	615,225
Capital grants and contributions	1,562,101	-	-
Total business-type activities program revenues	<u>5,048,802</u>	<u>3,643,653</u>	<u>3,760,912</u>
Total primary government program revenues	<u>10,601,302</u>	<u>8,439,377</u>	<u>9,508,535</u>
<b>Net (Expense) Revenue:</b>			
Governmental activities	(6,161,611)	(5,265,140)	(5,173,674)
Business-type activities	1,574,099	(115,649)	75,286
Total primary government net (expense) revenue	<u>(4,587,512)</u>	<u>(5,380,789)</u>	<u>(5,098,388)</u>

Table 2

2004	2003
\$ 2,823,709	\$ 2,829,411
3,923,500	3,745,901
3,060,171	3,139,273
668,947	811,640
157,677	182,159
10,634,004	10,708,384
1,265,219	1,289,363
1,715,127	1,675,715
736,014	752,869
3,716,360	3,717,947
14,350,364	14,426,331
1,474,710	1,384,380
762,349	683,260
751,573	428,797
94,167	231,082
1,824,269	1,949,597
222,866	-
5,129,934	4,677,116
1,386,148	1,447,964
1,764,603	1,571,618
65,433	70,820
785,113	621,183
-	-
4,001,297	3,711,585
9,131,231	8,388,701
(5,504,070)	(6,031,268)
284,937	(6,362)
(5,219,133)	(6,037,630)

(continued)

City of Alpena

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

Last Five Fiscal Years Ended June 30

	Years Ended June 30,		
	2007	2006	2005
<b>General Revenues:</b>			
Governmental activities:			
Property taxes, levied for general purposes	\$ 4,405,018	\$ 4,163,630	\$ 4,095,547
Property taxes, levied for debt service	327,693	292,030	332,184
State sales tax	1,391,218	1,404,357	1,424,107
Investment earnings	601,632	275,650	216,529
Gain on sale of capital assets	-	10,275	18,186
Transfers (in/out)	(57,070)	-	-
Total Governmental activities:	<u>6,668,491</u>	<u>6,145,942</u>	<u>6,086,553</u>
Business-type activities:			
Property taxes, levied for general purposes	41,101	126,370	122,433
Investment earnings	147,621	103,999	52,400
Gain on sale of capital assets	-	-	-
Donations	150,029	-	-
Transfers (in/out)	57,070	-	-
Total Business-type activities	<u>395,821</u>	<u>230,369</u>	<u>174,833</u>
Total primary government	<u>7,064,312</u>	<u>6,376,311</u>	<u>6,261,386</u>
<b>Change in Net Assets</b>			
Governmental activities	506,880	880,802	912,879
Business-type activities	1,969,920	114,720	250,119
Total primary government	<u>\$ 2,476,800</u>	<u>\$ 995,522</u>	<u>\$ 1,162,998</u>

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

Table 2 (continued)

---

<u>2004</u>	<u>2003</u>
\$ 3,913,939	\$ 3,870,114
324,128	321,139
1,482,054	1,535,044
120,395	272,737
-	-
-	-
<u>5,840,516</u>	<u>5,999,034</u>
117,017	116,320
41,741	62,464
-	1,845
-	-
-	-
<u>158,758</u>	<u>180,629</u>
<u>5,999,274</u>	<u>6,179,663</u>
336,446	(32,234)
443,695	174,267
<u>\$ 780,141</u>	<u>\$ 142,033</u>

City of Alpena

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

For the Last Ten Years June 30,

---

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,176,754</u>	<u>2,102,062</u>	<u>2,058,127</u>	<u>2,019,285</u>
Total General fund	<u>2,176,754</u>	<u>2,102,062</u>	<u>2,058,127</u>	<u>2,019,285</u>
All Other Governmental Funds:				
Reserved for debt service	11,266	13,075	21,141	16,098
Reserved for capital outlay	509,553	566,140	1,641,828	1,384,393
Unreserved, reported in:				
Special revenue funds	678,775	1,370,347	1,697,187	1,857,862
Permanent fund	<u>806,390</u>	<u>784,584</u>	<u>790,213</u>	<u>784,837</u>
Total all other governmental funds	<u>2,005,984</u>	<u>2,734,146</u>	<u>4,150,369</u>	<u>4,043,190</u>
Total governmental funds	<u>\$ 4,182,738</u>	<u>\$ 4,836,208</u>	<u>\$ 6,208,496</u>	<u>\$ 6,062,475</u>

Table 3

2003	2002	2001	2000	1999	1998
\$ -	\$ 34,900	\$ 356,200	\$ 185,000	\$ 55,000	\$ 300,000
<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>4,622,209</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>	<u>4,922,209</u>
34,804	46,122	53,560	26,655	38,820	30,344
1,318,827	1,344,880	1,258,757	1,140,109	1,118,776	441,572
2,086,078	1,590,406	1,405,473	2,234,674	2,019,909	1,178,851
<u>801,936</u>	<u>790,290</u>	<u>753,058</u>	<u>720,779</u>	<u>703,978</u>	<u>697,678</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>2,348,445</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>	<u>\$ 7,270,654</u>

City of Alpena

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

For the Last Ten Years June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>				
Taxes	\$ 4,730,096	\$ 4,507,955	\$ 4,436,789	\$ 4,235,765
Licenses and permits	137,734	159,414	154,869	139,405
State revenue	2,701,762	2,401,595	3,504,886	2,912,378
Federal revenue	271,426	-	77,473	82,722
Local grant revenue	630,295	708,445	580,154	534,089
Charges for services	1,374,937	1,413,317	1,221,464	1,289,249
Investment income and rents	432,340	316,901	301,127	239,274
Fines and forfeitures	31,218	33,899	39,050	31,621
Other	436,553	187,214	251,875	444,942
<b>Total revenues</b>	<u>10,746,361</u>	<u>9,728,740</u>	<u>10,567,687</u>	<u>9,909,445</u>
<b>EXPENDITURES</b>				
General government	2,275,874	1,943,642	2,047,589	1,932,597
Public safety	4,156,938	4,162,007	4,026,676	3,672,633
Public works	3,247,119	2,592,875	2,992,332	3,245,367
Parks and recreation	958,301	716,213	969,685	738,511
Capital outlay	99,404	1,108,482	1,585,041	7,574
Debt service				
Principal retirement	475,541	430,541	415,541	472,591
Interest and fees	178,109	196,568	183,302	155,347
<b>Total expenditures</b>	<u>11,391,286</u>	<u>11,150,328</u>	<u>12,220,166</u>	<u>10,224,620</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(644,925)</u>	<u>(1,421,588)</u>	<u>(1,652,479)</u>	<u>(315,175)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond and note proceeds	-	-	1,800,000	-
Payments to escrow agent	-	-	-	-
Transfers from other funds	440,844	1,067,215	1,265,279	1,301,695
Transfers to other funds	(449,389)	(1,017,915)	(1,266,779)	(1,357,195)
<b>Total other financing sources (uses)</b>	<u>(8,545)</u>	<u>49,300</u>	<u>1,798,500</u>	<u>(55,500)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (653,470)</u>	<u>\$ (1,372,288)</u>	<u>\$ 146,021</u>	<u>\$ (370,675)</u>
<b>Debt service as a percentage of Noncapital expenditures</b>	<u>7.22%</u>	<u>8.80%</u>	<u>7.08%</u>	<u>7.38%</u>

Table 4

2003	2002	2001	2000	1999	1998
\$ 4,207,225	\$ 4,162,288	\$ 4,063,997	\$ 3,985,298	\$ 3,917,253	\$ 3,753,084
82,087	113,802	70,102	81,407	139,865	55,284
2,838,230	2,917,121	2,715,185	2,789,476	2,781,915	2,376,357
148,611	139,399	305,713	1,233,810	62,944	44,302
497,800	671,691	450,939	453,830	553,404	408,732
1,237,802	1,523,765	1,477,428	1,489,983	1,491,119	1,350,520
293,772	340,627	588,380	240,007	462,628	735,735
21,215	22,299	35,931	32,090	42,282	22,609
384,769	323,211	171,936	445,200	239,827	170,540
<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>	<u>8,917,163</u>
1,968,481	2,037,717	2,359,459	1,654,565	1,586,679	1,328,326
3,584,989	3,740,259	3,592,374	3,463,289	3,449,841	3,151,145
728,910	2,531,838	3,349,338	3,892,224	2,571,636	2,402,403
1,661,368	878,391	1,095,628	843,944	1,265,488	591,796
1,459,453	343,724	-	81,069	-	-
473,988	504,610	344,908	295,000	275,000	275,000
191,277	332,752	234,232	220,219	237,912	254,138
<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>8,002,808</u>
<u>(356,955)</u>	<u>(155,088)</u>	<u>(1,096,328)</u>	<u>300,791</u>	<u>304,681</u>	<u>914,355</u>
-	2,404,777	-	-	-	-
-	(1,931,682)	-	-	-	-
1,337,046	1,301,797	1,313,206	1,260,000	2,240,000	1,445,000
(1,382,546)	(1,342,297)	(1,353,706)	(1,393,900)	(2,287,300)	(1,495,800)
<u>(45,500)</u>	<u>432,595</u>	<u>(40,500)</u>	<u>(133,900)</u>	<u>(47,300)</u>	<u>(50,800)</u>
<u>\$ (402,455)</u>	<u>\$ 277,507</u>	<u>\$ (1,136,828)</u>	<u>\$ 166,891</u>	<u>\$ 257,381</u>	<u>\$ 863,555</u>
<u>7.71%</u>	<u>8.83%</u>	<u>5.57%</u>	<u>5.23%</u>	<u>5.78%</u>	<u>7.08%</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
06/30/98	1997	\$ 156,252,330	\$ 327,441,000	\$ 54,518,100	\$ 109,036,200
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

(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	
06/30/98	1997	\$ 3,808,414	\$ 3,801,540	99.82%	\$ 6,627
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%	168,825

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

Table 5

Total		Taxable Value To Estimated Actual Value	Total Direct Tax Rate
Taxable Value	Estimated True Cash Value		
\$ 210,770,430	\$ 436,477,200	48.29%	\$ 18.5751
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

Table 6

Total Collections to Date	
Amount	Percentage of Levy
\$ 3,808,167	99.99%
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%
4,620,852	99.93%

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
Thunder Bay Manufacturing	Machine shop and foundry
Panel Processing, Inc.	Hardboard processing plant
Alpena Hotel, LLC	Motel and restaurant
Conveyor Systems, Inc.	Conveyor Manufacturer
Alpena Wholesale Grocer	Wholesale Groceries
Alpena Marc, LLC	Commercial Rental/Brewery
First Federal Savings & Loan	Bank
Fletcher Paper Company	Paper Mill
DG Trim Products	Automotive carpeting
Michigan Consolidated Gas	Natural gas utility

Ten largest taxpayers

Other taxpayers

The taxable values indicated above were established as of December 31, 2006 to be used in computing the tax levy for the fiscal year July 1, 2007 through June 30, 2008.

Source: City assessor's office.

Table 7

June 30, 2007			June 30, 1998		
Total Taxable Value	Rank	Percentage of Total Taxable Value	Total Taxable Value	Rank	Percentage of Total Taxable Value
\$ 39,815,355	1	14.38%	\$ 35,930,739	1	16.10%
4,292,900	4	1.55%	9,741,308	2	4.36%
7,357,213	2	2.66%	9,177,201	4	4.11%
4,866,638	3	1.76%	4,163,321	5	1.87%
3,124,802	5	1.13%	2,009,885	7	0.90%
3,107,260	6	1.12%	-	-	-
2,251,400	8	0.81%	1,621,500	8	0.73%
2,282,119	9	0.82%	-	-	-
2,253,038	7	0.81%	919,300	10	0.41%
1,899,482	10	0.69%	-	-	-
-	-	-	-	-	-
-	-	-	9,281,329	3	4.16%
-	-	-	2,339,284	6	1.05%
-	-	-	1,544,000	9	0.69%
71,250,207		25.73%	76,727,867		34.38%
205,653,710		74.27%	146,476,711		65.62%
<u>\$ 276,903,917</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
06/30/98	1997 (A)	16.1305	0.4946	1.9500	-	18.5751
06/30/98	1997 (B)	16.1305	0.4946	1.9500	-	18.5751
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

- (1) In addition, the Downtown Development Authority levies 2.00 mills in the Downtown District.  
 (A) Homestead Property  
 (B) Non-Homestead Property

**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
06/30/98	1997	\$ 64,845	\$ 420,478	648.44%	\$ 65,148
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

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	8.0880	6.0000	40.1727
20.9800	2.3073	2.2223	8.0880	6.0000	58.1727
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

City of Alpena

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years Ended June 30

Fiscal Year Ended	Governmental Activities			Business-type	Total Primary Government
	General Obligation Bonds	Land Purchase Bank Loan	Installment Purchase Obligations	Revenue Bonds	
06/30/98	\$ 4,385,000	\$ -	\$ -	\$ 4,000,000	\$ 8,385,000
06/30/99	4,110,000	-	-	4,000,000	8,110,000
06/30/00	3,815,000	-	331,000	3,900,000	8,046,000
06/30/01	3,525,000	825,092	261,000	3,800,000	8,411,092
06/30/02	3,680,000	635,482	181,000	3,700,000	8,196,482
06/30/03	3,355,000	486,494	91,000	3,600,000	7,532,494
06/30/04	2,980,000	388,903	26,170	3,500,000	6,895,073
06/30/05	4,415,000	338,362	13,085	3,400,000	8,166,447
06/30/06	4,025,000	297,821	4,032	3,250,000	7,576,853
06/30/07	3,590,000	257,280	2,880	3,100,000	6,950,160

**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
06/30/98	\$ 2,400,000	\$ 1,985,000	\$ -	\$ -	\$ -
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

(1) - Per Northeast Michigan Community Service Agency

(2) - Per Table 5

Table 10

Percentage of Personal Income	Per Capita
3.60%	\$ 721
3.39%	696
3.26%	690
3.42%	744
4.15%	725
2.78%	666
2.55%	610
3.02%	722
2.92%	702
2.69%	641

Table 11

Total	Population (1)	Taxable Value (2)	Percentage of Actual Taxable Value of Property	Per Capita
\$ 4,385,000	11,630	\$ 210,770,430	2.08%	\$ 377
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

City of Alpena

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years Ended June 30

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	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limit	\$ 21,519,027	\$ 20,810,103	\$ 20,171,861	\$ 19,468,959
Total net debt applicable to limit	<u>6,938,894</u>	<u>7,559,746</u>	<u>8,145,306</u>	<u>6,878,975</u>
Legal debt margin	<u>\$ 14,580,133</u>	<u>\$ 13,250,357</u>	<u>\$ 12,026,555</u>	<u>\$ 12,589,984</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>32.25%</u>	<u>36.33%</u>	<u>40.38%</u>	<u>35.33%</u>

Table 12

2003	2002	2001	2000	1999	1998
\$ 19,319,045	\$ 19,136,211	\$ 18,607,811	\$ 18,523,270	\$ 17,856,366	\$ 17,856,366
<u>7,497,690</u>	<u>8,150,360</u>	<u>7,532,440</u>	<u>7,688,345</u>	<u>8,071,180</u>	<u>8,415,345</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>\$ 9,441,021</u>
<u>38.81%</u>	<u>42.59%</u>	<u>40.48%</u>	<u>41.51%</u>	<u>45.20%</u>	<u>47.13%</u>

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2007

Total taxable assessed valuation		\$ 268,987,838
Charter debt limit - 8% of total taxable value		21,519,027
Total General obligation debt	\$ 6,950,160	
Less: Amount available in debt funds	<u>11,266</u>	
Total net debt applicable to limit		<u>6,938,894</u>
Legal debt margin		<u>\$ 14,580,133</u>

City of Alpena

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2007

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	\$ 3,100,000	100.00%	\$ 3,100,000
Alpena County Sanitary Sewage Bonds	385,000	100.00%	385,000
Public Safety Building Bonds	1,145,000	100.00%	1,145,000
Building Authority Bonds	2,060,000	100.00%	2,060,000
Installment Loans	257,280	100.00%	257,280
Capital Lease	2,880	100.00%	2,880
			<u>6,947,280</u>
Overlapping Debt			
Alpena County	1,695,000	30.00%	508,500
Alpena Public Schools	20,510,000	26.27%	5,387,977
Alpena Community College	1,655,000	26.27%	434,769
			<u>6,331,246</u>
Total			<u>\$ 13,278,526</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

Fiscal Year Ended	(1) Population	(2) Personal Income (In Thousands)	(3) Per Capita Income	(4) Median Age	(5) Education Level in Years of Formal Schooling	(6) School Enrollment	(7) Unemployment Rate
06/30/98	11,630	\$ 232,716	\$ 20,010	38.4	12.9	2,082	7.0%
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%

(1) (4) (5) Census Bureau

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

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

(7) Michigan Works - Alpena County annual averages

City of Alpena

**PRINCIPAL EMPLOYERS**

Current Year and Nine 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
Besser Company	Concrete block making machines
Alpena Community College	Community College
Lafarge Midwest, Inc.	Cement production
Decorative Panels, Inc.	Hardboard manufacturing
Tendercare Michigan Inc.	Long term care facility
County of Alpena, Michigan	Local government
Thunder Bay Manufacturing	Machine shop and foundry
Fletcher Paper Company	Paper mill

Largest employers

Other employers

Total employment

Source: Direct phone call to companies

Table 15

June 30, 2007			June 30, 1997		
Employees	Rank	Percentage of County of Alpena Employment	Employees	Rank	Percentage of Total City Employment
980	1	6.77%	667	1	4.86%
550	2	3.80%	625	2	4.55%
460	3	3.18%	218	7	1.59%
315	4	2.18%	450	3	3.28%
262	5	1.81%	143	9	1.04%
248	6	1.71%	280	5	2.04%
186	7	1.28%	330	4	2.40%
180	8	1.24%	-	-	-
180	9	1.24%	180	8	1.31%
87	10	0.60%	100	10	0.73%
-	-	-	240	6	1.75%
3,448		23.81%	3,233		23.55%
11,032		76.19%	10,493		76.45%
14,480		100.00%	13,726		100.00%

City of Alpena

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

For the Last Ten Years June 30,

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	28	26	26	26
Police protection				
Officers	16	17	17	17
Civilians	-	-	-	-
Fire protection				
Firefighters and officers	23	23	23	22
DPW	14	14	14	14
<b>Total</b>	<b>81</b>	<b>80</b>	<b>80</b>	<b>79</b>

Source: City Manager's Office

**OPERATING INDICATORS BY FUNCTION**

For the Last Ten Years June 30,

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Police protection				
Physical arrests	722	823	735	735
Traffic violations	727	845	1,308	1,308
Traffic violations - O.W.I.	73	127	178	168
Parking violations	653	668	443	443
Fire protection				
Calls answered	1,006	874	766	746
Insections conducted	327	321	470	223
Ambulance runs	2,689	2,701	2,361	2,379
Sewage system				
Number of service connections	4,755	4,755	4,747	4,742
Average daily treatment-in gallons	2,876,000	2,876,000	2,549,000	2,386,000
Water system				
Number of service connections	4,757	4,757	4,749	4,743
Average daily treatment-in gallons	2,091,000	2,091,000	2,097,000	2,083,425

Sources: Various City departments

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

Table 16

2003	2002	2001	2000	1999	1998
26	24	28	29	28	30
17	17	19	19	21	19
-	-	4	4	4	4
21	25	24	26	25	25
15	15	15	15	15	15
<u>79</u>	<u>81</u>	<u>90</u>	<u>93</u>	<u>93</u>	<u>93</u>

Table 17

2003	2002	2001	2000	1999	1998
704	642	817	790	1,147	849
1,610	1,399	1,845	2,375	2,883	2,010
132	105	114	93	127	91
230	318	756	320	730	525
808	887	920	989	824	932
243	173	163	315	315	112
2,538	2,657	2,222	2,384	2,405	2,387
4,729	4,714	4,698	4,698	4,681	4,662
2,386,000	2,902,000	2,902,000	2,315,000	2,700,000	3,886,000
4,730	4,717	4,699	4,699	4,682	4,661
2,150,000	2,250,000	2,250,000	2,250,000	2,320,000	2,278,000

City of Alpena

**CAPITAL ASSETS STATISTICS BY FUNCTION**

For the Last Ten Years June 30,

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Public works				
Major streets (miles)	25.81	25.81	25.81	25.81
Local streets (miles)	43.60	43.60	43.60	43.60
Streetlights	784	784	780	780
Culture and recreation				
Community centers	1	1	1	1
Parks	16	16	16	14
Tennis courts	4	4	4	4
Volleyball courts	6	0	0	0
Marina	1	1	1	1
Playgrounds	4	4	4	4
Park shelter buildings	2	2	2	2
Ballfields	7	7	7	6
Horseshoe courts	5	5	5	4
Outdoor ice rinks	1	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	2	2	2
Bi-Path (miles)	14.38	13.5	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	82.31
Storm sewers (miles)	35.90	35.90	35.90	35.46
Treatment capacity (gallons)	15,200,000	15,200,000	15,200,000	15,200,000
Water				
Water mains (miles)	81.31	81.31	80.90	80.06
Fire hydrants	605	605	603	598
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, 2007

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: 118

City: 57

Number of Secondary Schools

School District: 3

City: 1

Number of Secondary School Instructors

School District: 121

City: 77

Number of Community Colleges: 1

Number of Universities: 0

Hospitals

Number of Hospitals: 1

Number of Patient Beds: 150



Certified Public Accountants

PHILIP T. STRALEY, C.P.A.  
ROBERT D. ILSLEY, C.P.A.  
BERNARD R. LAMP, C.P.A.  
TERRENCE D. YULE, C.P.A.  
MARK L. SANDULA, C.P.A.  
JAMES E. KRAENZLEIN, C.P.A./A.B.V., C.V.A.  
DONALD C. LEVREN

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TAX, AUDIT AND BUSINESS CONSULTANTS

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

November 27, 2007

To the Municipal Council  
City of Alpena, Michigan

We have audited the financial statements of City of Alpena, Michigan for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated July 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing an audit, we considered the City of Alpena, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Alpena, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Alpena, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on City of Alpena, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on City of Alpena, Michigan's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Alpena, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2007. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

### **Disagreements with Management**

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

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

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

### **Issues Discussed Prior to Retention of Independent Auditors**

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

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

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

## **Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. We discovered no reportable conditions that should be communicated to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

## **Other Matters**

1. **Recent Pronouncements.** The Governmental Accounting Standards Board (GASB), in its continuing process of updating the accounting principles that all governmental units must adhere to, has issued the following recent pronouncements that will have an impact on the way the City of Alpena, Michigan maintains its financial records:
  - A. **GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the City to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the City for the year ended June 30, 2009. It will have a significant impact on the City of Alpena's government-wide net assets, as the last available actuarial evaluation estimated the unfunded accrued liability for the retiree health plan exceeded five million dollars.
  - B. **GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.** This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowing. The statement also includes disclosure requirements for future revenues that are pledged or sold. The requirements of this statement are effective for financial statements of the City for the year ended June 30, 2008.
  - C. **GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations.** This statement provides guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts. The requirements of this statement are effective for financial statements of the City for the year ended June 30, 2009.
  - D. **GASB Statement No. 50 – Pension Disclosures.** Notes to the financial statements should disclose the funded status of the plan as of the most recent actuarial valuation and actuarial methods and significant assumptions used instead of in the required supplementary information and link the funding status to the required schedule of funding progress. The requirements of this statement are effective for financial statements of the City for the year ended June 30, 2008.

**E. GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets.** This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and guidance on recognition and related amortization. The requirements of this statement are effective for financial statements of the City for the year ended June 30, 2010.

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

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

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

*Straley, Isky ; Lamp P.C.*