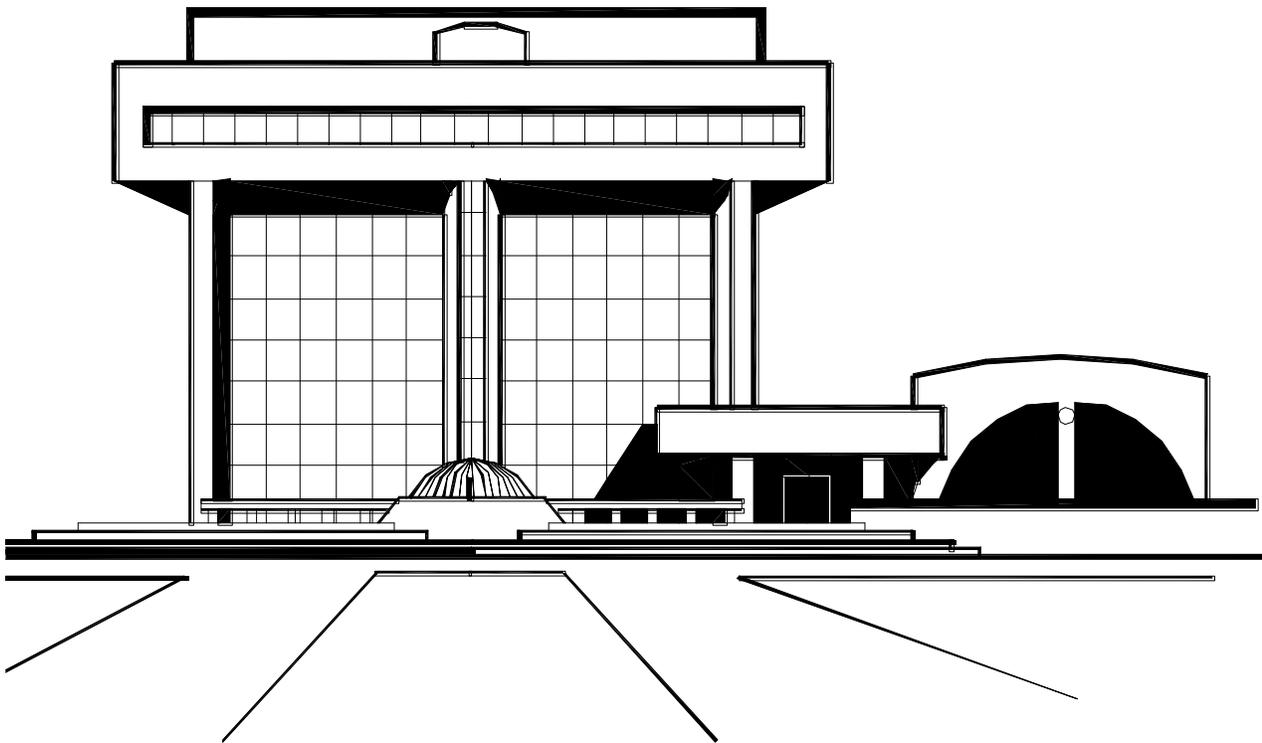


Comprehensive Annual Financial Report

For the Year Ended June 30, 2002



**Department of Finance
City of Port Huron, Michigan**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF PORT HURON
DEPARTMENT OF FINANCE**

For the Fiscal Year Ended June 30, 2002

CITY COUNCIL

B. Mark Neal - Mayor

Alan D. Cutcher

Kimberly C. Prax

James A. Fisher

Clifford E. Schrader

Sally A. Jacobs

Laurie Sample-Wynn

THOMAS J. HUTKA - City Manager

DEPARTMENT OF FINANCE

JOHN H. OGDEN, C.P.A. - Director

E. P. Brennan, C.P.A. - Controller - Purchasing Agent

D. M. Cole - Data Processing Manager

M. A. Dempsey - Treasurer - Water Office Supervisor

R. S. Fernandez - Assessor

E. J. Laratonda, C.P.A. - Income Tax Administrator

City of Port Huron
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 Year Ended June 30, 2002

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October 9, 2002

Honorable Mayor and City Council
City of Port Huron
Port Huron, Michigan

We are pleased to present the Comprehensive Annual Financial Report of the City of Port Huron, Michigan for the fiscal year ended June 30, 2002. The financial statements contained herein have been audited by the independent certified public accounting firm of Plante & Moran, PLLC and their unqualified opinion is included in the general purpose financial statements. However, this report is presented by the City, which is responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. We believe the data, as presented, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational chart and the prior year's Certificate of Achievement. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and revised Circular A-133 issued by the U. S. Office of Management and Budget and the provisions of "Government Auditing Standards" issued by the Comptroller General. Information related to this single audit, including the schedule of expenditures of federal awards and the auditor's reports on compliance and on internal control over financial reporting and on compliance with requirements applicable to each major program and internal control over compliance, is included in the single audit section of this report.

This report includes all funds and account groups of the City, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Henry McMorran Memorial Auditorium Authority is reported as a discretely presented proprietary component unit. The Downtown Development Authority, Tax Increment Finance Authority and Local Development Finance Authority are reported as discretely presented governmental component units. The governmental component units have

provided a mechanism to encourage or facilitate development through tax increment financing. The City provides a full range of services including police and fire protection; sanitation services, construction and maintenance of streets and infrastructure; recreational activities and parks. The City's parks include three and a half miles of public water frontage with two beaches on Lake Huron, four large parks and parkways along the St. Clair River and marina facilities on the Black River.

ECONOMIC CONDITION AND OUTLOOK

Located on the western shore of Lake Huron and the St. Clair River in southeastern Michigan, Port Huron is one of only three ports of entry into Canada from the state, via the International Blue Water Bridge. As a result of the completion of the interstate highway systems on both sides of the border, the expansion of the Blue Water Bridge and the Free Trade Agreement between the United States and Canada, we have experienced and anticipate even greater trade and tourism activity for our community. Bridge traffic has consistently increased as a result of the highway completion and the addition of a second bridge. Currently the Blue Water Bridge is the second busiest northern commercial crossing and the fourth busiest overall northern crossing. On an average day over 4,300 commercial and 12,000 passenger vehicles travel across the twin spans. Total annual bridge traffic is almost six million vehicles. Port Huron is also within the just-in-time service radius of Detroit and Flint which has contributed to the addition of new auto related industries in our industrial park.

The City has a varied manufacturing, industrial and commercial base and is the county seat. The downtown area includes the administrative, court and law enforcement facilities for St. Clair County. The St. Clair County Community College and the regional medical facilities of the Port Huron and Mercy Hospitals are also within the City. The City's population has been relatively stable at 32,000. However, the metropolitan area, which is served by the City and its employers, is now over 80,000, increasing the City's commercial and employment base. The City provides utility services for five surrounding communities. The City is also home to the Port Huron Museum, McMorran Place (theater and arenas), the Thomas Edison Depot Museum and a variety of other maritime attractions. Although these are primarily positive factors, we must continue to monitor the economic and employment conditions throughout the year as they will continue to affect our revenue growth.

A local investor and philanthropist has created an investment venture which has acquired over forty acres of former railroad and other property in the southern downtown area of the City along the St. Clair River, including the Seaway Terminal formerly owned by the City. The venture intends to develop over a mile of river front property. Plans include a waterfront park and commercial and residential development. The stated goal of the venture is to facilitate change, by formulating a redevelopment plan that will mark the beginning of a long-term strategy to improve the way people live, work and play in Port Huron and in the surrounding region.

The City is continuing a major construction initiative to upgrade streets, water distribution and sanitary and storm sewers. In accordance with the Michigan Department of Environmental Quality requirements, this process will include reducing combined sewer overflows (CSO's).

Careful planning will be necessary as we progress through the next fiscal year. It is particularly important that the major construction projects be constantly monitored with regard to costs, quality, public safety and convenience.

MAJOR ACCOMPLISHMENTS AND AWARDS

The City of Port Huron's police department became an accredited police agency through meeting the rigorous standards of the Commission on Accreditation of Law Enforcement Agencies (CALEA) in 1995 and was reaccredited in 1998 and 2001. Port Huron was the third municipality in Michigan to receive this honor. In 2000 the Port Huron Fire Department also became accredited through the Commission on Fire Accreditation International, the first municipality in Michigan to be so honored. Port Huron remains the only municipality in Michigan to have both an accredited police department and fire department.

In addition, the City's personnel department has been selected by the Governor's Council on Physical Fitness, Health and Sports as a recipient of their 2002 Silver award. The personnel department has received such an award for eight consecutive years. An employee of the planning and community development department received a Recognition Award from the Michigan State Housing Development Authority. The wastewater treatment plant received the EPA 2002 National Honorable Mention Award in the Biosolids Exemplary Management Awards Program, after nomination by the Michigan Department of Environmental Quality. An employee of the Utilities division was state wastewater worker of the year. The police department received a certificate of achievement for its Citizen's Police Academy from the Michigan Municipal League. The City of Port Huron has been a Tree City USA for five years.

The City's administrative employees pride themselves on remaining current in their fields through education, training and participation in state and national organizations.

MAJOR INITIATIVES

Providing job opportunities and maintaining our population are key factors that will determine the economic future of Port Huron. The City has served as the catalyst in these areas and promoted economic development to attain these goals. Several major developments have occurred or are in progress which will enhance our future and include:

- The continuing concentrated effort to revitalize streets made possible with voter approval of a two mill property tax levy for ten years.
- Continued operation of the City's industrial park to facilitate additional manufacturing sites and employment opportunities.
- Construction of an industrial speculative building (Spec. 11) enabling the City to respond to an immediate need of a manufacturing operator through a lease/purchase commitment.

- The City's continuing development of Edison Shores, which consists of approximately sixty-four luxury condominiums along the bank of the St. Clair River. Sixty of the units are occupied as of June 30, 2002 and four more are to be developed by a private developer.
- The implementation of the infrastructure for the third phase (approximately twenty lots) of our single family Renaissance South subdivision, with lot sales beginning in the Fall of 2002.
- The construction of a privately financed residential development, Arbors at St. Clair.
- The continued development of River Centre which will include twenty condominiums along the banks of the Black River (seventeen of which are substantially completed at June 30, 2002), newly constructed medical offices and surgical facilities for Orthopedic Associates and another office or administrative building on the remaining three acres.
- A major effort to revitalize the McMorran Memorial Auditorium facilities with fund-raising in excess of \$3.2 million as of June 30, 2002.

The City's involvement in these major economic development projects will not only be rewarded through additional job opportunities and increased population, but will expand our financial resources. Because the full impact of these developments will not be realized for several years, the City must continue to exercise financial restraint. The increased cost of maintaining services, and the retrenchment of state and federal programs will provide a challenge worthy of our best efforts to maintain our history of financial integrity.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is 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, assurances that these objectives are met. The concept of reasonable assurance recognizes 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 judgements by management. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

Single Audit - As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's single audit, tests are made by the auditors to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with the applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2002 identified no material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls - The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

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.

General Government Functions - The following schedule presents a summary of General and Special Revenue Funds and the discretely presented governmental component units' revenues for the fiscal year ended June 30, 2002 and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2001</u>	<u>Percent of Increase (Decrease)</u>
Taxes	\$ 15,585,315	53.3%	\$ 630,113	4.2%
Licenses and permits	490,110	1.7	(100,238)	(17.0)
Grants	2,485,774	8.5	489,855	24.5
State shared revenues	7,444,145	25.5	(322,734)	(4.2)
Charges for services	1,228,340	4.2	(2,458)	(.2)
Investment income	393,164	1.3	(427,467)	(52.1)
Administrative charges	1,230,312	4.2	54,275	4.6
Other revenue	<u>380,331</u>	<u>1.3</u>	<u>1,741</u>	.5
	<u>\$ 29,237,491</u>	<u>100.0%</u>	<u>\$ 323,087</u>	

Property tax collections continued at a reasonable level with the percentage of current collections to the levy being 92.61%; however the total property taxes collected amounted to 98.34% of the current levy. The thirty-first year of net City income tax collections amounted to \$191.69 per capita compared to \$198.54, \$208.05 and \$214.55 for the previous three fiscal years, based upon a population of 32,338 (33,694 for 2000 and 1999). The decline in income tax revenue is partially related to economic conditions and to an increase in the personal exemption approved for the 2001 and subsequent tax years. State shared revenues decreased due to the State of

Michigan collecting decreased sales taxes and adjustments to the State budget. The increase in grants revenue reflects an increase in current year activities under the State recreation, Home and Rental Rehabilitation programs. The decrease in investment income is primarily the result of reduced interest rates.

The following schedule presents a summary of the General and Special Revenue Funds expenditures for the fiscal year ended June 30, 2002 and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2001</u>	<u>Percent of Increase (Decrease)</u>
General government	\$ 2,960,753	10.4%	\$ (117,537)	(3.8)%
Public safety	11,461,167	40.2	577,281	5.3
Public works	5,389,241	18.9	272,141	5.3
Senior citizens	53,039	.2	(203)	(.4)
Recreation, parks and culture	3,142,306	11.0	(177,917)	(5.4)
General support services	1,378,461	4.8	(86,653)	(5.9)
Capital outlay	<u>4,134,706</u>	<u>14.5</u>	<u>312,568</u>	8.2
	<u>\$ 28,519,673</u>	<u>100.0%</u>	<u>\$ 779,680</u>	

The level of expenditures, in general, have changed in accordance with the approved budget plan. Capital expenditures have increased due to improvements at the City's two public swimming pools and capital expenditures for bridge and street reconstruction.

General Fund Balance - The fund balance of the General Fund increased by \$62,846 to a total of \$2,856,372. Of this amount \$4,293 was reserved for inventories, \$64,773 was reserved for prepaid items, and \$2,787,306 was unreserved and undesignated. The fund balance continues to exceed the targeted balance retained for operating purposes.

Enterprise Operations - The City operates several enterprise funds and a summary of each of their operations follows:

The operating revenue of the Water Supply System amounted to \$4,277,905 compared to \$3,967,583 for the preceding year. During the same period, operating expenses, excluding depreciation, were \$2,998,948. After providing for depreciation, the System's retained earnings increased by \$129,858 from operations. During the year, additions to fixed assets amounted to \$6,685,692, primarily related to water distribution line improvements. The increases in operating revenues for the Water Supply System and Wastewater Disposal System appear to be primarily due to usage and rate increases. Revenues to date in the fiscal year ending June 30, 2003 have increased over the same periods for 2002 and 2001.

The Wastewater Disposal System's operating revenue amounted to \$7,676,494 compared to \$7,295,931 in the 2001-2002 fiscal year. Operating expenses, excluding depreciation, were \$5,775,961. The General Fund transferred \$1,012,212 and the Land Purchase Fund transferred \$900,000 to the Wastewater Disposal System as operating transfers and the Fund received grants of \$731,250 and had donated infrastructure improvements of \$1,794,852. As a result, after providing for depreciation, the System's retained earnings increased by \$3,798,552 from operations. Fixed asset additions amounted to \$17,136,147 during the year, primarily related to construction of collection system improvements to eliminate CSO's.

Operating revenue of the Parking System increased by \$23,207 to a total of \$189,054 and operating expenses, excluding depreciation, increased by \$14,655 to a total of \$191,404. After providing for depreciation, the System's retained earnings decreased by \$15,327.

Operating revenues of the Senior Citizens Housing complex amounted to \$331,991 plus an operating grant of \$464,008 from the U.S. Government. After providing for operating expenses of \$479,101, depreciation and interest on general obligation bonds, the retained earnings amounted to \$1,676,491 at year end. Outstanding general obligation bonds at June 30, 2002 amounted to \$200,000, with annual maturities of \$200,000 in 2003.

Operating revenue of the Marina Fund amounted to \$441,957 while operating expenses, excluding depreciation, were \$512,779 for the year. After providing for depreciation retained earnings amounted to \$696,857 at year end.

The operations of the Land Purchase Fund include the assemblage of land for future commercial and industrial sites, the construction and leasing of industrial speculative buildings and the development of residential subdivisions. At year end net fixed assets and retained earnings amounted to \$7,373,821 and \$15,600,055 respectively.

Debt Administration - At June 30, 2002, the City had twelve general obligation debt issues outstanding. General obligation bonds aggregating \$47,269,620 (net of unamortized discount of \$207,997) for senior citizens housing, wastewater collection system and water distribution system improvements and revenue bonds of \$9,273,708 (net of unamortized discount of \$176,292) for water distribution system improvements make up the issues. Each of these debt issues is considered self supporting. The City has maintained it's A ratings from Fitch ICBA, Inc. and Standard & Poor's Corporation. Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on ten percent of total equalized value of real and personal property. As of June 30, 2002, the City's remaining legal limit relating to general obligation debt is \$28,293,825. The City had no other general obligation debt outstanding at June 30, 2002.

Cash Management - Investment of Funds - Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and government pooled investment accounts. The nonexpendable endowment trust funds' investment portfolios also include corporate bonds and stocks.

The City administers a cash management and investment program to maximize the amount of cash available, both to meet daily cash requirements and to increase the amount available for investments, and to earn the maximum financial return on available funds. The City takes full advantage of temporary idle funds which also includes vendor payments. To ensure the most competitive rates on investments, the cash resources of the individual funds, excluding certain fiduciary funds, are combined to form a pool of cash for investment. Such funds were primarily invested in government pooled investment accounts. For the fiscal year ended June 30, 2002, the average twelve month interest rate was 2.14% compared to an average treasury rate of approximately 2.06% for the same period. Investment income was \$441,644 for the General and Special Revenue Funds and the discretely presented governmental component units. The Enterprise and Internal Service Funds had investment income of \$480,125 and \$161,587, respectively.

Risk Management - The City has entered into a joint powers agreement with other Michigan units of government for joining the Michigan Municipal Risk Management Authority for its general liability insurance, including auto and public official liability. The City has also provided for worker's compensation claims within the Fringe Benefit Fund with third party coverage for claims above \$350,000. Property damage insurance is provided through third party coverage.

OTHER INFORMATION

Independent Audit - The City Charter and state statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Plante & Moran, PLLC, CPAs, was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act, as amended, and revised OMB Circular A-133. The auditor's report on the general purpose financial statements and combining and individual fund financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section.

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 Port Huron for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance. Each member of the Department has our sincere appreciation for the contribution made in preparation of this report.

In closing, we also thank the 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,



John H. Ogden, C.P.A.
Director of Finance

JHO/da

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Port Huron,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

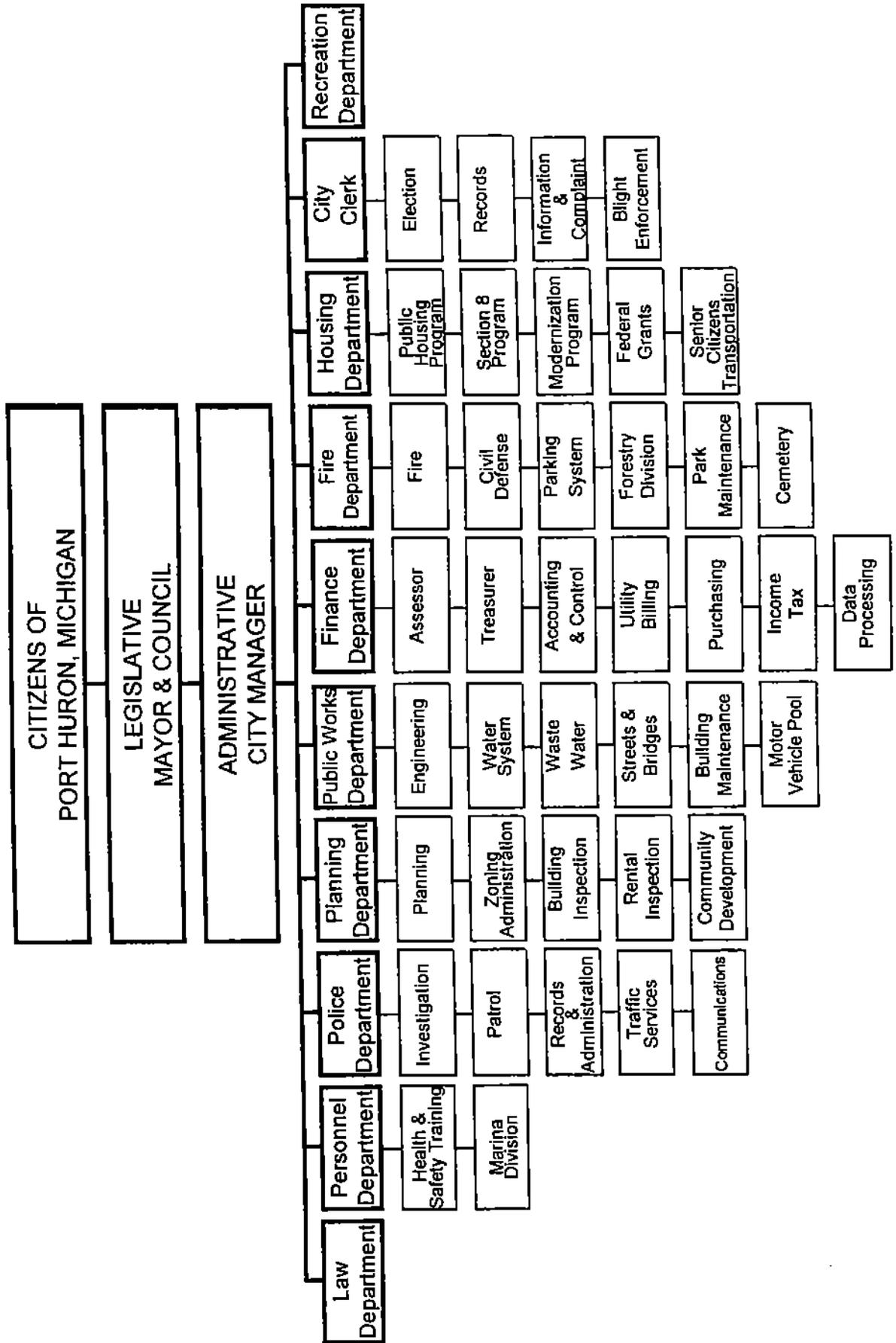
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Imelda Greve
President

Jeffrey L. Essler
Executive Director

ORGANIZATIONAL CHART PORT HURON CITY GOVERNMENT



FINANCIAL SECTION



Plante & Moran, PLLC
Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586.465.2200
Fax: 586.469.0165
plante Moran.com

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Port Huron, Michigan

We have audited the accompanying general purpose financial statements of the City of Port Huron, Michigan as of June 30, 2002 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Port Huron, Michigan's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Port Huron, Michigan as of June 30, 2002 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of individual funds (identified in the table of contents as schedules B through G-5) and the Single Audit Section are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the data listed in the table of contents as the statistical section and, accordingly, do not express an opinion thereon.

A member of



A world-wide association of independent accounting firms

To the Honorable Mayor and Members
of City Council
City of Port Huron, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Morse, PLLC

October 9, 2002

City of Port Huron

COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUP AND DISCRETELY PRESENTED COMPONENT UNITS
 June 30, 2002

EXHIBIT A

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 2,100,161	\$ 11,017,083	\$ 19,901,693	\$ 8,852,974
Investments				
Receivables (net of allowances for uncollectibles)	2,343,373	2,974,517	29,225,260	308,108
Due from other governmental units	1,046,950	384,710	549,821	
Due from other funds	2,748	79,423	292,269	
Inventories	4,293	240,319	77,200	79,497
Prepaid and deferred items	64,773		429,077	
Restricted assets (cash and cash equivalents)			6,996,932	
Fixed assets (net, where applicable, of accumulated depreciation)			117,480,578	2,450,464
Other debits - Amount to be provided for retirement of long-term debt				
Total Assets And Other Debits	<u>\$ 5,562,298</u>	<u>\$ 14,696,052</u>	<u>\$ 174,952,830</u>	<u>\$ 11,691,043</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 443,269	\$ 59,726	\$ 147,508	\$ 133,163
Accrued payroll	557,236	103,295	193,706	193,370
Claims and judgements payable				861,627
Contracts payable	346,072	3,923,710	483,038	
Due to other governmental units				
Taxes collected in advance	171,023	72,511		
Due to other funds		79,423	295,017	
Accrued interest payable			323,119	
Deferred revenue	1,188,326	2,968,890	26,412,498	
Other liabilities			158,924	
Current portion of long-term debt			2,055,000	
Current liabilities payable from restricted assets			436,158	
Compensated absences payable				2,928,202
Long-term debt (exclusive of current portion)			54,138,328	
Total Liabilities	<u>2,705,926</u>	<u>7,207,555</u>	<u>84,643,296</u>	<u>4,116,362</u>
Equity and other credits:				
Investment in general fixed assets				
Contributed capital			23,589,188	78,346
Retained earnings:				
Reserved for revenue bond redemption and reserve account			1,138,866	
Unreserved			65,581,480	7,496,335
Fund balances:				
Reserved for inventories	4,293	240,319		
Reserved for prepaid items	64,773			
Reserved for endowments				
Unreserved:				
Designated for subsequent years' expenditures		4,303,599		
Undesignated	2,787,306	2,944,579		
Total Equity And Other Credits	<u>2,856,372</u>	<u>7,488,497</u>	<u>90,309,534</u>	<u>7,574,681</u>
Total Liabilities, Equity And Other Credits	<u>\$ 5,562,298</u>	<u>\$ 14,696,052</u>	<u>\$ 174,952,830</u>	<u>\$ 11,691,043</u>

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Types Trust and Agency	Account Group General Fixed Assets	Totals (Memorandum Only) Primary Government		Component Units June 30, 2002	Totals (Memorandum Only) Reporting Entity
		June 30, 2002	June 30, 2001		June 30, 2002
\$ 572,817 4,804,970	\$	\$ 42,444,728 4,804,970	\$ 20,789,398 19,938,778	\$ 3,697,360	\$ 46,142,088 4,804,970
49,976		34,901,234 1,981,481 374,440 401,309 493,850 6,996,932	37,036,487 1,664,871 556,479 344,038 268,371 3,355,547	49,799 10,262 21,933 1,773,229	34,951,033 1,981,481 374,440 411,571 515,783 8,770,161
	57,642,384	177,573,426	154,963,816	2,459,674	180,033,100
				27,437,727	27,437,727
<u>\$ 5,427,763</u>	<u>\$ 57,642,384</u>	<u>\$ 269,972,370</u>	<u>\$ 238,917,785</u>	<u>\$ 35,449,984</u>	<u>\$ 305,422,354</u>
\$	\$	\$ 783,666 1,047,607 861,627 4,752,820 14,898 580,477 374,440 323,119 30,569,714 172,074 2,055,000 436,158 2,928,202 54,138,328 99,038,130	\$ 967,061 1,120,830 811,855 3,315,424 31,728 29,366 556,479 201,136 32,677,770 159,308 1,285,000 388,083 2,573,940 31,381,540 75,499,520	\$ 119,741 94,902 68,769 907,888 1,773,229 60,579 23,899 27,437,727 30,486,734	\$ 903,407 1,142,509 861,627 4,821,589 922,786 580,477 374,440 323,119 32,342,943 232,653 2,078,899 436,158 2,928,202 81,576,055 129,524,864
14,898 336,943		57,642,384	55,279,479 24,674,270	787,763	57,642,384 24,455,297
13,150		1,138,866 73,077,815	1,107,457 67,383,095	1,477,049	1,138,866 74,554,864
		244,612 64,773 5,062,772	239,719 6,389 5,181,080		244,612 64,773 5,062,772
		4,303,599 5,731,885 170,934,240	60,163 9,486,613 163,418,265	2,324,481 373,957 4,963,250	6,628,080 6,105,842 175,897,490
<u>364,991</u>		<u>57,642,384</u>	<u>55,279,479</u> <u>24,674,270</u>	<u>30,486,734</u>	<u>129,524,864</u>
	57,642,384	57,642,384	55,279,479 24,674,270	787,763	57,642,384 24,455,297
		1,138,866 73,077,815	1,107,457 67,383,095	1,477,049	1,138,866 74,554,864
		244,612 64,773 5,062,772	239,719 6,389 5,181,080		244,612 64,773 5,062,772
5,062,772		4,303,599 5,731,885 170,934,240	60,163 9,486,613 163,418,265	2,324,481 373,957 4,963,250	6,628,080 6,105,842 175,897,490
<u>5,062,772</u>	<u>57,642,384</u>	<u>170,934,240</u>	<u>163,418,265</u>	<u>4,963,250</u>	<u>175,897,490</u>
<u>\$ 5,427,763</u>	<u>\$ 57,642,384</u>	<u>\$ 269,972,370</u>	<u>\$ 238,917,785</u>	<u>\$ 35,449,984</u>	<u>\$ 305,422,354</u>

City of Port Huron

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED
COMPONENT UNITS
Year Ended June 30, 2002**

EXHIBIT A-1

	General	Special Revenue
Revenues:		
Taxes	\$ 12,582,572	\$ 3,002,743
Licenses and permits	490,110	
Grants	385,326	2,100,448
State shared revenues	4,923,275	2,520,870
Charges for services	485,102	743,238
Fines and forfeits	194,951	
Investment income	283,008	110,156
Rents	184,139	
Sale of property	1,241	
Administrative charges	1,230,312	
Total Revenues	20,760,036	8,477,455
Expenditures:		
Current:		
General government	2,960,753	
Public safety	11,461,167	
Public works	1,467,703	3,921,538
Senior citizens	53,039	
Recreation, parks and culture	2,710,531	431,775
Taxes disbursed - not captured		
General support services	588,873	789,588
Capital outlay	563,594	3,571,112
Total Expenditures	19,805,660	8,714,013
Revenues over (under) Expenditures	954,376	(236,558)
Other financing sources (uses):		
Operating transfers in	183,604	2,665,034
Operating transfers in - primary government		
Operating transfers out	(1,075,134)	(1,939,337)
Operating transfers out - primary government		
	(891,530)	725,697
Revenues and Other Sources over (under) Expenditures and Other Uses	62,846	489,139
Fund balances at beginning of year	2,793,526	6,999,358
FUND BALANCES AT END OF YEAR	\$ 2,856,372	\$ 7,488,497

The notes to the financial statements are an integral part of this statement.

Totals (Memorandum Only) Primary Government		Component Units Governmental Fund Types	Totals (Memorandum Only) Reporting Entity
June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2002
\$ 15,585,315	\$ 14,955,202	\$ 4,744,559	\$ 20,329,874
490,110	590,348		490,110
2,485,774	1,995,919		2,485,774
7,444,145	7,766,879	4,011	7,448,156
1,228,340	1,230,798		1,228,340
194,951	188,723		194,951
393,164	820,631	48,480	441,644
184,139	176,138		184,139
1,241	13,729	139,950	141,191
1,230,312	1,176,037		1,230,312
<u>29,237,491</u>	<u>28,914,404</u>	<u>4,937,000</u>	<u>34,174,491</u>
2,960,753	3,078,290		2,960,753
11,461,167	10,883,886		11,461,167
5,389,241	5,117,100		5,389,241
53,039	53,242		53,039
3,142,306	3,320,223		3,142,306
		1,133,772	1,133,772
1,378,461	1,465,114	166,910	1,545,371
4,134,706	3,822,138	1,738,668	5,873,374
<u>28,519,673</u>	<u>27,739,993</u>	<u>3,039,350</u>	<u>31,559,023</u>
717,818	1,174,411	1,897,650	2,615,468
2,848,638	4,221,817		2,848,638
		18,093	18,093
(3,014,471)	(2,390,699)		(3,014,471)
		(2,064,435)	(2,064,435)
<u>(165,833)</u>	<u>1,831,118</u>	<u>(2,046,342)</u>	<u>(2,212,175)</u>
551,985	3,005,529	(148,692)	403,293
<u>9,792,884</u>	<u>6,787,355</u>	<u>2,847,130</u>	<u>12,640,014</u>
<u>\$ 10,344,869</u>	<u>\$ 9,792,884</u>	<u>\$ 2,698,438</u>	<u>\$ 13,043,307</u>

City of Port Huron

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND
SPECIAL REVENUE FUNDS**
Year Ended June 30, 2002

EXHIBIT A-2

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 12,630,282	\$ 12,582,572	\$ (47,710)
Licenses and permits	504,755	490,110	(14,645)
Grants	225,000	385,326	160,326
State shared revenues	5,047,500	4,923,275	(124,225)
Charges for services	474,700	485,102	10,402
Fines and forfeits	200,000	194,951	(5,049)
Investment income	850,000	283,008	(566,992)
Rents	170,000	184,139	14,139
Sale of property	3,000	1,241	(1,759)
Administrative charges	1,230,312	1,230,312	
Total Revenues	21,335,549	20,760,036	(575,513)
Expenditures:			
Current:			
General government	3,066,659	2,960,753	105,906
Public safety	11,588,865	11,461,167	127,698
Public works	1,643,660	1,467,703	175,957
Senior citizens	62,174	53,039	9,135
Recreation, parks and culture	2,824,512	2,710,531	113,981
General support services	692,131	588,873	103,258
Capital outlay	567,414	563,594	3,820
Total Expenditures	20,445,415	19,805,660	639,755
Revenues over (under) Expenditures	890,134	954,376	64,242
Other financing sources (uses):			
Operating transfers in	185,000	183,604	(1,396)
Operating transfers out	(1,075,134)	(1,075,134)	
	(890,134)	(891,530)	(1,396)
Revenues and Other Sources over (under) Expenditures and Other Uses		62,846	62,846
Fund balances at beginning of year	2,793,526	2,793,526	
FUND BALANCES AT END OF YEAR	\$ 2,793,526	\$ 2,856,372	\$ 62,846

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds

Budget	Actual	Variance- Favorable (Unfavorable)
\$ 2,642,307	\$ 3,002,743	\$ 360,436
3,635,100	2,100,448	(1,534,652)
2,450,157	2,520,870	70,713
645,230	743,238	98,008
	110,156	110,156
<u>9,372,794</u>	<u>8,477,455</u>	<u>(895,339)</u>
4,258,818	3,921,538	337,280
434,122	431,775	2,347
872,420	789,588	82,832
5,305,519	3,571,112	1,734,407
<u>10,870,879</u>	<u>8,714,013</u>	<u>2,156,866</u>
<u>(1,498,085)</u>	<u>(236,558)</u>	<u>1,261,527</u>
3,077,207	2,665,034	(412,173)
<u>(2,324,285)</u>	<u>(1,939,337)</u>	<u>384,948</u>
<u>752,922</u>	<u>725,697</u>	<u>(27,225)</u>
(745,163)	489,139	1,234,302
<u>6,999,358</u>	<u>6,999,358</u>	
<u>\$ 6,254,195</u>	<u>\$ 7,488,497</u>	<u>\$ 1,234,302</u>

City of Port Huron

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES,
SIMILAR TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**

Year Ended June 30, 2002

EXHIBIT A-3

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trusts
Operating revenues:			
Charges for services	\$ 12,277,972	\$ 10,848,166	\$ 69,172
Investment income (loss)			76,399
Rents	882,941		
Total Operating Revenues	13,160,913	10,848,166	145,571
Operating expenses:			
Personal services	4,556,704	7,296,954	
Supplies and materials	889,958	335,624	1,000
Contractual services	4,819,699	1,721,277	1,500
Depreciation	3,823,655	641,732	
Total Operating Expenses	14,090,016	9,995,587	2,500
Operating Income (Loss)	(929,103)	852,579	143,071
Nonoperating revenues (expenses):			
Investment income	480,125	161,587	
Interest expense	(1,483,104)		
Operating grants	464,008		
Gain (loss) on sale of property and equipment	45	11,762	
Other income (expense)			
	(538,926)	173,349	
Income (Loss) Before Capital Contributions and Operating Transfers	(1,468,029)	1,025,928	143,071
Capital contributions:			
Grants received	861,250		
Infrastructure improvements donated	1,826,690		
	2,687,940		
Income (Loss) Before Operating Transfers	1,219,911	1,025,928	143,071
Operating transfers in (out):			
Operating transfers in	1,912,212		
Operating transfers in - component units	2,064,435		
Operating transfers out	(1,485,000)		(261,379)
Operating transfers out - component units	(18,093)		
	2,473,554		(261,379)
Net Income (Loss)	3,693,465	1,025,928	(118,308)
Add depreciation on property and equipment acquired by grants	1,002,501	4,235	
Add other reductions in contributed capital			
Increase (Decrease) in Retained Earnings	4,695,966	1,030,163	(118,308)
Retained earnings/fund balances at beginning of year	62,024,380	6,466,172	5,181,080
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR	\$ 66,720,346	\$ 7,496,335	\$ 5,062,772

The notes to the financial statements are an integral part of this statement.

Totals (Memorandum Only) Primary Government		Component Unit Enterprise Fund Type	Totals (Memorandum Only) Reporting Entity
June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2002
\$ 23,195,310	\$ 22,191,667	\$ 796,944	\$ 23,992,254
76,399	592,734		76,399
882,941	953,118	879,013	1,761,954
<u>24,154,650</u>	<u>23,737,519</u>	<u>1,675,957</u>	<u>25,830,607</u>
11,853,658	12,185,056	930,626	12,784,284
1,226,582	1,303,303	172,382	1,398,964
6,542,476	6,743,155	880,417	7,422,893
4,465,387	3,554,042	401,467	4,866,854
<u>24,088,103</u>	<u>23,785,556</u>	<u>2,384,892</u>	<u>26,472,995</u>
<u>66,547</u>	<u>(48,037)</u>	<u>(708,935)</u>	<u>(642,388)</u>
641,712	1,740,756	317	642,029
(1,483,104)	(1,167,284)	(463)	(1,483,567)
464,008	475,222	330,000	794,008
11,807	991,090		11,807
	639,674		
<u>(365,577)</u>	<u>2,679,458</u>	<u>329,854</u>	<u>(35,723)</u>
<u>(299,030)</u>	<u>2,631,421</u>	<u>(379,081)</u>	<u>(678,111)</u>
861,250	2,372,174	555,901	1,417,151
1,826,690	2,634,677		1,826,690
<u>2,687,940</u>	<u>5,006,851</u>	<u>555,901</u>	<u>3,243,841</u>
<u>2,388,910</u>	<u>7,638,272</u>	<u>176,820</u>	<u>2,565,730</u>
1,912,212	1,133,712		1,912,212
2,064,435	3,084,073		2,064,435
(1,746,379)	(2,964,830)		(1,746,379)
(18,093)			(18,093)
<u>2,212,175</u>	<u>1,252,955</u>		<u>2,212,175</u>
4,601,085	8,891,227	176,820	4,777,905
1,006,736	1,012,618	208,551	1,215,287
	875,736		
<u>5,607,821</u>	<u>10,779,581</u>	<u>385,371</u>	<u>5,993,192</u>
<u>73,671,632</u>	<u>62,892,051</u>	<u>1,091,678</u>	<u>74,763,310</u>
<u>\$ 79,279,453</u>	<u>\$ 73,671,632</u>	<u>\$ 1,477,049</u>	<u>\$ 80,756,502</u>

City of Port Huron

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES,
SIMILAR TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**

Year Ended June 30, 2002

EXHIBIT A-4

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash flows from operating activities:		
Operating income (loss)	\$ (929,103)	\$ 852,579
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	3,823,655	641,732
Amortization of bond issuance costs	22,839	
Investment (income) loss		
Change in current assets and liabilities:		
Decrease (increase) in accounts receivable	15,783	(1,015)
Decrease (increase) in due from other governmental units	(549,821)	
Decrease (increase) in due from other funds	(246,373)	
Decrease (increase) in inventories	(63,089)	10,711
Decrease (increase) in prepaid expenses		
Increase (decrease) in accounts payable	45,654	97,346
Increase (decrease) in accrued payroll	18,481	(101,215)
Increase (decrease) in claims and judgements payable		49,772
Increase (decrease) in contracts payable	343,031	
Increase (decrease) in compensated absences payable		354,262
Increase (decrease) in due to other funds	243,951	
Increase (decrease) in deferred revenue	(47,848)	
Increase (decrease) in other liabilities	8,791	
Total Adjustments	3,615,054	1,051,593
Net cash provided by (used in) operating activities	2,685,951	1,904,172
Cash flows from noncapital financing activities:		
Operating grants received	464,008	
Other income (expense)		
Operating transfers in	3,976,647	
Operating transfers out	(1,503,093)	
Contributions		
Net cash provided by (used in) noncapital financing activities	2,937,562	

(Continued on next page)

Fiduciary Fund Type Nonexpendable Trusts	Totals (Memorandum Only) Primary Government		Component Unit Enterprise Fund Type	Totals (Memorandum Only) Reporting Entity
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2002
\$ 143,071	\$ 66,547	\$ (48,037)	\$ (708,935)	\$ (642,388)
	4,465,387	3,554,042	401,467	4,866,854
	22,839	14,366		22,839
(76,399)	(76,399)	(592,734)		(76,399)
	14,768	(206,614)	6,738	21,506
	(549,821)	82,462		(549,821)
	(246,373)	(42,449)		(246,373)
	(52,378)	9,546	1,361	(51,017)
			5,524	5,524
	143,000	(142,435)	28,126	171,126
	(82,734)	(12,777)	550	(82,184)
	49,772	411,855		49,772
	343,031	(934,019)		343,031
	354,262	79,562		354,262
	243,951	44,049		243,951
	(47,848)	(5,130)		(47,848)
3,975	12,766	(14,011)	6,317	19,083
(72,424)	4,594,223	2,245,713	450,083	5,044,306
70,647	4,660,770	2,197,676	(258,852)	4,401,918
	464,008	475,222		464,008
		639,674		
	3,976,647	4,217,785		3,976,647
(261,379)	(1,764,472)	(2,964,830)		(1,764,472)
			330,000	330,000
(261,379)	2,676,183	2,367,851	330,000	3,006,183

City of Port Huron

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES,
SIMILAR TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**

Year Ended June 30, 2002

EXHIBIT A-4
(Continued)

	Proprietary Fund Types	
	Enterprise	Internal Service
Net cash provided by (used in) operating activities	\$ 2,685,951	\$ 1,904,172
Net cash provided by (used in) noncapital financing activities	2,937,562	
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(22,520,509)	(434,526)
Proceeds from issuance of long-term debt	25,145,994	
Principal payments on long-term debt	(1,569,206)	
Interest paid	(1,363,046)	
Bond issuance costs	(189,934)	
Proceeds from sale of property and equipment	69,678	11,762
Grants and donations received for capital improvements		
Capital contributions	861,250	
Net cash provided by (used in) capital and related financing activities	434,227	(422,764)
Cash flows from investing activities:		
Purchase of investment securities		
Proceeds from sale and maturity of investment securities	9,632,664	5,314,618
Interest and dividends received	480,125	161,587
Net cash provided by investing activities	10,112,789	5,476,205
Net increase (decrease) in cash and cash equivalents	16,170,529	6,957,613
Cash and cash equivalents at beginning of year	10,728,096	1,895,361
Agency cash at end of year		
Component units - governmental fund types - cash at end of year		
Cash and cash equivalents at end of year	\$ 26,898,625	\$ 8,852,974
Balance sheet classification of cash and cash equivalents:		
Cash and cash equivalents	\$ 19,901,693	\$ 8,852,974
Restricted assets (cash and cash equivalents)	6,996,932	
Total balance sheet classification	\$ 26,898,625	\$ 8,852,974

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Type Nonexpendable Trusts	Totals (Memorandum Only) Primary Government		Component Unit Enterprise Fund Type	Totals (Memorandum Only) Reporting Entity
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2002
\$ 70,647	\$ 4,660,770	\$ 2,197,676	\$ (258,852)	\$ 4,401,918
(261,379)	2,676,183	2,367,851	330,000	3,006,183
	(22,955,035)	(25,526,712)	(605,226)	(23,560,261)
	25,145,994	10,471,665		25,145,994
	(1,569,206)	(939,191)	(53,919)	(1,623,125)
	(1,363,046)	(1,111,874)	(463)	(1,363,509)
	(189,934)	(46,957)		(189,934)
	81,440	2,712,920		81,440
			21,375	21,375
	861,250	2,372,174		861,250
	11,463	(12,067,975)	(638,233)	(626,770)
(1,039,438)	(1,039,438)	(8,105,074)		(1,039,438)
1,031,943	15,979,225	300,505		15,979,225
266,128	907,840	2,010,290	45,319	953,159
258,633	15,847,627	(5,794,279)	45,319	15,892,946
67,901	23,196,043	(13,296,727)	(521,766)	22,674,277
153,075	12,776,532	26,073,259	2,307,866	15,084,398
351,841	351,841	50,437		351,841
			3,684,489	3,684,489
\$ 572,817	\$ 36,324,416	\$ 12,826,969	\$ 5,470,589	\$ 41,795,005
\$ 572,817	\$ 29,327,484	\$ 9,471,422	\$ 3,697,360	\$ 33,024,844
	6,996,932	3,355,547	1,773,229	8,770,161
\$ 572,817	\$ 36,324,416	\$ 12,826,969	\$ 5,470,589	\$ 41,795,005

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2002

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Huron, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

THE FINANCIAL REPORTING ENTITY

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Port Huron (the Primary Government) and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

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. The Port Huron Building Authority is reported as part of the City and blended into the special revenue funds. The Port Huron Building Authority is a municipal nonprofit, nonstock corporation organized under the laws of the State of Michigan for the purpose of acquiring and owning buildings for lease to the City of Port Huron. During the year ended June 30, 2002 there was no activity between the Authority and the City of Port Huron.

A discretely presented component unit is an entity that is legally separate from the City but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Such component units are reported in separate columns to emphasize that they are legally separate from the City.

The Henry McMorran Memorial Auditorium Authority (McMorran), which is an autonomous governmental entity, was incorporated on August 13, 1956 and amended on April 27, 1964. The management and control of McMorran is vested in a board of nine commissioners who are appointed by City Council. Thereafter the commissioners have the sole power to designate and hire all employees including the manager. They adopt their own bylaws, rules, budgets and regulations. All accounting records are under the exclusive control of the commissioners. The City contributes to McMorran on an annual basis. McMorran's primary activities, which are as of and for the year ended June 30, 2002, are reported discretely as a proprietary fund type - Enterprise Fund. Complete financial statements of McMorran can be obtained from its administrative offices at 701 McMorran Boulevard, Port Huron, MI 48060.

The City of Port Huron Downtown Development Authority is a municipal nonprofit, nonstock corporation organized in 1976 under the laws of the State of Michigan for the purpose of correcting and preventing deterioration in the business district and promoting economic growth therein. The City of Port Huron Tax Increment Finance Authority is a municipal nonprofit, nonstock corporation organized on April 13, 1981 under the laws of the State of Michigan for the purpose of financing public facilities within certain designated areas of the City. The City of Port Huron Local Development Finance Authority is a municipal nonprofit, nonstock corporation organized on May 14, 1990 under the laws of the State of Michigan for the purpose of financing public facilities and general infrastructure needs of specific project districts including the industrial park. The governing bodies of each Authority are appointed by the City Council. Their budget and any bond issuance authorizations also are approved by the City Council. The funding for the Downtown Development Authority is provided by a two mill levy on property within the district and by increased property tax collections within designated areas. The funding for the Tax Increment Finance Authority and the Local Development Finance Authority is provided by increased property tax collections from improvements and increased valuations within the designated areas. Each of the Authorities' primary activities, which are as of and for the year ended June 30, 2002, are reported discretely as governmental fund types - Special Revenue Funds.

Additional financial information for the Authorities may be obtained from the City's administrative offices, however, separate financial statements are not prepared.

The Port Huron Housing Commission was created by the City of Port Huron in accordance with the laws of the State of Michigan. The City appoints a majority of its governing body, but is not able to impose its will. Further, there is no financial benefit or burden to the City of Port Huron resulting from the Housing Commission. Therefore, the City is not financially accountable for the Commission, and it is excluded from these financial statements. The Housing Commission's main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety and welfare.

Summary financial information for the fiscal year ended June 30, 2001, the date of its latest audited financial statements, is as follows:

Total Assets	\$ 11,849,172
Total Liabilities	<u>557,492</u>
Fund Equity	<u>\$ 11,291,680</u>
Total Operating Revenues	\$ 3,931,597
Total Operating Expenses	3,898,326
Total Nonoperating Revenues	<u>59,061</u>
Net Income	<u>\$ 92,332</u>

Complete audited financial statements can be obtained from the Housing Commission at 905 Seventh Street, Port Huron, Michigan 48060.

FUND ACCOUNTING

The City and its component units use funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a City's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds---inactive during the current year) and the servicing of general long-term debt (Debt Service Funds---inactive during the current year). The General Fund is used to account for all activities of the City not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services for such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the City (Internal Service Funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent.

An account group is not a fund and does not reflect available financial resources and related liabilities or the measurement of results of operations. The City uses one account group, General Fixed Assets, to maintain detailed records of the cost of property owned by the City. The discretely presented governmental component units use one account group, General Long-Term Debt, to record certain long-term obligations.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Significant revenues susceptible to accrual are City income tax revenues (principally employee withholdings), state shared revenues, reimbursement type grants, and reimbursement for use of materials or services.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City reports deferred revenue on its combined balance sheet when a potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures, or when receivables are collectible over an extended period of time and because of the terms and other conditions there is no reasonable basis for estimating the degree of collectibility. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources or as the collectibility is determined, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances lapse at year end; however, they are generally reappropriated as part of the following year's budget.

CASH AND INVESTMENTS

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

State statutes authorize general City funds to be deposited in government insured accounts in banks and thrifts, within the state. Permissible investments include obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings and repurchase agreements.

Certificates of deposit with an original maturity date in excess of three months are classified as investments and reported at original cost, which approximates fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less (of which there were none in the current year) are stated at amortized cost. All other investments are stated at fair value based upon quoted market prices.

The City participates in bank administered external investment pools, which are registered with the Securities and Exchange Commission, in which the fair value of the City's portion in the pool is the same as the value of the pool shares.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Cash deficit balances have been classified as due to other funds with a corresponding amount reflected as due from other funds.

INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed, rather than when purchased.

PREPAID AND DEFERRED ITEMS

Payments made to vendors for services and other payments that will benefit periods beyond June 30, 2002 are recorded as prepaid and deferred items.

RESTRICTED ASSETS

In accordance with bond covenants, bond proceeds received in the Water and Wastewater Funds (Enterprise Funds) are restricted for designated improvements to the respective systems. In addition, amounts sufficient to meet certain interest and principal payment requirements are restricted for that purpose. Because these resources are restricted as to their use, they are classified as restricted assets on the balance sheet.

FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets used by the proprietary funds are capitalized in those funds. All purchased fixed assets, including public domain assets, are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. All costs related to the construction of facilities including interest, salaries and employee benefits are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary funds are computed using the straight-line method over the estimated useful lives of the related assets, which range from 2 to 10 years for equipment and 10 to 50 years for systems and buildings.

COMPENSATED ABSENCES

At June 30, 2002 the total accrued liability (\$2,928,202) for vested vacation and vested sick leave benefits for all governmental and proprietary funds was recorded in the Insurance and Fringe Benefit Fund, an Internal Service Fund. In accordance with the provisions of GASB Statement 16, no liability is recorded for nonvesting accumulating rights to receive sick leave benefits.

LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group (inactive as of June 30, 2002 for the primary government - see note F). Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

For proprietary fund types, 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. Issuance costs are reported as deferred charges.

FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from federal or state agencies or similar sources. Prior to July 1, 2000, contributed capital was reported as a direct increase to an equity account, contributed capital. Such contributed capital associated with property and equipment acquired from these grants and similar sources is credited to retained earnings as the related depreciation is charged to operations.

Retained earnings which have been reserved in the enterprise funds represent amounts which are required to be segregated in accordance with City Ordinances. These portions of retained earnings are intended to be used for these purposes and are not available for appropriation or expense.

Fund balances are reserved for inventories, prepaid items and endowments. Reserves represent those portions of the fund equity which cannot be appropriated for expenditure or are legally segregated for a specific future use.

The City Council has designated a portion of the fund balance in certain funds to be used for subsequent years' expenditures.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, and expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine department transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOTAL-MEMORANDUM ONLY COLUMNS

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the government's financial position and operations. Certain reclassifications of prior year's data have been made to conform to the current year presentation. Additionally, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

ACCOUNTING CHANGE

During the year ended June 30, 2001, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. GASB Statement No. 33 requires nonexchange transactions reported in proprietary funds, such as assets constructed and contributed by developers and governmental funds, to be included in the determination of net income. Previously, such amounts were reported as a direct increase to contributed capital. The adoption of GASB Statement No. 33 has no effect on amounts previously reported.

UPCOMING REPORTING CHANGE

For the year beginning July 1, 2002, the City plans to adopt Governmental Accounting Standards Board (GASB) Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

NOTE B—LEGAL COMPLIANCE

The City Manager receives requests for appropriations from all City departments and agencies in January of each year so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past two years, the current year and requested appropriations for the fiscal year beginning July 1st.

On or before the fourth Monday in April, the proposed budget is presented to the City Council for review. The City Council holds a public hearing and may make any revisions which, in their opinion and as a result of the public hearing thereon, may appear advisable.

Expenditures may not legally exceed budget appropriations at the functional level. Supplemental appropriations to the City's budget require the approval of the City Council. Transfers within functional levels that do not affect aggregate expenditures may be approved by the City Manager. During the year, a nominal supplemental appropriation was adopted.

NOTE C—DEPOSITS AND INVESTMENTS

DEPOSITS

In accordance with GASB Statement 3, deposits are classified into three categories of credit risk. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 contains deposits that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name). The City has no deposits at June 30, 2002 which would be classified as Category 2. Pooled accounts as categorized for level of risk cannot be reasonably apportioned between the primary government and the component units.

The balances reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) as of June 30, 2002 are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Pooled Accounts</u>	<u>Total</u>
Insured and uncollateralized - Category 1	\$ 667,639	\$ 44,000	\$ 200,000	\$ 911,639
Uninsured and uncollateralized - Category 3	<u>14,438,557</u>		<u>593,382</u>	<u>15,031,939</u>
Total Deposits	<u>\$ 15,106,196</u>	<u>\$ 44,000</u>	<u>\$ 793,382</u>	<u>\$ 15,943,578</u>

Cash and cash equivalents as of June 30, 2002, are summarized as follows:

Cash on hand	\$ 12,706
Cash in banks	15,574,042
Investments - cash equivalents - unrestricted	<u>30,555,340</u>
Total unrestricted	<u>46,142,088</u>
Cash in banks - restricted	1,204,674
Investments - cash equivalents - restricted	<u>7,565,487</u>
Total restricted	<u>8,770,161</u>
Total	<u>\$ 54,912,249</u>

INVESTMENTS

The City's investments at June 30, 2002, are categorized to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' safekeeping department or agent but not in the City's name. The City has no investments at June 30, 2002, which would be classified as Category 2 or Category 3.

A summary of the investments at June 30, 2002, follows:

Risk Categorized:	Category			Carrying Amount
	1	2	3	
Nonexpendable Trust:				
Cemetery Perpetual Care:				
U.S. Government Securities	\$ 25,270	\$	\$	\$ 25,270
Corporate bonds	3,067,032			3,067,032
Common stock	1,496,951			1,496,951
	<u>4,589,253</u>			<u>4,589,253</u>
Auditorium:				
Corporate bonds	215,717			215,717
	<u>\$ 4,804,970</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,804,970</u>
Nonrisk Categorized:				
Pooled accounts - cash equivalents - surplus funds investment pool				<u>38,120,827</u>
Total investments				<u>\$ 42,925,797</u>

NOTE D—RECEIVABLES

Receivables at June 30, 2002 consist of the following:

	General	Special Revenue	Enterprise	Internal Service	Trust and Agency	Total Primary Government
Receivables:						
Income tax	\$ 1,195,383	\$	\$	\$	\$	\$ 1,195,383
Interest receivable					49,976	49,976
Property taxes	10,882	4,639				15,521
Accounts	34,032	2,970,128	2,918,859	308,108		6,231,127
Component units	<u>1,106,326</u>		<u>26,331,401</u>			<u>27,437,727</u>
Gross Receivables	2,346,623	2,974,767	29,250,260	308,108	49,976	34,929,734
Less allowances for uncollectibles	<u>3,250</u>	<u>250</u>	<u>25,000</u>			<u>28,500</u>
Net total receivables	<u>\$ 2,343,373</u>	<u>\$ 2,974,517</u>	<u>\$ 29,225,260</u>	<u>\$ 308,108</u>	<u>\$ 49,976</u>	<u>\$ 34,901,234</u>
	Primary Government (Continued)	McMorran	Downtown Development	Tax Increment Finance	Total Component Units	Total Reporting Entity
Receivables:						
Income tax	\$ 1,195,383	\$	\$	\$	\$	\$ 1,195,383
Interest receivable	49,976					49,976
Property taxes	15,521		1,816	19,582	21,398	36,919
Accounts	6,231,127	30,801			30,801	6,261,928
Component Units	<u>27,437,727</u>					<u>27,437,727</u>
Gross Receivables	34,929,734	30,801	1,816	19,582	52,199	34,981,933
Less allowances for uncollectibles	<u>28,500</u>	<u>2,400</u>			<u>2,400</u>	<u>30,900</u>
Net total receivables	<u>\$ 34,901,234</u>	<u>\$ 28,401</u>	<u>\$ 1,816</u>	<u>\$ 19,582</u>	<u>\$ 49,799</u>	<u>\$ 34,951,033</u>

Property taxes receivable represents the past five years of uncollected personal and certain real property tax levies. The allowance for estimated uncollectibles is 9.5 percent of the total delinquent taxes receivable at June 30, 2002.

Property taxes are levied as of July 1st (lien date and due date) on the taxable valuation of property, as of the preceding December 31st.

Real and personal property taxes are collected without additional charge for a period of one month from the date the bills are due. After that period of time one percent is added up to a maximum of four percent for all unpaid taxes. The City continues to collect taxes until March 1st, at which time the delinquent real property taxes are returned to the County for collection. The County's policy has been to pay the City for all delinquent real property taxes returned. The City continues to collect delinquent personal property taxes for a period of five years.

The City has received two U.S. Housing Development Action Grants in the amount of \$2,945,975 which have been loaned to a developer to assist in the construction of rental property within the City. These loans are collateralized by the rental facilities. As the funds are not currently available to the City and are not expected to be repaid for a number of years, the City has recorded, within the special revenue funds, a receivable from the developer and deferred revenue until such time as the principal and interest is received.

Recorded in the general fund (\$1,106,326) and the enterprise funds (Land Purchase - \$26,331,401) are long-term receivables from component units for advances made to the Downtown Development Authority, the Tax Increment Finance Authority and the Local Development Finance Authority. Such advances were made to finance various improvements, public facilities and infrastructure needs in accordance with each authority's specific purposes. The advances are to be repaid from the future collection of property tax revenues restricted for those purposes. The future collection of property tax revenues is dependent upon several factors including development and sale of real estate, increases in property valuation and general economic conditions. It is not known when or if such receivables will be repaid. Because collectibility cannot be reasonably estimated or assured due to the uncertainties discussed above and the extended period of the expected repayments, the City has recorded deferred revenue as a liability in an amount equal to the outstanding balance of the long-term receivables. Revenue is recognized annually as an operating transfer from a component unit as transfers are made from available tax receipts.

NOTE E--FIXED ASSETS

The components of property and equipment at June 30, 2002 are summarized as follows:

	<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets Account Group</u>	<u>Total Primary Government</u>	<u>McMorran</u>	<u>Total Reporting Entity</u>
Land	\$ 6,577,844	\$	\$ 4,257,209	\$ 10,835,053	\$ 25,000	\$ 10,860,053
Land improvements	1,781,368	1,322,749	8,512,364	11,616,481		11,616,481
Buildings	28,351,933		10,267,689	38,619,622	6,281,159	44,900,781
Streets			27,221,970	27,221,970		27,221,970
Systems	89,926,146			89,926,146		89,926,146
Bridges			624,643	624,643		624,643
Machinery and equipment	14,155,289	1,225,163	5,995,058	21,375,510	1,959,234	23,334,744
Vehicles		3,119,882	763,451	3,883,333		3,883,333
Construction in progress	<u>18,899,431</u>			<u>18,899,431</u>		<u>18,899,431</u>
	159,692,011	5,667,794	57,642,384	223,002,189	8,265,393	231,267,582
Less accumulated depreciation	<u>42,211,433</u>	<u>3,217,330</u>		<u>45,428,763</u>	<u>5,805,719</u>	<u>51,234,482</u>
	<u>\$ 117,480,578</u>	<u>\$ 2,450,464</u>	<u>\$ 57,642,384</u>	<u>\$ 177,573,426</u>	<u>\$ 2,459,674</u>	<u>\$ 180,033,100</u>

The following table summarizes the changes in the components of the General Fixed Assets Account Group:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2002</u>
Land	\$ 4,257,209	\$	\$	\$ 4,257,209
Land improvements	8,106,475	405,889		8,512,364
Buildings	10,262,217	5,472		10,267,689
Streets	25,537,057	1,684,913		27,221,970
Bridges	609,155	15,488		624,643
Machinery and equipment	5,743,915	251,143		5,995,058
Vehicles	<u>763,451</u>			<u>763,451</u>
	<u>\$ 55,279,479</u>	<u>\$ 2,362,905</u>	<u>\$</u>	<u>\$ 57,642,384</u>

The source of funds used in the acquisition of the 2001 additions to the General Fixed Assets Account Group is summarized as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2002</u>
General Fund	\$ 5,518,791	\$ 486,486	\$	\$ 6,005,277
Special Revenue Funds	19,057,919	1,876,419		20,934,338
Capital Project Fund	4,016,932			4,016,932
Grant Funds	3,762,532			3,762,532
Prior to July 1, 1981	<u>22,923,305</u>			<u>22,923,305</u>
	<u>\$ 55,279,479</u>	<u>\$ 2,362,905</u>	<u>\$</u>	<u>\$ 57,642,384</u>

NOTE F—LONG TERM DEBT

Long-term debt of the City is as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2002</u>
Primary Government:				
Enterprise Funds:				
5% to 7% 1977 Housing general obligation bonds	\$ 400,000	\$	\$ (200,000)	\$ 200,000
3.40% to 5.25% 1999 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized discount of \$176,292	9,563,914		(290,206)	9,273,708
2.5% Drinking Water Revolving Fund (DWRF) Water Supply System General Obligation Limited Tax Bonds:				
Series 7088-01		5,285,890		5,285,890
Series 7110-01		256,209		256,209
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$99,997		9,900,003		9,900,003
4.875% to 5.25% 1999A Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$108,000	7,686,000		(194,000)	7,492,000
2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:				
Series 5006-01	4,974,804	8,388	(310,000)	4,673,192
Series 5006-02	3,990,612	453,456	(205,000)	4,239,068
Series 5006-03	5,337,677	4,003,412	(370,000)	8,971,089
Series 5006-04	1,013,533	4,763,132		5,776,665
Series 5006-05		237,662		237,662
Series 5006-06		<u>237,842</u>		<u>237,842</u>
Total Primary Government	<u>32,966,540</u>	<u>25,145,994</u>	<u>(1,569,206)</u>	<u>56,543,328</u>

	Balance July 1, 2001	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2002
Component Units:				
Enterprise fund types - McMorran:				
Capital lease payable - ABN AMRO, Inc., secured by equipment, payable in 36 monthly installments of \$2,626 with interest at 7.75%	17,919		(17,919)	
Long-term advance - City of Port Huron, payable at \$3,000 per month, no stated interest rate	<u>59,899</u>		<u>(36,000)</u>	<u>23,899</u>
Total McMorran	<u>77,818</u>		<u>(53,919)</u>	<u>23,899</u>
Governmental fund-types:				
Downtown Development - Long-term advances from primary government:				
General fund	551,166			551,166
Enterprise funds	<u>19,840,571</u>	<u>18,093</u>	<u>(911,738)</u>	<u>18,946,926</u>
Total Downtown Development	<u>20,391,737</u>	<u>18,093</u>	<u>(911,738)</u>	<u>19,498,092</u>
Tax Increment Finance - Long-term advances from primary government:				
General fund	163,863			163,863
Enterprise funds	<u>4,057,088</u>		<u>(948,156)</u>	<u>3,108,932</u>
Total Tax Increment Finance	<u>4,220,951</u>		<u>(948,156)</u>	<u>3,272,795</u>
Local Development Finance - Long-term advances from primary government:				
General fund	391,297			391,297
Enterprise funds	<u>4,480,084</u>		<u>(204,541)</u>	<u>4,275,543</u>
Total Local Development Finance	<u>4,871,381</u>		<u>(204,541)</u>	<u>4,666,840</u>
Total Component Units - Governmental fund-types	<u>29,484,069</u>	<u>18,093</u>	<u>(2,064,435)</u>	<u>27,437,727</u>
Total Component Units	<u>29,561,887</u>	<u>18,093</u>	<u>(2,118,354)</u>	<u>27,461,626</u>
Total Reporting Entity	<u>\$ 62,528,427</u>	<u>\$ 25,164,087</u>	<u>\$(3,687,560)</u>	<u>\$ 84,004,954</u>

By statute, the City's general obligation debt is restricted to 10 percent of the equalized valuation of all property within the City. At June 30, 2002, the City's debt limit amounted to \$75,563,445 and indebtedness subject to the limitation totaled \$47,269,620 leaving an available debt limit of \$28,293,825.

State law and the City's revenue bond ordinance require that the City maintain such user charges and fees for services as may be required to meet all expenses of administration and operation and reserve and debt service requirements. These ordinances also require various accounts be maintained to cover operation and maintenance; repairs and replacements; additions, improvements, enlargements and extensions; and a reserve for bond and interest redemption. Annual contributions are made to these accounts as required and to the reserve for bond and interest redemption to maintain it at a level equal to the lesser of the maximum annual debt service, 125% of the average annual debt service or 10% of the principal amount of the bonds.

Construction continues for the State-mandated projects to eliminate Combined Sewer Overflows (CSO). Portions of these projects are being financed through the Michigan Drinking Water Revolving Loan Fund Program (DWRP) and the Michigan State Revolving Loan Fund Program (SRF). Principal and interest payment schedules will be finalized upon completion of the projects for each individual loan. For those DWRP and SRF loans which have not been finalized as of June 30, 2002, the preliminary principal and interest payment schedules are used up to the amount of advances as of that date. As a result, the payment schedules for the balance of the twenty year repayment period will increase as additional funds are advanced.

As of June 30, 2002, the approved loans and amounts advanced to date for the DWRF and SRF programs were as follows:

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount</u>	<u>Advances</u>	<u>Projects</u>
June 24, 1999	SRF	5006-01	\$ 7,775,000	\$ 5,288,192	Indian Creek 2B Indian Creek 3
March 30, 2000	SRF	5006-02	5,230,000	4,444,068	10 th Avenue Indian Creek 4
June 29, 2000	SRF	5006-03	9,470,000	9,341,089	Peavey Area Beard Area-Industrial Park 16 th Street Pump Station 10 th Street Pump Station
March 29, 2001	SRF	5006-04	8,120,000	5,776,665	Indian Creek 2C 7 th and 9 th Area Military/Electric Area Rural Area
September 28, 2001	SRF	5006-05	640,000	237,662	Rural Area
December 20, 2001	DWRF	7088-01	8,945,000	5,285,890	Indian Creek 2C 7 th and 9 th Area Military/Electric Area Rural Area
March 28, 2002	SRF	5006-06	3,650,000	237,842	11 th Avenue Area Palmer Court Area
March 28, 2002	DWRF	7110-01	3,930,000	256,209	11 th Avenue Area Palmer Court Area
Total			<u>\$ 47,760,000</u>	<u>\$ 30,867,617</u>	

The SRF loan Series 5006-01 approved for \$7,775,000 has been subsequently reduced to \$5,770,000 as a result of federal grant funding.

The City has entered into an agreement with the Department of Housing and Urban Development, an agency of the United States government, whereby the Department will make annual contributions over the life of the 1977 Housing general obligation bonds to provide debt retirement and interest.

Recorded in the Enterprise Funds are general obligation bonds amounting to \$56,343,328 at June 30, 2002 for which the City's full faith and credit is pledged. It is anticipated that the principal and interest on this debt will continue to be serviced by these funds. There are no bond sinking fund requirements.

The discretely presented component units include general long-term debt recorded in the Downtown Development Authority, the Tax Increment Finance Authority and the Local Development Finance Authority as a result of long-term advances made by the City's General and Enterprise Funds. Such advances are to be repaid without interest from the Authorities' future collection of property tax revenues restricted for those purposes. The future collection of property tax revenues is dependent upon several factors including development and sale of real estate, increases in property valuation and general economic conditions. As a result of the uncertainties attributable to such factors, there are no specific repayment schedules for the advances. If future tax revenues are insufficient such advances may not be repaid.

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2002 are as follows:

	<u>Primary Government Enterprise Funds</u>	<u>Component Unit McMorran</u>
2003	\$ 4,334,704	\$ 23,899
2004	4,673,088	
2005	4,524,382	
2006	4,388,008	
2007	4,417,725	
2008	4,417,810	
2009	4,442,919	
2010	4,462,528	
2011	4,415,416	
2012	4,378,309	
2013	4,389,560	
2014	4,435,421	
2015	4,400,788	
2016	3,934,838	
2017	3,919,868	
2018	3,579,470	
2019	3,101,253	
2020	2,867,777	
2021	1,314,666	
2022	835,625	
2023	<u>845,625</u>	
	78,079,780	<u>23,899</u>
Less amount representing interest	<u>21,536,452</u>	
	<u>\$ 56,543,328</u>	<u>\$ 23,899</u>

Subsequent to the year end, on September 26, 2002, the City of Port Huron received approval for two SRF loans, \$10,220,000 for improvements to the solids handling facilities at the wastewater treatment plant and \$3,310,000 for a CSO project and for a DWRP loan for \$1,805,000 for the water portion of the CSO project.

NOTE G--INTERFUND ASSETS/LIABILITIES

Due from/to other funds are as follows:

<u>Receiving Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Parking	\$ 2,748
Rubbish and Garbage Collection	Community Development Block Grant Home Rental Rehabilitation	19,399 34,511 <u>25,513</u> <u>79,423</u>
Land Purchase	Marina	<u>292,269</u>
		<u>\$ 374,440</u>

NOTE H--RESTRICTED ASSET ACCOUNTS AND RESERVED RETAINED EARNINGS

The balances of the Enterprise Fund's restricted asset accounts are as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total Primary Government</u>	<u>Component Unit McMoran</u>
Bond construction account	\$	\$ 5,828,718	\$ 5,828,718	\$
Debt retirement account		29,348	29,348	
Revenue bond redemption and reserve account	1,138,866		1,138,866	
State grant account				1,416,034
Seeing Stars account				335,414
Other fundraising				21,781
	<u>\$ 1,138,866</u>	<u>\$ 5,858,066</u>	<u>\$ 6,996,932</u>	<u>\$ 1,773,229</u>

The bond covenants of the Water Fund (an Enterprise Fund) require certain reservations of retained earnings. In accordance with these bond covenants, \$1,138,866 has been reserved for revenue bond redemption and reserve account requirements. Current liabilities payable from restricted assets consist of current portion of long-term debt of \$350,000 and accrued interest of \$86,158.

NOTE I--CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although City administration expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorneys, the resolution of these matters will not have a material adverse effect on the City's financial condition.

NOTE J--POST-EMPLOYMENT HEALTH CARE BENEFITS

The City and its component units provide certain health care benefits for retired employees in accordance with bargaining group agreements and other requirements. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid. For our 250 retirees, these costs total \$1,415,149. Under current accounting standards, the City is not required to record a liability for the future cost of post-employment health care benefits earned as of June 30, 2002. The City has set aside funds in the Fringe Benefit Fund to partially offset such liability.

NOTE K--EMPLOYEE RETIREMENT SYSTEMS

DESCRIPTION OF PLAN AND PLAN ASSETS

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS). All of the City's full-time employees, including all full-time employees of the component units, participate in the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance and nonduty-connected death to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, 2.50% or 2.75% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the year ended December 31, 2001.

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. The Act assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case the authority rests with the City. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and by personnel policy for non-represented employees. The required employee contributions to MERS are based on their annual salary (from 0.0% to 8.71% depending on the employee's classification and bargaining unit). The City is required to contribute at an actuarially determined amount; the amount was \$396,967 for the year ended June 30, 2002 and is expected to be \$910,000 and \$1,110,000 for the years ending June 30, 2003, and 2004, respectively, based upon projected wages.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2002, contributions totaling \$675,073 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 1999. The City contributed \$396,967 and employees contributed \$278,106. Gross payroll subject to MERS for the year ended June 30, 2002, was \$16,261,043. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Such assumptions include an estimate for long-term inflation. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. Unfunded actuarial accrued liability is amortized by a level percent of payroll contributions over a thirty year period, if applicable. There is no unfunded actuarial accrued liability as of June 30, 2002.

THREE YEAR TREND INFORMATION

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 2,034,993	100%	\$ 0
2001	1,882,497	100	0
2002	675,073	100	0

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

<u>Actuarial Valuation December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
1994	\$ 56,536	\$ 58,453	\$ 1,917	96.7%	\$ 12,564	15.2%
1995	60,061	62,349	2,288	96.3	13,289	17.2
1996	64,336	64,680	344	99.5	13,515	2.5
1997	69,334	69,500	166	99.8	13,553	1.2
1998	75,285	74,356	(929)	101.2	14,271	(6.5)
1999	84,547	78,578	(5,969)	107.6	15,028	(39.7)
2000	90,780	89,185	(1,595)	101.8	14,986	(10.6)
2001	94,038	93,746	(292)	100.3	15,732	(1.9)

NOTE L--DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City makes contributions into the plan on behalf of certain employees. The plan permits employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the opinion of the City's legal counsel that the City has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE M--RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property damage, contractors equipment, data processing, health care and employee dishonesty. The City participates in the Michigan Municipal Risk Management Authority program for general, auto, professional, public officials and errors and omissions liabilities and participates in a third party administered retained risk program for workers compensation with reinsurance coverage provided for claims in excess of \$350,000. The City is uninsured for acts of god and environmental cleanup losses. The component units of the City, including the Henry McMorran Memorial Auditorium Authority, are also included.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

The Michigan Municipal Risk Management Authority pool operates as a common risk - sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The City currently has a \$150,000 deductible for each and every loss on all lines of coverage. The risk pool's normal coverage will pay losses up to \$15,000,000 for liabilities and \$1,500,000 for vehicle physical damage. Any liability for losses which exceed this amount would remain with the City. Past experience indicates that incurred but not reported claims for either general liability or workers compensation, in aggregate, do not represent a material amount, however, such claims are considered as part of the estimated liability.

Changes in the estimated liabilities for claims for general liability and workers compensation are as follows:

	Year ended <u>June 30, 2002</u>	Year ended <u>June 30, 2001</u>
Estimated liability, beginning of year	\$ 811,855	\$ 838,200
Estimated claims incurred including changes in estimates	431,081	496,988
Claim payments	<u>(381,309)</u>	<u>(523,333)</u>
Estimated liability, end of year	<u>\$ 861,627</u>	<u>\$ 811,855</u>

NOTE N--LONG-TERM ADVANCES

Long-term advances made to the Downtown Development Authority, the Tax Increment Finance Authority and the Local Development Finance Authority are to be repaid from the future collections of property tax revenues restricted for that purpose. Such advances are recorded by the funds making the advance as assets, expenses or operating transfers in the period of the advance. Subsequent repayments are recorded as operating transfers in the period of repayment. Such accumulated net advances are recorded as a long-term receivable from component units within the General Fund and the Enterprise Funds. A long-term liability, deferred revenue, has also been recorded due to the uncertainties regarding future repayments. Within the component units, which are accounted for as governmental - type funds, the long-term liabilities have been recorded in their general long-term debt account group with an offsetting asset, amount to be provided for retirement of long-term debt. Within the Enterprise Funds, changes in the long-term receivables and deferred revenue are considered non cash transactions.

NOTE O--COMMITMENTS

The City has entered into various construction contracts. Such contracts include sewer separation contracts necessary for the elimination of combined sewer overflows (CSO's), street resurfacing contracts including improvements of water distribution and wastewater collection systems and site improvement contracts necessary for the construction of infrastructure related to redevelopment. Several of such contracts were in progress but not completed as of June 30, 2002. The total contractual commitments outstanding as of June 30, 2002, aggregated approximately \$19,000,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

NOTE P—CHANGES IN CONTRIBUTED CAPITAL

During the year the following activity was recorded in contributed capital:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Depreciation</u> <u>Charged During</u> <u>the Year</u>	<u>Balance</u> <u>June 30, 2002</u>
Enterprise Funds:				
Water	\$ 1,693,553	\$	\$ 64,994	\$ 1,628,559
Wastewater	19,814,786		762,908	19,051,878
Parking	215,224			215,224
Senior Citizens	500,281		38,483	461,798
Marina	2,074,441		112,941	1,961,500
Land Purchase	<u>293,404</u>		<u>23,175</u>	<u>270,229</u>
Total Enterprise Funds	24,591,689		1,002,501	23,589,188
Internal Service Funds:				
Motor Vehicle	<u>82,581</u>		<u>4,235</u>	<u>78,346</u>
Total Primary Government	24,674,270		1,006,736	23,667,534
Component Units:				
McMorran	<u>996,314</u>		<u>208,551</u>	<u>787,763</u>
Total	<u>\$ 25,670,584</u>	<u>\$</u>	<u>\$ 1,215,287</u>	<u>\$ 24,455,297</u>

NOTE Q—ADDITIONAL CASH FLOW INFORMATION

During the year, the fair value of investments in the Nonexpendable Trust Funds incurred a noncash decrease of \$201,175. This resulted in a commensurate increase in total assets which did not affect cash during the year and is therefore considered a noncash investing activity.

During the year, the Community Development Block Grant Fund and certain of the Governmental Component Units made infrastructure improvements to the City's Water and Wastewater systems. These improvements, totaling \$1,826,690, were subsequently donated to the Water and Wastewater Funds. These transactions are considered noncash capital and related financing activities.

NOTE R—STATE CONSTRUCTION CODE ACT

The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. As required under the provision of the Act, the City adopted this accounting treatment effective January 1, 2000. For the year ended June 30, 2002, building department revenues and expenditures totaled \$235,504 and \$458,381 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$868,988 and \$1,324,946 respectively.

NOTE S—SUBSEQUENT EVENT

On May 7, 2002, City electors approved a sale or lease of the property known as the Port Huron Seaway Terminal to the James C. Acheson Charitable Foundation for the purpose of redevelopment of the terminal and its use as a deep water port for maritime-related activities. Such approval is required by City Charter for waterfront property. On July 8, 2002, the City Council approved the terms of the sale of the Seaway Terminal including a selling price of \$1,700,000. The sale closed on October 2, 2002. The Seaway Terminal is recorded as a part of an enterprise fund, the Land Purchase Fund.

NOTE T—SEGMENT INFORMATION

The City operates six enterprise funds. The Water, Wastewater and Parking Fund operations have been established to account for the user fees associated with the City's water and wastewater operations and the metered parking in the downtown area. The rental operations related to low income and senior citizen housing are recorded in the Senior Citizens Fund. The Marina Fund has been established to account for the operations of the various marinas located within the City limits. The Land Purchase Fund accounts for the acquisition and sale of land and the rental of property held by the City for the purpose of attracting commercial and industrial enterprises to the Port Huron area.

Operating revenues from other funds of the City of Port Huron are not significant and, therefore, are not separately disclosed. All such transactions are at normal rates customarily charged to other customers.

The significant financial data (segment information) for the year ended June 30, 2002 is as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Operating revenues	\$ 4,277,905	\$ 7,676,494	\$ 189,054
Depreciation	825,824	2,536,057	13,022
Amortization of bond issuance costs	7,936	14,903	
Operating income (loss)	453,133	(635,524)	(15,372)
Operating grants			
Operating transfers in: Primary government Component units		1,912,212	
Operating transfers (out): Primary government Component units			
Net income (loss)	64,864	3,035,644	(15,327)
Current capital contributions	31,838	2,526,102	
Property and equipment additions	6,685,692	17,136,147	
Property and equipment deletions	(177,438)	(338,757)	
Net working capital (deficit)	3,377,997	8,094,208	118,107
Total assets	32,477,660	93,655,017	1,015,317
Bonds and other long-term liabilities payable from operations, exclusive of current portion	14,115,807	40,022,521	
Total equity	17,188,945	51,444,765	1,008,894

<u>Senior Citizens</u>	<u>Marina</u>	<u>Land Purchase</u>	<u>Total</u>
\$ 331,991	\$ 441,957	\$ 243,512	\$ 13,160,913
160,455	240,706	47,591	3,823,655
			22,839
(307,565)	(311,528)	(112,247)	(929,103)
464,008			464,008
			1,912,212
		2,064,435	2,064,435
		(1,485,000)	(1,485,000)
		(18,093)	(18,093)
140,129	(181,528)	649,683	3,693,465
	130,000		2,687,940
132,150	77,508	315,702	24,347,199
		(69,633)	(585,828)
176,982	(286,324)	8,496,463	19,977,433
2,451,432	3,091,185	42,262,219	174,952,830
			54,138,328
2,138,289	2,658,357	15,870,284	90,309,534

NOTE U--COMPONENT UNIT INFORMATION

The City has four discretely presented component units, as discussed above, the Henry McMorran Memorial Auditorium Authority, the City of Port Huron Downtown Development Authority, the City of Port Huron Tax Increment Finance Authority and the City of Port Huron Local Development Finance Authority.

The condensed financial statement disclosures as of and for the year ended June 30, 2002 are as follows:

Condensed Balance Sheet:

	<u>McMorran*</u>	<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>
Cash and cash equivalents	\$ 12,871	\$ 36,894	\$ 3,647,595	\$
Other current assets	<u>60,596</u>	<u>1,816</u>	<u>19,582</u>	<u> </u>
Total current assets	73,467	38,710	3,667,177	
Restricted assets (cash and cash equivalents)	1,773,229			
Fixed assets	2,459,674			
Amount to be provided for retirement of long-term debt	<u> </u>	<u>19,498,092</u>	<u>3,272,795</u>	<u>4,666,840</u>
Total Assets	<u>\$ 4,306,370</u>	<u>\$ 19,536,802</u>	<u>\$ 6,939,972</u>	<u>\$ 4,666,840</u>
Current liabilities	\$ 268,329	\$ 35,792	\$ 971,657	\$
Deferred revenue	1,773,229			
General long-term debt	<u> </u>	<u>19,498,092</u>	<u>3,272,795</u>	<u>4,666,840</u>
Total Liabilities	<u>2,041,558</u>	<u>19,533,884</u>	<u>4,244,452</u>	<u>4,666,840</u>
Equity and other credits:				
Contributed capital	787,763			
Retained earnings, unreserved	1,477,049			
Fund balances:				
Unreserved				
Designated for subsequent years' expenditures			2,324,481	
Undesignated	<u> </u>	<u>2,918</u>	<u>371,039</u>	<u> </u>
Total Equity and Other Credits	<u>2,264,812</u>	<u>2,918</u>	<u>2,695,520</u>	<u> </u>
Total Liabilities, Equity and Other Credits	<u>\$ 4,306,370</u>	<u>\$ 19,536,802</u>	<u>\$ 6,939,972</u>	<u>\$ 4,666,840</u>

Condensed Statement of Revenues,
Expenditures and Changes in Fund Balance:

	<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>
Revenues	\$ <u>1,167,084</u>	\$ <u>3,565,375</u>	\$ <u>204,541</u>
Expenditures:			
Current:			
Taxes disbursed - not captured		1,133,772	
General support services	63,254	103,656	
Capital outlay	<u>406,607</u>	<u>1,332,061</u>	<u> </u>
Total Expenditures	<u>469,861</u>	<u>2,569,489</u>	<u> </u>
Revenues over (under) Expenditures	<u>697,223</u>	<u>995,886</u>	<u>204,521</u>
Other financing sources (uses):			
Operating transfers in:			
Primary government	18,093		
Operating transfers out:			
Primary government	<u>(911,738)</u>	<u>(948,156)</u>	<u>(204,521)</u>
	<u>(893,645)</u>	<u>(948,156)</u>	<u>(204,521)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	(196,422)	47,730	
Fund balances at beginning of year	<u>199,340</u>	<u>2,647,790</u>	<u> </u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 2,918</u></u>	<u><u>\$ 2,695,520</u></u>	<u><u>\$ 0</u></u>

*The Statement of Revenues, Expenses and Changes in Retained Earnings for the Henry McMorran Memorial Auditorium Authority is included as a part of Exhibit A-3, Discretely Presented Component Unit.

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FINANCIAL STATEMENTS

GENERAL FUND

The General Fund is used to account for all activities of the City not accounted for in some other fund.

City of Port Huron

**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT B

	June 30, 2002 Budget	June 30, 2002 Actual	Variance- Favorable (Unfavorable)	June 30, 2001 Actual
Revenues:				
Taxes:				
Real property taxes	\$ 5,209,636	\$ 5,212,266	\$ 2,630	\$ 4,921,299
Personal property taxes	970,646	970,502	(144)	690,963
Income tax	6,275,000	6,198,802	(76,198)	6,420,381
Other	175,000	201,002	26,002	190,762
	<u>12,630,282</u>	<u>12,582,572</u>	<u>(47,710)</u>	<u>12,223,405</u>
Business licenses and permits:				
Cable television	240,000	243,353	3,353	236,081
Other	9,405	11,254	1,849	14,005
	<u>249,405</u>	<u>254,607</u>	<u>5,202</u>	<u>250,086</u>
Nonbusiness licenses and permits:				
Building	155,000	142,523	(12,477)	216,771
Electrical	40,000	30,845	(9,155)	40,824
Heating	30,000	29,945	(55)	35,668
Plumbing	25,000	27,714	2,714	40,134
Other	5,350	4,476	(874)	6,865
	<u>255,350</u>	<u>235,503</u>	<u>(19,847)</u>	<u>340,262</u>
Grants	225,000	385,326	160,326	179,444
State shared revenues	5,047,500	4,923,275	(124,225)	5,162,959
Charges for services:				
Recreation fees	83,000	85,296	2,296	103,904
Blue Water Bridge reimbursement	200,000	200,000		200,000
County parks millage	114,000	109,625	(4,375)	119,614
Other	77,700	90,181	12,481	47,039
	<u>474,700</u>	<u>485,102</u>	<u>10,402</u>	<u>470,557</u>
Fines and forfeits:				
Parking violations	75,000	86,697	11,697	68,511
Ordinance fines	125,000	108,254	(16,746)	120,212
	<u>200,000</u>	<u>194,951</u>	<u>(5,049)</u>	<u>188,723</u>
Investment income	850,000	283,008	(566,992)	648,525
Rents	170,000	184,139	14,139	176,138
Sale of property and equipment	3,000	1,241	(1,759)	13,729

(Continued on next page)

City of Port Huron

**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT B
(Continued)

	June 30, 2002 Budget	June 30, 2002 Actual	Variance- Favorable (Unfavorable)	June 30, 2001 Actual
Charges to other funds:				
Garbage and rubbish collection fund	\$ 83,413	\$ 83,413	\$	\$ 70,500
Marina fund	40,128	40,128		42,679
Senior citizen housing fund	49,872	49,872		52,223
Parking fund	17,493	17,493		18,027
Water fund	424,771	424,771		407,827
Wastewater fund	359,148	359,148		335,691
Central stores fund	11,143	11,143		11,025
Data processing fund	73,377	73,377		71,408
Motor vehicle fund	170,967	170,967		166,657
	<u>1,230,312</u>	<u>1,230,312</u>		<u>1,176,037</u>
Total Revenues	21,335,549	20,760,036	(575,513)	20,829,865
Expenditures:				
Current:				
General government:				
City council	96,913	96,282	631	128,875
City manager	238,483	237,164	1,319	311,999
Elections	69,311	64,470	4,841	71,105
Finance and accounting	499,539	482,880	16,659	421,962
Income tax	247,192	232,429	14,763	215,304
Assessor	324,756	289,254	35,502	290,902
Corporation counsel	275,564	274,811	753	320,261
Clerk	201,301	200,444	857	174,804
Personnel	270,026	267,637	2,389	252,502
Purchasing	29,300	29,286	14	25,759
Board of review	2,400	2,377	23	2,350
Treasurer	177,111	171,730	5,381	158,409
Municipal office center	609,763	587,693	22,070	680,139
Promotional	25,000	24,296	704	23,919
	<u>3,066,659</u>	<u>2,960,753</u>	<u>105,906</u>	<u>3,078,290</u>
Public safety:				
Police administration	873,623	843,312	30,311	768,830
Detectives	920,348	916,449	3,899	900,220
Patrol	4,530,335	4,463,466	66,869	4,166,373
Communications	591,003	574,348	16,655	547,929
Fire	4,673,556	4,663,592	9,964	4,500,534
	<u>11,588,865</u>	<u>11,461,167</u>	<u>127,698</u>	<u>10,883,886</u>
Public works:				
Inspection	323,322	296,360	26,962	276,560
Civil defense	2,425	1,660	765	3,661
Public works administration	167,628	167,209	419	159,330
Engineering	442,991	358,018	84,973	328,178
Street lighting	632,252	581,798	50,454	620,256
Blight	75,042	62,658	12,384	63,655
	<u>1,643,660</u>	<u>1,467,703</u>	<u>175,957</u>	<u>1,451,640</u>

(Continued on next page)

City of Port Huron

**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Year Ended June 30, 2002

EXHIBIT B
(Continued)

	June 30, 2002 Budget	June 30, 2002 Actual	Variance- Favorable (Unfavorable)	June 30, 2001 Actual
Senior citizens:				
Discounts for senior citizens	\$ 14,000	\$ 7,290	\$ 6,710	\$ 8,051
Senior citizens transportation	48,174	45,749	2,425	45,191
	<u>62,174</u>	<u>53,039</u>	<u>9,135</u>	<u>53,242</u>
Recreation, parks and culture:				
Parks	842,951	835,413	7,538	864,857
Recreation	664,041	662,194	1,847	630,854
Leonard Center	20,000	20,000		5,000
20th and Court pool	110,992	92,967	18,025	95,967
Sanborn pool	127,494	108,715	18,779	122,403
Lighthouse park	71,555	43,516	28,039	37,690
Lakeside park	80,875	61,264	19,611	60,436
Palmer park recreation center	114,204	109,539	4,665	124,252
Lightship	9,548	8,912	636	7,267
McMorran complex	330,000	330,000		340,000
Library	8,000	8,000		8,000
Museum	117,018	114,402	2,616	130,777
Fine arts	3,000	3,000		3,000
Forestry	324,834	312,609	12,225	429,633
	<u>2,824,512</u>	<u>2,710,531</u>	<u>113,981</u>	<u>2,860,136</u>
General support services:				
Planning	268,590	237,309	31,281	177,735
Telephone service	37,820	37,321	499	29,157
Contingencies	40,000		40,000	
Insurance, health and safety	227,721	220,770	6,951	320,143
Taxes written off	98,000	93,267	4,733	105,663
Demolitions	20,000	206	19,794	22,086
	<u>692,131</u>	<u>588,873</u>	<u>103,258</u>	<u>654,784</u>
Capital outlay	567,414	563,594	3,820	86,668
Total Expenditures	<u>20,445,415</u>	<u>19,805,660</u>	<u>639,755</u>	<u>19,068,646</u>
Revenues over Expenditures	<u>890,134</u>	<u>954,376</u>	<u>64,242</u>	<u>1,761,219</u>
Other financing sources (uses):				
Operating transfers in:				
Primary government:				
Special revenue funds:				
Law Enforcement	185,000	183,604	(1,396)	

(Continued on next page)

City of Port Huron

**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT B
(Continued)

	June 30, 2002 Budget	June 30, 2002 Actual	Variance- Favorable (Unfavorable)	June 30, 2001 Actual
Operating transfers out:				
Special revenue funds:				
Cemetery	(56,322)	(56,322)		(112,818)
Beautification Commission	(6,600)	(6,600)		(4,000)
Enterprise funds - Wastewater	(1,012,212)	(1,012,212)		(1,133,712)
	<u>(1,075,134)</u>	<u>(1,075,134)</u>		<u>(1,250,530)</u>
	<u>(890,134)</u>	<u>(891,530)</u>	<u>(1,396)</u>	<u>(1,250,530)</u>
Revenues and Other Sources over (under)				
Expenditures and Other Uses		62,846	62,846	510,689
Fund balance at beginning of year	<u>2,793,526</u>	<u>2,793,526</u>		<u>2,282,837</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,793,526</u>	<u>\$ 2,856,372</u>	<u>\$ 62,846</u>	<u>\$ 2,793,526</u>

NOTE - The budget detail presented above at the activity level is not the budget approved by the City Council. The legally adopted budget is at the functional level.

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FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

These Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Special Revenue Funds are comprised of the following individual funds:

Streets Funds - These funds have been established to account for the various state shared revenues and property taxes relating to the repairs and maintenance of local and major streets. The Streets Funds are as follows:

Major Streets Fund - This fund has been established to account for the various state shared and other revenues relating to the repairs and maintenance of the major streets and state trunklines.

Local Streets Fund - This fund has been established to account for the various state shared and other revenues relating to the repairs and maintenance of the local streets.

Municipal Streets Fund - This fund has been established to account for property taxes levied for street constructional repairs and the Blue Water Area Transportation Commission (BWATC) and for various other revenues related to construction activities.

Rental Certification Fund - This fund records the activities under the rental housing inspection program.

Law Enforcement Fund - Property forfeited to the City in connection with drug related activities and the enhanced 911 communications program are accounted for in this fund.

Rubbish and Garbage Collection Fund - This fund has been established to account for property tax revenues restricted for rubbish and garbage collection.

Cemetery Fund - This fund has been established to account for the operation of the City cemetery.

Loan Revolving Fund - This fund has been established to account for grants received from the Department of Housing and Urban Development. The grant proceeds were advanced to a local minority business for the purpose of acquiring fixed assets and to a developer to assist in the construction of rental property. Revenue, which will be recognized when the advance is repaid, is restricted for specific community projects in the City.

Community Development Block Grant Fund - This fund was established to account for a grant received from the Department of Housing and Urban Development for residential and other capital improvements.

Home Fund - Grants received from the Department of Housing and Urban Development for housing and related programs are accounted for in this fund.

Rental Rehabilitation Fund - This fund accounts for a state grant and private contributions to rehabilitate rental property throughout the City.

Streetscape Maintenance Fund - This fund records the activity under the streetscape maintenance program.

Beautification Commission Fund - This fund was established to account for private donations that are used for beautification projects throughout the City.

City of Port Huron

SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET
June 30, 2002

EXHIBIT C

ASSETS	Streets	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery
Assets:					
Cash and cash equivalents	\$ 9,806,152	\$ 13,004	\$ 393,308	\$ 525,543	\$ 241,535
Taxes receivable	1,919			2,470	
Accounts receivable		24,153			
Due from other governmental units	232,063		36,640		
Due from other funds				79,423	
Inventories	240,319				
Total Assets	\$ 10,280,453	\$ 37,157	\$ 429,948	\$ 607,436	\$ 241,535
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,484	\$ 1	\$ 12,979	\$ 10	\$ 1,486
Accrued payroll	76,395	4,320		3,132	12,461
Contracts payable	3,923,710				
Taxes collected in advance	29,982			42,529	
Due to other funds					
Deferred revenue	5,064			7,177	
Total Liabilities	4,053,635	4,321	12,979	52,848	13,947
Fund balances:					
Reserved for inventories	240,319				
Unreserved:					
Designated for subsequent years' expenditures	4,303,599				
Undesignated	1,682,900	32,836	416,969	554,588	227,588
Total Fund Balances	6,226,818	32,836	416,969	554,588	227,588
Total Liabilities and Fund Balances	\$ 10,280,453	\$ 37,157	\$ 429,948	\$ 607,436	\$ 241,535

Loan Revolving	Community Development Block Grant	Home	Rental Rehabili- tation	Streetscape Maintenance	Beauti- fication Commission	Totals	
						June 30, 2002	June 30, 2001
\$	\$ 150	\$	\$	\$ 34,085	\$ 3,306	\$ 11,017,083	\$ 9,353,402
						4,389	3,000
2,945,975						2,970,128	2,971,681
	35,306	41,138	39,563			384,710	791,760
						79,423	505,413
						240,319	229,522
<u>\$ 2,945,975</u>	<u>\$ 35,456</u>	<u>\$ 41,138</u>	<u>\$ 39,563</u>	<u>\$ 34,085</u>	<u>\$ 3,306</u>	<u>\$ 14,696,052</u>	<u>\$ 13,854,778</u>
\$	\$ 11,226	\$ 364	\$ 14,050	\$ 1,016	\$ 110	\$ 59,726	\$ 142,495
	4,831	2,156				103,295	88,025
						3,923,710	3,155,992
						72,511	3,171
	19,399	34,511	25,513			79,423	505,413
2,945,975		4,107		6,567		2,968,890	2,960,324
<u>2,945,975</u>	<u>35,456</u>	<u>41,138</u>	<u>39,563</u>	<u>7,583</u>	<u>110</u>	<u>7,207,555</u>	<u>6,855,420</u>
						240,319	229,522
						4,303,599	60,163
				26,502	3,196	2,944,579	6,709,673
				<u>26,502</u>	<u>3,196</u>	<u>7,488,497</u>	<u>6,999,358</u>
<u>\$ 2,945,975</u>	<u>\$ 35,456</u>	<u>\$ 41,138</u>	<u>\$ 39,563</u>	<u>\$ 34,085</u>	<u>\$ 3,306</u>	<u>\$ 14,696,052</u>	<u>\$ 13,854,778</u>

City of Port Huron

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**

Year Ended June 30, 2002

EXHIBIT C-1

	Streets	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery
Revenues:					
Taxes	\$ 1,446,842	\$	\$	\$ 1,555,901	\$
Grants	15,573				
State shared revenues	2,455,269			65,601	
Charges for services		191,797	170,856		131,043
Investment income	110,156				
Total Revenues	<u>4,027,840</u>	<u>191,797</u>	<u>170,856</u>	<u>1,621,502</u>	<u>131,043</u>
Expenditures:					
Current:					
Public works	2,322,129			1,572,801	
Recreation, parks and culture					431,775
General support services	348,926	172,480	63,700		
Capital outlay	1,410,083		35,029		30,803
Total Expenditures	<u>4,081,138</u>	<u>172,480</u>	<u>98,729</u>	<u>1,572,801</u>	<u>462,578</u>
Revenues over (under) Expenditures	<u>(53,298)</u>	<u>19,317</u>	<u>72,127</u>	<u>48,701</u>	<u>(331,535)</u>
Other financing sources (uses):					
Operating transfers in	2,340,733				317,701
Operating transfers out	(1,755,733)		(183,604)		
	<u>585,000</u>		<u>(183,604)</u>		<u>317,701</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	531,702	19,317	(111,477)	48,701	(13,834)
Fund balances at beginning of year	<u>5,695,116</u>	<u>13,519</u>	<u>528,446</u>	<u>505,887</u>	<u>241,422</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6,226,818</u>	<u>\$ 32,836</u>	<u>\$ 416,969</u>	<u>\$ 554,588</u>	<u>\$ 227,588</u>

Loan Revolving	Community Development Block Grant	Home	Rental Rehabili- tation	Streetscape Maintenance	Beautification Commission	Totals	
						June 30, 2002	June 30, 2001
\$	\$	\$	\$	\$	\$	\$	\$
	1,356,545	628,330	100,000			3,002,743	2,731,797
						2,100,448	1,816,475
						2,520,870	2,603,920
	128,803	4,107	75,561	40,421	650	743,238	760,241
						110,156	172,106
	<u>1,485,348</u>	<u>632,437</u>	<u>175,561</u>	<u>40,421</u>	<u>650</u>	<u>8,477,455</u>	<u>8,084,539</u>
				26,608		3,921,538	3,665,460
	140,681	57,468				431,775	460,087
	1,344,667	574,969	175,561		6,333	789,588	810,330
	<u>1,485,348</u>	<u>632,437</u>	<u>175,561</u>	<u>26,608</u>	<u>6,333</u>	<u>3,571,112</u>	<u>3,735,470</u>
				13,813	(5,683)	(236,558)	(586,808)
					6,600	2,665,034	4,221,817
						(1,939,337)	(1,140,169)
					6,600	725,697	3,081,648
				13,813	917	489,139	2,494,840
				12,689	2,279	6,999,358	4,504,518
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,502</u>	<u>\$ 3,196</u>	<u>\$ 7,488,497</u>	<u>\$ 6,999,358</u>

City of Port Huron

SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended June 30, 2002

EXHIBIT C-2

	Budget	Actual	Variance- Favorable (Unfavorable)
STREETS:			
Revenues:			
Taxes	\$ 1,090,223	\$ 1,446,842	\$ 356,619
Grants	975,000	15,573	(959,427)
State shared revenues	2,385,157	2,455,269	70,112
Investment income	110,156	110,156	110,156
Total Revenues	<u>4,450,380</u>	<u>4,027,840</u>	<u>(422,540)</u>
Expenditures:			
Current:			
Public works	2,561,571	2,322,129	239,442
General support services	350,000	348,926	1,074
Capital outlay	2,623,809	1,410,083	1,213,726
Total Expenditures	<u>5,535,380</u>	<u>4,081,138</u>	<u>1,454,242</u>
Revenues over (under) Expenditures	<u>(1,085,000)</u>	<u>(53,298)</u>	<u>1,031,702</u>
Other financing sources (uses):			
Operating transfers in	2,724,285	2,340,733	(383,552)
Operating transfers out	(2,139,285)	(1,755,733)	383,552
	<u>585,000</u>	<u>585,000</u>	
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(500,000)</u>	<u>531,702</u>	<u>1,031,702</u>
Fund balance at beginning of year	<u>5,695,116</u>	<u>5,695,116</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ 5,195,116</u></u>	<u><u>\$ 6,226,818</u></u>	<u><u>\$ 1,031,702</u></u>
RENTAL CERTIFICATION:			
Revenues:			
Charges for services	\$ 195,658	\$ 191,797	\$ (3,861)
Expenditures:			
Current:			
General support services	191,348	172,480	18,868
Capital outlay	4,310	4,310	4,310
Total Expenditures	<u>195,658</u>	<u>172,480</u>	<u>23,178</u>
Revenues over (under) Expenditures		19,317	19,317
Fund balance at beginning of year	<u>13,519</u>	<u>13,519</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ 13,519</u></u>	<u><u>\$ 32,836</u></u>	<u><u>\$ 19,317</u></u>

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City of Port Huron

SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended June 30, 2002

EXHIBIT C-2
(Continued)

	Budget	Actual	Variance- Favorable (Unfavorable)
LAW ENFORCEMENT:			
Revenues:			
Charges for services	\$ 150,472	\$ 170,856	\$ 20,384
Expenditures:			
Current:			
General support services	70,472	63,700	6,772
Capital outlay	100,000	35,029	64,971
Total Expenditures	170,472	98,729	71,743
Revenues over (under) Expenditures	(20,000)	72,127	92,127
Other financing sources (uses):			
Operating transfers out	(185,000)	(183,604)	1,396
Revenues and Other Sources over (under) Expenditures and Other Uses	(205,000)	(111,477)	93,523
Fund balance at beginning of year	528,446	528,446	
FUND BALANCE AT END OF YEAR	\$ 323,446	\$ 416,969	\$ 93,523
RUBBISH AND GARBAGE COLLECTION:			
Revenues:			
Taxes	\$ 1,552,084	\$ 1,555,901	\$ 3,817
State shared revenues	65,000	65,601	601
Total Revenues	1,617,084	1,621,502	4,418
Expenditures:			
Current:			
Public works	1,647,247	1,572,801	74,446
Capital outlay	10,000		10,000
Total Expenditures	1,657,247	1,572,801	84,446
Revenues over (under) Expenditures	(40,163)	48,701	88,864
Fund balance at beginning of year	505,887	505,887	
FUND BALANCE AT END OF YEAR	\$ 465,724	\$ 554,588	\$ 88,864

(Continued on next page)

City of Port Huron

**SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT C-2
(Continued)

	Budget	Actual	Variance- Favorable (Unfavorable)
CEMETERY:			
Revenues:			
Charges for services	\$ 123,100	\$ 131,043	\$ 7,943
Expenditures:			
Current:			
Recreation, parks and culture	434,122	431,775	2,347
Capital outlay	35,300	30,803	4,497
Total Expenditures	<u>469,422</u>	<u>462,578</u>	<u>6,844</u>
Revenues over (under) Expenditures	(346,322)	(331,535)	14,787
Other financing sources (uses):			
Operating transfers in	346,322	317,701	(28,621)
Revenues and Other Sources over (under) Expenditures and Other Uses		(13,834)	(13,834)
Fund balance at beginning of year	241,422	241,422	
FUND BALANCE AT END OF YEAR	<u>\$ 241,422</u>	<u>\$ 227,588</u>	<u>\$ (13,834)</u>
LOAN REVOLVING:			
Revenues over Expenditures	\$	\$	\$
Fund balance at beginning of year			
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
COMMUNITY DEVELOPMENT BLOCK GRANT:			
Revenues:			
Grants	\$ 1,685,000	\$ 1,356,545	\$ (328,455)
Charges for services	125,000	128,803	3,803
Total Revenues	<u>1,810,000</u>	<u>1,485,348</u>	<u>(324,652)</u>
Expenditures:			
Current:			
General support services	183,000	140,681	42,319
Capital outlay	1,627,000	1,344,667	282,333
Total Expenditures	<u>1,810,000</u>	<u>1,485,348</u>	<u>324,652</u>
Revenues over Expenditures			
Fund balance at beginning of year			
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued on next page)

City of Port Huron

**SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT C-2
(Continued)

	Budget	Actual	Variance- Favorable (Unfavorable)
HOME:			
Revenues:			
Grants	\$ 714,000	\$ 628,330	\$ (85,670)
Charges for services	10,000	4,107	(5,893)
Total Revenues	<u>724,000</u>	<u>632,437</u>	<u>(91,563)</u>
Expenditures:			
Current:			
General support services	58,900	57,468	1,432
Capital outlay	665,100	574,969	90,131
Total Expenditures	<u>724,000</u>	<u>632,437</u>	<u>91,563</u>
Revenues over Expenditures			
Fund balance at beginning of year			
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
RENTAL REHABILITATION:			
Revenues:			
Grants	\$ 261,100	\$ 100,000	\$ (161,100)
Charges for services		75,561	75,561
Total Revenues	<u>261,100</u>	<u>175,561</u>	<u>(85,539)</u>
Expenditures:			
Current:			
General support services	11,100		11,100
Capital outlay	250,000	175,561	74,439
Total Expenditures	<u>261,100</u>	<u>175,561</u>	<u>85,539</u>
Revenues over Expenditures			
Fund balance at beginning of year			
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
STREETSCAPE MAINTENANCE:			
Revenues:			
Charges for services	\$ 40,000	\$ 40,421	\$ 421
Expenditures:			
Current:			
Public works	40,000	26,608	13,392
Revenues over Expenditures		13,813	13,813
Fund balance at beginning of year	12,689	12,689	
FUND BALANCE AT END OF YEAR	<u>\$ 12,689</u>	<u>\$ 26,502</u>	<u>\$ 13,813</u>

(Continued on next page)

City of Port Huron

**SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT C-2
(Continued)

	Budget	Actual	Variance- Favorable (Unfavorable)
BEAUTIFICATION COMMISSION:			
Revenues:			
Charges for services	\$ 1,000	\$ 650	\$ (350)
Expenditures:			
Current:			
General support services	7,600	6,333	1,267
Revenues over (under) Expenditures	(6,600)	(5,683)	917
Other financing sources:			
Operating transfers in	6,600	6,600	
Revenues and Other Sources over (under) Expenditures and Other Uses		917	917
Fund balance at beginning of year	2,279	2,279	
FUND BALANCE AT END OF YEAR	\$ 2,279	\$ 3,196	\$ 917
COMBINED:			
Revenues:			
Taxes	\$ 2,642,307	\$ 3,002,743	\$ 360,436
Grants	3,635,100	2,100,448	(1,534,652)
State shared revenues	2,450,157	2,520,870	70,713
Charges for services	645,230	743,238	98,008
Investment income		110,156	110,156
Total Revenues	9,372,794	8,477,455	(895,339)
Expenditures:			
Current:			
Public works	4,258,818	3,921,538	337,280
Recreation, parks and culture	434,122	431,775	2,347
General support services	872,420	789,588	82,832
Capital outlay	5,305,519	3,571,112	1,734,407
Total Expenditures	10,870,879	8,714,013	2,156,866
Revenues over (under) Expenditures	(1,498,085)	(236,558)	1,261,527
Other financing sources (uses):			
Operating transfers in	3,077,207	2,665,034	(412,173)
Operating transfers out	(2,324,285)	(1,939,337)	384,948
	752,922	725,697	(27,225)
Revenues and Other Sources over (under) Expenditures and Other Uses	(745,163)	489,139	1,234,302
Fund balances at beginning of year	6,999,358	6,999,358	
FUND BALANCES AT END OF YEAR	\$ 6,254,195	\$ 7,488,497	\$ 1,234,302

City of Port Huron

SPECIAL REVENUE FUNDS - STREETS BALANCE SHEET SCHEDULE
June 30, 2002

EXHIBIT C-3

	Major Streets	Local Streets	Municipal Streets	Totals	
				June 30, 2002	June 30, 2001
ASSETS					
Assets:					
Cash and cash equivalents	\$ 27,878	\$ 39,549	\$ 9,738,725	\$ 9,806,152	\$ 8,443,675
Taxes receivable			1,919	1,919	1,350
Due from other governmental units	190,051	42,012		232,063	241,811
Inventories			240,319	240,319	229,522
Total Assets	\$ 217,929	\$ 81,561	\$ 9,980,963	\$ 10,280,453	\$ 8,916,358
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,631	\$ 1,430	\$ 9,423	\$ 18,484	\$ 9,843
Accrued payroll	36,548	21,623	18,224	76,395	62,507
Contracts payable	6,786		3,916,924	3,923,710	3,142,692
Taxes collected in advance			29,982	29,982	1,300
Deferred revenue			5,064	5,064	4,900
Total Liabilities	50,965	23,053	3,979,617	4,053,635	3,221,242
Fund balances:					
Reserved for inventories			240,319	240,319	229,522
Unreserved:					
Designated for subsequent years' expenditures			4,303,599	4,303,599	
Undesignated	166,964	58,508	1,457,428	1,682,900	5,465,594
Total Fund Balances	166,964	58,508	6,001,346	6,226,818	5,695,116
Total Liabilities And Fund Balances	\$ 217,929	\$ 81,561	\$ 9,980,963	\$ 10,280,453	\$ 8,916,358

City of Port Huron

**SPECIAL REVENUE FUNDS - STREETS SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
Year Ended June 30, 2002

EXHIBIT C-4

	Major Streets	Local Streets	Municipal Streets	Totals	
				June 30, 2002	June 30, 2001
Revenues:					
Taxes - Streets	\$	\$	\$ 1,097,916	\$ 1,097,916	\$ 997,090
Taxes - BWATC			348,926	348,926	321,706
Grants	15,573		46,289	15,573	33,981
State shared revenues	1,890,647	518,333	110,156	2,455,269	2,538,319
Investment income				110,156	172,106
Total Revenues	<u>1,906,220</u>	<u>518,333</u>	<u>1,603,287</u>	<u>4,027,840</u>	<u>4,063,202</u>
Expenditures:					
Current:					
Public works	1,338,795	918,344	64,990	2,322,129	2,261,142
General support services-BWATC			348,926	348,926	321,706
Capital outlay	858,782	551,301		1,410,083	1,934,293
Total Expenditures	<u>2,197,577</u>	<u>1,469,645</u>	<u>413,916</u>	<u>4,081,138</u>	<u>4,517,141</u>
Revenues over (under) Expenditures	<u>(291,357)</u>	<u>(951,312)</u>	<u>1,189,371</u>	<u>(53,298)</u>	<u>(453,939)</u>
Other financing sources (uses):					
Operating transfers in	800,000	955,733	585,000	2,340,733	3,840,169
Operating transfers out	<u>(430,733)</u>	<u>955,733</u>	<u>(1,325,000)</u>	<u>(1,755,733)</u>	<u>(1,140,169)</u>
	<u>369,267</u>		<u>(740,000)</u>	<u>585,000</u>	<u>2,700,000</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	77,910	4,421	449,371	531,702	2,246,061
Fund balances at beginning of year	89,054	54,087	5,551,975	5,695,116	3,449,055
FUND BALANCES AT END OF YEAR	<u>\$ 166,964</u>	<u>\$ 58,508</u>	<u>\$ 6,001,346</u>	<u>\$ 6,226,818</u>	<u>\$ 5,695,116</u>

City of Port Huron

**SPECIAL REVENUE FUNDS - STREETS SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
MAJOR STREETS:			
Revenues:			
Grants	\$	\$ 15,573	\$ 15,573
State shared revenues	1,844,157	1,890,647	46,490
Total Revenues	<u>1,844,157</u>	<u>1,906,220</u>	<u>62,063</u>
Expenditures:			
Current:			
Public works	1,475,159	1,338,795	136,364
Capital outlay	1,008,843	858,782	150,061
Total Expenditures	<u>2,484,002</u>	<u>2,197,577</u>	<u>286,425</u>
Revenues over (under) Expenditures	<u>(639,845)</u>	<u>(291,357)</u>	<u>348,488</u>
Other financing sources (uses):			
Operating transfers in	1,074,845	800,000	(274,845)
Operating transfers out	(435,000)	(430,733)	4,267
	<u>639,845</u>	<u>369,267</u>	<u>(270,578)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses		77,910	77,910
Fund balance at beginning of year	89,054	89,054	
FUND BALANCE AT END OF YEAR	<u>\$ 89,054</u>	<u>\$ 166,964</u>	<u>\$ 77,910</u>
LOCAL STREETS:			
Revenues:			
State shared revenues	\$ 495,000	\$ 518,333	\$ 23,333
Total Revenues	<u>495,000</u>	<u>518,333</u>	<u>23,333</u>
Expenditures:			
Current:			
Public works	1,000,597	918,344	82,253
Capital outlay	558,843	551,301	7,542
Total Expenditures	<u>1,559,440</u>	<u>1,469,645</u>	<u>89,795</u>
Revenues over (under) Expenditures	<u>(1,064,440)</u>	<u>(951,312)</u>	<u>113,128</u>
Other financing sources:			
Operating transfers in	1,064,440	955,733	(108,707)
Revenues and Other Sources over (under) Expenditures and Other Uses		4,421	4,421
Fund balance at beginning of year	54,087	54,087	
FUND BALANCE AT END OF YEAR	<u>\$ 54,087</u>	<u>\$ 58,508</u>	<u>\$ 4,421</u>

(Continued on next page)

City of Port Huron

**SPECIAL REVENUE FUNDS - STREETS SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2002

EXHIBIT C-5
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
MUNICIPAL STREETS:			
Revenues:			
Taxes - Streets	\$ 1,090,223	\$ 1,097,916	\$ 7,693
Taxes - BWATC		348,926	348,926
Grants	975,000		(975,000)
State shared revenues	46,000	46,289	289
Investment income		110,156	110,156
Total Revenues	<u>2,111,223</u>	<u>1,603,287</u>	<u>(507,936)</u>
Expenditures:			
Current:			
Public works	85,815	64,990	20,825
General support services - BWATC	350,000	348,926	1,074
Capital Outlay	1,056,123		1,056,123
Total Expenditures	<u>1,491,938</u>	<u>413,916</u>	<u>1,078,022</u>
Revenues over (under) Expenditures	<u>619,285</u>	<u>1,189,371</u>	<u>570,086</u>
Other financing sources (uses):			
Operating transfers in	585,000	585,000	
Operating transfers out	(1,704,285)	(1,325,000)	379,285
	<u>(1,119,285)</u>	<u>(740,000)</u>	<u>379,285</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	(500,000)	449,371	949,371
Fund balance at beginning of year	<u>5,551,975</u>	<u>5,551,975</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 5,051,975</u>	<u>\$ 6,001,346</u>	<u>\$ 949,371</u>
COMBINED:			
Revenues:			
Taxes - Streets	\$ 1,090,223	\$ 1,097,916	\$ 7,693
Taxes - BWATC		348,926	348,926
Grants	975,000	15,573	(959,427)
State shared revenues	2,385,157	2,455,269	70,112
Investment income		110,156	110,156
Total Revenues	<u>4,450,380</u>	<u>4,027,840</u>	<u>(422,540)</u>
Expenditures:			
Current:			
Public works	2,561,571	2,322,129	239,442
General support services - BWATC	350,000	348,926	1,074
Capital outlay	2,623,809	1,410,083	1,213,726
Total Expenditures	<u>5,535,380</u>	<u>4,081,138</u>	<u>1,454,242</u>
Revenues over (under) Expenditures	<u>(1,085,000)</u>	<u>(53,298)</u>	<u>1,031,702</u>
Other financing sources (uses):			
Operating transfers in	2,724,285	2,340,733	(383,552)
Operating transfers out	(2,139,285)	(1,755,733)	383,552
	<u>585,000</u>	<u>585,000</u>	
Revenues and Other Sources over (under) Expenditures and Other Uses	(500,000)	531,702	1,031,702
Fund balances at beginning of year	<u>5,695,116</u>	<u>5,695,116</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 5,195,116</u>	<u>\$ 6,226,818</u>	<u>\$ 1,031,702</u>

FINANCIAL STATEMENTS

ENTERPRISE FUNDS

These Funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. The combined Enterprise Funds are comprised of the following individual funds:

Water Fund - This fund is used to account for the provision of water and related services to the residents of the City and surrounding townships.

Wastewater Fund - This fund is used to account for the provision of wastewater and related services to the residents of the City and surrounding townships.

Parking Fund - The operation of the City's metered and attended parking lots are accounted for in this fund.

Senior Citizens Fund - The rental operations related to senior citizens housing owned by the City of Port Huron are recorded in this fund.

Marina Fund - This fund accounts for the operation of the various marinas located within the City.

Land Purchase Fund - This fund accounts for the acquisition and sale of land and the rental of property held by the City for the purposes of attracting commercial, residential, and industrial development in the Port Huron area.

City of Port Huron

ENTERPRISE FUNDS - COMBINING BALANCE SHEET

June 30, 2002

EXHIBIT D

ASSETS	Water	Wastewater	Parking
Current assets:			
Cash and cash equivalents	\$ 3,102,512	\$ 7,969,575	\$ 124,187
Investments			
Accounts receivable (net of allowances for uncollectibles)	1,001,999	1,875,450	343
Due from other governmental units		378,847	
Due from other funds			
Inventories	10,236	58,067	
Total Current Assets	<u>4,114,747</u>	<u>10,281,939</u>	<u>124,530</u>
Restricted assets:			
Cash and cash equivalents	<u>1,138,866</u>	<u>5,858,066</u>	
Fixed assets:			
Land	799,823	631,745	861,665
Land improvements			267,758
Buildings	3,793,377	14,524,621	
Systems	23,470,793	66,455,353	
Equipment		11,121,939	3,370
Construction in progress	5,729,096	13,170,335	
	<u>33,793,089</u>	<u>105,903,993</u>	<u>1,132,793</u>
Less accumulated depreciation	6,711,624	28,675,476	242,006
Total Fixed Assets	<u>27,081,465</u>	<u>77,228,517</u>	<u>890,787</u>
Other long-term assets:			
Bond issuance costs (net of amortization)	142,582	286,495	
Receivables - component units			
Total Other Long-Term Assets	<u>142,582</u>	<u>286,495</u>	
Total Assets	<u>\$ 32,477,660</u>	<u>\$ 93,655,017</u>	<u>\$ 1,015,317</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$ 18,456	\$ 95,453	\$ 95
Accrued payroll	78,324	92,071	3,580
Contracts payable	125,171	207,789	
Due to other funds			2,748
Accrued interest payable	31,534	287,418	
Deferred revenue			
Other liabilities	133,265		
Current portion of long-term debt	350,000	1,505,000	
Total Current Liabilities	<u>736,750</u>	<u>2,187,731</u>	<u>6,423</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	86,158		
Current portion of long-term debt	350,000		
Total Current Liabilities Payable from Restricted Assets	<u>436,158</u>		
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)	14,115,807	40,022,521	
Deferred revenue - Transfer from component units			
Total Noncurrent Liabilities	<u>14,115,807</u>	<u>40,022,521</u>	
Total Liabilities	<u>15,288,715</u>	<u>42,210,252</u>	<u>6,423</u>
Fund equity:			
Contributed capital	1,628,559	19,051,878	215,224
Retained earnings:			
Reserved for revenue bond redemption and reserve account	1,138,866		
Unreserved	14,421,520	32,392,887	793,670
Total Fund Equity	<u>17,188,945</u>	<u>51,444,765</u>	<u>1,008,894</u>
Total Liabilities And Fund Equity	<u>\$ 32,477,660</u>	<u>\$ 93,655,017</u>	<u>\$ 1,015,317</u>

Senior Citizens	Marina	Land Purchase	Totals	
			June 30, 2002	June 30, 2001
\$ 448,559	\$ 3,150	\$ 8,253,710	\$ 19,901,693	\$ 7,372,549
				9,632,664
592	4,457	11,018	2,893,859	2,909,642
40,974	130,000		549,821	
		292,269	292,269	45,896
	8,897		77,200	14,111
<u>490,125</u>	<u>146,504</u>	<u>8,556,997</u>	<u>23,714,842</u>	<u>19,974,862</u>
			6,996,932	3,355,547
	1,518,228	2,766,383	6,577,844	6,400,315
	584,013	929,597	1,781,368	1,781,368
4,818,667	656,819	4,558,449	28,351,933	27,226,665
			89,926,146	71,912,647
36,147	2,936,460	57,373	14,155,289	11,428,454
			18,899,431	17,181,191
<u>4,854,814</u>	<u>5,695,520</u>	<u>8,311,802</u>	<u>159,692,011</u>	<u>135,930,640</u>
<u>2,893,507</u>	<u>2,750,839</u>	<u>937,981</u>	<u>42,211,433</u>	<u>38,903,973</u>
<u>1,961,307</u>	<u>2,944,681</u>	<u>7,373,821</u>	<u>117,480,578</u>	<u>97,026,667</u>
			429,077	261,982
		26,331,401	26,331,401	28,377,743
		<u>26,331,401</u>	<u>26,760,478</u>	<u>28,639,725</u>
<u>\$ 2,451,432</u>	<u>\$ 3,091,185</u>	<u>\$ 42,262,219</u>	<u>\$ 174,952,830</u>	<u>\$ 148,996,801</u>
\$ 10,157	\$ 16,551	\$ 6,796	\$ 147,508	\$ 101,854
6,167	11,153	2,411	193,706	175,225
79,388	31,758	38,932	483,038	140,007
	292,269		295,017	51,066
4,167			323,119	201,136
	81,097		81,097	128,945
13,264		12,395	158,924	150,133
200,000			2,055,000	1,285,000
<u>313,143</u>	<u>432,828</u>	<u>60,534</u>	<u>3,737,409</u>	<u>2,233,366</u>
			86,158	88,083
			350,000	300,000
			<u>436,158</u>	<u>388,083</u>
			54,138,328	31,381,540
		26,331,401	26,331,401	28,377,743
		<u>26,331,401</u>	<u>80,469,729</u>	<u>59,759,283</u>
<u>313,143</u>	<u>432,828</u>	<u>26,391,935</u>	<u>84,643,296</u>	<u>62,380,732</u>
461,798	1,961,500	270,229	23,589,188	24,591,689
			1,138,866	1,107,457
1,676,491	696,857	15,600,055	65,581,480	60,916,923
<u>2,138,289</u>	<u>2,658,357</u>	<u>15,870,284</u>	<u>90,309,534</u>	<u>86,616,069</u>
<u>\$ 2,451,432</u>	<u>\$ 3,091,185</u>	<u>\$ 42,262,219</u>	<u>\$ 174,952,830</u>	<u>\$ 148,996,801</u>

City of Port Huron

ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 2002

EXHIBIT D-1

	Water	Wastewater	Parking
Operating revenues:			
Charges for services	\$ 4,277,905	\$ 7,676,494	\$ 189,054
Rents			
Total Operating Revenues	<u>4,277,905</u>	<u>7,676,494</u>	<u>189,054</u>
Operating expenses:			
Personal services	1,645,185	2,518,793	94,841
Supplies and materials	217,870	522,833	12,328
Contractual services	1,135,893	2,734,335	84,235
Depreciation	825,824	2,536,057	13,022
Total Operating Expenses	<u>3,824,772</u>	<u>8,312,018</u>	<u>204,426</u>
Operating Income (Loss)	<u>453,133</u>	<u>(635,524)</u>	<u>(15,372)</u>
Nonoperating revenues (expenses):			
Investment income	111,210	168,327	
Interest expense	(531,317)	(935,473)	
Operating grants			
Gain on sale of property and equipment			45
Other income			
	<u>(420,107)</u>	<u>(767,146)</u>	<u>45</u>
Income (Loss) Before Capital Contributions and Operating Transfers	<u>33,026</u>	<u>(1,402,670)</u>	<u>(15,327)</u>
Capital contributions:			
Grants received		731,250	
Infrastructure improvements donated	31,838	1,794,852	
	<u>31,838</u>	<u>2,526,102</u>	
Income (Loss) Before Operating Transfers	<u>64,864</u>	<u>1,123,432</u>	<u>(15,327)</u>
Operating transfers in (out):			
Operating transfer in		1,912,212	
Operating transfer in - component units			
Operating transfer out			
Operating transfer out - component units			
		<u>1,912,212</u>	
Net Income (Loss)	<u>64,864</u>	<u>3,035,644</u>	<u>(15,327)</u>
Add depreciation on property and equipment acquired by grants	64,994	762,908	
Add other reductions in contributed capital			
Increase (Decrease) in Retained Earnings	<u>129,858</u>	<u>3,798,552</u>	<u>(15,327)</u>
Retained earnings at beginning of year	<u>15,430,528</u>	<u>28,594,335</u>	<u>808,997</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 15,560,386</u>	<u>\$ 32,392,887</u>	<u>\$ 793,670</u>

Senior Citizens	Marina	Land Purchase	Totals	
			June 30, 2002	June 30, 2001
\$ 331,991	\$ 134,519	\$ 243,512	\$ 12,277,972	\$ 11,580,328
<u>331,991</u>	<u>307,438</u>	<u>243,512</u>	<u>882,941</u>	<u>953,118</u>
	<u>441,957</u>		<u>13,160,913</u>	<u>12,533,446</u>
144,587	141,735	11,563	4,556,704	4,379,241
15,808	121,113	6	889,958	971,930
318,706	249,931	296,599	4,819,699	4,882,659
160,455	240,706	47,591	3,823,655	2,890,866
<u>639,556</u>	<u>753,485</u>	<u>355,759</u>	<u>14,090,016</u>	<u>13,124,696</u>
<u>(307,565)</u>	<u>(311,528)</u>	<u>(112,247)</u>	<u>(929,103)</u>	<u>(591,250)</u>
		200,588	480,125	1,385,928
(16,314)			(1,483,104)	(1,167,284)
464,008			464,008	475,222
			45	982,874
				639,674
<u>447,694</u>		<u>200,588</u>	<u>(538,926)</u>	<u>2,316,414</u>
<u>140,129</u>	<u>(311,528)</u>	<u>88,341</u>	<u>(1,468,029)</u>	<u>1,725,164</u>
	130,000		861,250	2,353,849
			1,826,690	2,634,677
	<u>130,000</u>		<u>2,687,940</u>	<u>4,988,526</u>
<u>140,129</u>	<u>(181,528)</u>	<u>88,341</u>	<u>1,219,911</u>	<u>6,713,690</u>
			1,912,212	1,133,712
		2,064,435	2,064,435	3,084,073
		(1,485,000)	(1,485,000)	(2,700,000)
		(18,093)	(18,093)	
		<u>561,342</u>	<u>2,473,554</u>	<u>1,517,785</u>
<u>140,129</u>	<u>(181,528)</u>	<u>649,683</u>	<u>3,693,465</u>	<u>8,231,475</u>
38,483	112,941	23,175	1,002,501	1,010,500
<u>178,612</u>	<u>(68,587)</u>	<u>672,858</u>	<u>4,695,966</u>	<u>875,736</u>
<u>1,497,879</u>	<u>765,444</u>	<u>14,927,197</u>	<u>62,024,380</u>	<u>51,906,669</u>
<u>\$ 1,676,491</u>	<u>\$ 696,857</u>	<u>\$ 15,600,055</u>	<u>\$ 66,720,346</u>	<u>\$ 62,024,380</u>

City of Port Huron

**ENTERPRISE FUNDS - COMBINING STATEMENT
OF CASH FLOWS**
Year Ended June 30, 2002

EXHIBIT D-2

	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 453,133	\$ (635,524)	\$ (15,372)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	825,824	2,536,057	13,022
Amortization of bond issuance costs	7,936	14,903	
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables	34,253	(11,734)	164
Decrease (increase) in due from other governmental units		(378,847)	
Decrease (increase) in due from other funds			
Decrease (increase) in inventory	(10,236)	(58,067)	
Increase (decrease) in accounts payable	(2,142)	47,275	(546)
Increase (decrease) in accrued payroll	10,439	3,581	(1,082)
Increase (decrease) in contracts payable	109,171	169,603	
Increase (decrease) in due to other funds			(2,422)
Increase (decrease) in deferred revenue			
Increase (decrease) in other liabilities	7,105		
Total Adjustments	<u>982,350</u>	<u>2,322,771</u>	<u>9,136</u>
Net cash provided by (used in) operating activities	<u>1,435,483</u>	<u>1,687,247</u>	<u>(6,236)</u>
Cash flows from noncapital financing activities:			
Operating grants received			
Other income			
Operating transfers in		1,912,212	
Operating transfers out			
Net cash provided by noncapital financing activities		<u>1,912,212</u>	

(Continued on next page)

Senior Citizens	Marina	Land Purchase	Totals	
			June 30, 2002	June 30, 2001
\$ (307,565)	\$ (311,528)	\$ (112,247)	\$ (929,103)	\$ (591,250)
160,455	240,706	47,591	3,823,655	2,890,866
			22,839	14,366
(592)	(1,489)	(4,819)	15,783	(182,183)
(40,974)	(130,000)		(549,821)	82,462
		(246,373)	(246,373)	(42,449)
	5,214		(63,089)	4,962
(380)	(4,873)	6,320	45,654	(69,568)
1,317	2,860	1,366	18,481	(2,025)
79,388	(53,615)	38,484	343,031	(934,019)
	246,373		243,951	44,049
(3,058)	(44,790)		(47,848)	(5,130)
1,391		295	8,791	(20,186)
<u>197,547</u>	<u>260,386</u>	<u>(157,136)</u>	<u>3,615,054</u>	<u>1,781,145</u>
<u>(110,018)</u>	<u>(51,142)</u>	<u>(269,383)</u>	<u>2,685,951</u>	<u>1,189,895</u>
464,008			464,008	475,222
				639,674
		2,064,435	3,976,647	4,217,785
		(1,503,093)	(1,503,093)	(2,700,000)
<u>464,008</u>		<u>561,342</u>	<u>2,937,562</u>	<u>2,632,681</u>

City of Port Huron

ENTERPRISE FUNDS - COMBINING STATEMENT
OF CASH FLOWS
Year Ended June 30, 2002

EXHIBIT D-2
(Continued)

	Water	Wastewater	Parking
Net cash provided by (used in) operating activities	\$ 1,435,483	\$ 1,687,247	\$ (6,236)
Net cash provided by noncapital financing activities		1,912,212	
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(6,653,854)	(15,341,295)	
Proceeds from issuance of long-term debt	5,542,099	19,603,895	
Principal payments on long-term debt	(290,206)	(1,079,000)	
Interest paid	(501,708)	(840,858)	
Bond issuance costs	(79,436)	(110,498)	
Proceeds from sale of property and equipment			45
Capital contributions		731,250	
Net cash provided by (used for) capital and related financing activities	(1,983,105)	2,963,494	45
Cash flows from investing activities:			
Sale of investments	1,000,000	4,325,527	
Investment income	111,210	168,327	
Net cash provided by (used for) investing activities	1,111,210	4,493,854	
Net increase (decrease) in cash and cash equivalents	563,588	11,056,807	(6,191)
Cash and cash equivalents at beginning of year	3,677,790	2,770,834	130,378
Cash and cash equivalents at end of year	\$ 4,241,378	\$ 13,827,641	\$ 124,187
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 3,102,512	\$ 7,969,575	\$ 124,187
Restricted assets - cash and cash equivalents	1,138,866	5,858,066	
Total balance sheet classification	\$ 4,241,378	\$ 13,827,641	\$ 124,187

Senior Citizens	Marina	Land Purchase	Totals	
			June 30, 2002	June 30, 2001
\$ (110,018)	\$ (51,142)	\$ (269,383)	\$ 2,685,951	\$ 1,189,895
464,008		561,342	2,937,562	2,632,681
(132,150)	(77,508)	(315,702)	(22,520,509)	(25,187,621)
(200,000)			25,145,994	10,471,665
(20,480)			(1,569,206)	(939,191)
			(1,363,046)	(1,111,874)
			(189,934)	(46,957)
		69,633	69,678	2,704,704
	130,000		861,250	2,353,849
(352,630)	52,492	(246,069)	434,227	(11,755,425)
		4,307,137	9,632,664	(7,462,106)
		200,588	480,125	1,385,928
		4,507,725	10,112,789	(6,076,178)
1,360	1,350	4,553,615	16,170,529	(14,009,027)
447,199	1,800	3,700,095	10,728,096	24,737,123
\$ 448,559	\$ 3,150	\$ 8,253,710	\$ 26,898,625	\$ 10,728,096
\$ 448,559	\$ 3,150	\$ 8,253,710	\$ 19,901,693	\$ 7,372,549
			6,996,932	3,355,547
\$ 448,559	\$ 3,150	\$ 8,253,710	\$ 26,898,625	\$ 10,728,096

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FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

These Funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost-reimbursement basis. The Internal Service Funds are comprised of the following individual funds:

Central Stores Fund - This fund was established to account for the supply room and copier activities.

Motor Vehicle Fund - The rental charges of City-owned equipment (principally cars and trucks) to other City departments are accounted for in this fund.

Data Processing Fund - The data processing charges to other City departments and outside municipalities for which the City provides data processing services are accounted for in this fund.

Insurance and Fringe Benefit Fund - This fund is the clearing account for the City's property, liability and other insurances and the other payroll related fringe benefits. Monies are accumulated in this fund as a result of insurance and payroll allocations based on an activity/fund basis.

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING BALANCE SHEET

June 30, 2002

EXHIBIT E

ASSETS	<u>Central Stores</u>	<u>Motor Vehicle</u>	<u>Data Processing</u>
Current assets:			
Cash and cash equivalents	\$ 76,521	\$ 986,655	\$ 355,983
Investments			25,915
Accounts receivable			35,891
Inventories	24,651	18,955	35,891
Total Current Assets	<u>101,172</u>	<u>1,005,610</u>	<u>417,789</u>
Fixed assets:			
Land improvements		1,322,749	
Machinery and equipment	29,395	569,768	626,000
Vehicles		3,119,882	
	<u>29,395</u>	<u>5,012,399</u>	<u>626,000</u>
Less accumulated depreciation	26,077	2,706,639	484,614
Total Fixed Assets	<u>3,318</u>	<u>2,305,760</u>	<u>141,386</u>
Total Assets	<u>\$ 104,490</u>	<u>\$ 3,311,370</u>	<u>\$ 559,175</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 5,429	\$ 80,579	\$ 36,968
Accrued payroll	324	23,673	18,652
Claims and judgements payable			
Compensated absenses payable			
Total Liabilities	<u>5,753</u>	<u>104,252</u>	<u>55,620</u>
Fund equity:			
Contributed capital		78,346	
Retained earnings, unreserved	98,737	3,128,772	503,555
Total Fund Equity	<u>98,737</u>	<u>3,207,118</u>	<u>503,555</u>
Total Liabilities And Fund Equity	<u>\$ 104,490</u>	<u>\$ 3,311,370</u>	<u>\$ 559,175</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2002	June 30, 2001
\$ 7,433,815	\$ 8,852,974	\$ 1,895,361
		5,314,618
282,193	308,108	307,093
	79,497	90,208
<u>7,716,008</u>	<u>9,240,579</u>	<u>7,607,280</u>
	1,322,749	1,299,279
	1,225,163	1,231,310
	3,119,882	3,461,359
	5,667,794	5,991,948
	3,217,330	3,334,278
	2,450,464	2,657,670
<u>\$ 7,716,008</u>	<u>\$ 11,691,043</u>	<u>\$ 10,264,950</u>

\$ 10,187	\$ 133,163	\$ 35,817
150,721	193,370	294,585
861,627	861,627	811,855
<u>2,928,202</u>	<u>2,928,202</u>	<u>2,573,940</u>
<u>3,950,737</u>	<u>4,116,362</u>	<u>3,716,197</u>
	78,346	82,581
3,765,271	7,496,335	6,466,172
<u>3,765,271</u>	<u>7,574,681</u>	<u>6,548,753</u>
<u>\$ 7,716,008</u>	<u>\$ 11,691,043</u>	<u>\$ 10,264,950</u>

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 2002

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 116,295	\$ 2,132,874	\$ 814,658
Operating expenses:			
Personal services	8,322	698,842	493,788
Supplies and materials	48,006	160,109	127,087
Contractual services	61,302	725,975	174,950
Depreciation	2,212	553,068	86,452
Total Operating Expenses	<u>119,842</u>	<u>2,137,994</u>	<u>882,277</u>
Operating Income (Loss)	<u>(3,547)</u>	<u>(5,120)</u>	<u>(67,619)</u>
Nonoperating revenues:			
Investment income			
Gain on sale of property and equipment		11,230	532
Total Nonoperating Revenues		<u>11,230</u>	<u>532</u>
Income (Loss) Before Capital Contributions	<u>(3,547)</u>	<u>6,110</u>	<u>(67,087)</u>
Capital contributions:			
Grants received			
Net Income (Loss)	<u>(3,547)</u>	<u>6,110</u>	<u>(67,087)</u>
Add depreciation on property and equipment acquired by grants		4,235	
Increase (Decrease) in Retained Earnings	<u>(3,547)</u>	<u>10,345</u>	<u>(67,087)</u>
Retained earnings at beginning of year	<u>102,284</u>	<u>3,118,427</u>	<u>570,642</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 98,737</u>	<u>\$ 3,128,772</u>	<u>\$ 503,555</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2002	June 30, 2001
\$ 7,784,339	\$ 10,848,166	\$ 10,549,104
6,096,002	7,296,954	7,805,815
422	335,624	330,373
759,050	1,721,277	1,858,996
	641,732	663,176
<u>6,855,474</u>	<u>9,995,587</u>	<u>10,658,360</u>
<u>928,865</u>	<u>852,579</u>	<u>(109,256)</u>
161,587	161,587	354,828
	11,762	8,216
<u>161,587</u>	<u>173,349</u>	<u>363,044</u>
<u>1,090,452</u>	<u>1,025,928</u>	<u>253,788</u>
		18,325
<u>1,090,452</u>	<u>1,025,928</u>	<u>272,113</u>
	4,235	2,118
<u>1,090,452</u>	<u>1,030,163</u>	<u>274,231</u>
<u>2,674,819</u>	<u>6,466,172</u>	<u>6,191,941</u>
\$ <u>3,765,271</u>	\$ <u>7,496,335</u>	\$ <u>6,466,172</u>

City of Port Huron

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

Year Ended June 30, 2002

EXHIBIT E-2

	<u>Central Stores</u>	<u>Motor Vehicle</u>	<u>Data Processing</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (3,547)	\$ (5,120)	\$ (67,619)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,212	553,068	86,452
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			2,669
Decrease (increase) in inventories	(43)	8,876	1,878
Increase (decrease) in accounts payable	1,504	53,338	34,306
Increase (decrease) in accrued payroll	22	(1,191)	997
Increase (decrease) in claims and judgements payable			
Increase (decrease) in compensated absences payable			
Total adjustments	<u>3,695</u>	<u>614,091</u>	<u>126,302</u>
Net cash provided by (used in) operating activities	<u>148</u>	<u>608,971</u>	<u>58,683</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(350,299)	(84,227)
Proceeds from sale of equipment		11,230	532
Capital contributions			
Net cash used for capital and related financial activities		<u>(339,069)</u>	<u>(83,695)</u>
Cash flows from investing activities:			
Proceeds from sale of investments			
Investment income			
Net increase (decrease) in cash and cash equivalents	148	269,902	(25,012)
Cash and cash equivalents at beginning of year	<u>76,373</u>	<u>716,753</u>	<u>380,995</u>
Cash and cash equivalents at end of year	<u>\$ 76,521</u>	<u>\$ 986,655</u>	<u>\$ 355,983</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2002	June 30, 2001
\$ 928,865	\$ 852,579	\$ (109,256)
	641,732	663,176
(3,684)	(1,015)	(24,431)
	10,711	4,584
8,198	97,346	(72,867)
(101,043)	(101,215)	(10,752)
49,772	49,772	411,855
354,262	354,262	79,562
<u>307,505</u>	<u>1,051,593</u>	<u>1,051,127</u>
<u>1,236,370</u>	<u>1,904,172</u>	<u>941,871</u>
	(434,526)	(339,091)
	11,762	8,216
		18,325
	<u>(422,764)</u>	<u>(312,550)</u>
5,314,618	5,314,618	(314,618)
161,587	161,587	354,828
<u>5,476,205</u>	<u>5,476,205</u>	<u>40,210</u>
6,712,575	6,957,613	669,531
721,240	1,895,361	1,225,830
<u>\$ 7,433,815</u>	<u>\$ 8,852,974</u>	<u>\$ 1,895,361</u>

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FINANCIAL STATEMENTS

FIDUCIARY FUNDS

Trust Funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

Cemetery Perpetual Care Fund - This endowment fund was established to invest the proceeds from the sale of burial plots and utilize the investment income in the operations of the City-owned cemetery.

E. W. Kiefer Fund - The assets donated to the City to be used for port promotion are accounted for in this fund.

McMorran Auditorium Trust (Auditorium) - Certain capital improvements associated with the Henry McMorran Memorial Auditorium Authority (component unit of the City) and financed by assets donated to the City are recorded in this endowment fund. The assets of this fund arose from donations to be used for the preservation, repair or replacement of the auditorium.

Senior Citizens Fund - Assets donated to the City which are to be used for various senior citizens's projects are accounted for in this fund.

Agency Fund - This fund accounts for taxes collected for the City and other units of government.

City of Port Huron

FIDUCIARY FUNDS - COMBINING BALANCE SHEET

June 30, 2002

EXHIBIT F

	Nonexpendable Trust Funds		
	Cemetery Perpetual Care	E.W. Kiefer	Auditorium
ASSETS			
Cash and cash equivalents	\$ 110,734	\$ 12,871	\$ 67,094
Investments	4,589,253		215,717
Interest receivable	43,481		6,495
Total Assets	<u>\$ 4,743,468</u>	<u>\$ 12,871</u>	<u>\$ 289,306</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other governmental units	\$	\$	\$
Taxes collected in advance			
Other liabilities	13,150		
Total Liabilities	<u>13,150</u>		
Fund balances:			
Reserved for endowments	4,730,318	12,871	289,306
Total Liabilities And Fund Balances	<u>\$ 4,743,468</u>	<u>\$ 12,871</u>	<u>\$ 289,306</u>

Senior Citizens	Agency	Totals	
		June 30, 2002	June 30, 2001
\$ 30,277	\$ 351,841	\$ 572,817 4,804,970 49,976	\$ 203,512 4,991,496 45,684
<u>\$ 30,277</u>	<u>\$ 351,841</u>	<u>\$ 5,427,763</u>	<u>\$ 5,240,692</u>
\$	\$ 14,898 336,943	\$ 14,898 336,943 13,150	\$ 31,728 18,709 9,175
	<u>351,841</u>	<u>364,991</u>	<u>59,612</u>
<u>30,277</u>		<u>5,062,772</u>	<u>5,181,080</u>
<u>\$ 30,277</u>	<u>\$ 351,841</u>	<u>\$ 5,427,763</u>	<u>\$ 5,240,692</u>

City of Port Huron

NONEXPENDABLE TRUST FUNDS - COMBINING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2002

EXHIBIT F-1

	Cemetery Perpetual Care	E.W. Kiefer	Auditorium
Operating revenues:			
Charges for services	\$ 69,172	\$	\$
Investment income (loss):			
Interest and dividends	261,379	255	15,225
Net increase (decrease) in the fair value of investments	(203,471)		2,411
Total investment income (loss)	57,908	255	17,636
Total Operating Revenues	<u>127,080</u>	<u>255</u>	<u>17,636</u>
Operating expenses:			
Supplies and materials			
Contractual services		1,500	
Total Operating Expenses		<u>1,500</u>	
Operating Income (Loss)	<u>127,080</u>	<u>(1,245)</u>	<u>17,636</u>
Operating transfers out - primary government	(261,379)		
Net Income (Loss)	<u>(134,299)</u>	<u>(1,245)</u>	<u>17,636</u>
Fund balances at beginning of year	4,864,617	14,116	271,670
FUND BALANCES AT END OF YEAR	<u>\$ 4,730,318</u>	<u>\$ 12,871</u>	<u>\$ 289,306</u>

Senior Citizens	Totals	
	June 30, 2002	June 30, 2001
\$	\$ 69,172	\$ 62,235
600	277,459	282,879
	(201,060)	309,855
600	76,399	592,734
600	145,571	654,969
1,000	1,000	1,000
	1,500	1,500
1,000	2,500	2,500
(400)	143,071	652,469
	(261,379)	(264,830)
(400)	(118,308)	387,639
30,677	5,181,080	4,793,441
\$ 30,277	\$ 5,062,772	\$ 5,181,080

City of Port Huron

**NONEXPENDABLE TRUST FUNDS -
COMBINING STATEMENT OF CASH FLOWS**
Year Ended June 30, 2002

EXHIBIT F-2

	Cemetery Perpetual Care	E.W. Kiefer	Auditorium
Cash flows from operating activities:			
Operating income (loss)	\$ 127,080	\$ (1,245)	\$ 17,636
Adjustments to reconcile operating income to net cash provided by operating activities:			
Investment (income) loss	(57,908)	(255)	(17,636)
Changes in current assets and liabilities:			
Increase (decrease) in other liabilities	3,975		
Total Adjustments	<u>(53,933)</u>	<u>(255)</u>	<u>(17,636)</u>
Net cash provided by (used in) operating activities	<u>73,147</u>	<u>(1,500)</u>	
Cash flows used in non capital financing activities:			
Operating transfers out	<u>(261,379)</u>		
Cash flows from investing activities:			
Purchase of investment securities	(890,625)		(148,813)
Proceeds from sale and maturity of investment securities	896,904		135,039
Interest and dividends received	251,824	255	13,449
Net cash provided by investing activities	<u>258,103</u>	<u>255</u>	<u>(325)</u>
Net increase (decrease) in cash and cash equivalents	69,871	(1,245)	(325)
Cash and cash equivalents at beginning of year	<u>40,863</u>	<u>14,116</u>	<u>67,419</u>
Cash and cash equivalents at end of year	<u>\$ 110,734</u>	<u>\$ 12,871</u>	<u>\$ 67,094</u>

Senior Citizens	Totals	
	June 30, 2002	June 30, 2001
\$ (400)	\$ 143,071	\$ 652,469
(600)	(76,399)	(592,734)
	3,975	6,175
<u>(600)</u>	<u>(72,424)</u>	<u>(586,559)</u>
(1,000)	70,647	65,910
	(261,379)	(264,830)
	(1,039,438)	(328,350)
	1,031,943	300,505
600	266,128	269,534
<u>600</u>	<u>258,633</u>	<u>241,689</u>
(400)	67,901	42,769
30,677	153,075	110,306
<u>\$ 30,277</u>	<u>\$ 220,976</u>	<u>\$ 153,075</u>

City of Port Huron

**AGENCY FUND - STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES**
Year Ended June 30, 2002

EXHIBIT F-3

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
ASSETS				
Cash and cash equivalents	<u>\$ 50,437</u>	<u>\$ 29,635,900</u>	<u>\$ 29,334,496</u>	<u>\$ 351,841</u>
LIABILITIES				
Due to other governmental units	\$ 31,728	\$ 15,201,667	\$ 15,218,497	\$ 14,898
Taxes collected in advance	<u>18,709</u>	<u>336,943</u>	<u>18,709</u>	<u>336,943</u>
Total Liabilities	<u>\$ 50,437</u>	<u>\$ 15,538,610</u>	<u>\$ 15,237,206</u>	<u>\$ 351,841</u>

FINANCIAL STATEMENTS

DISCRETELY PRESENTED COMPONENT UNITS

Discretely presented component units are entities which are legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Henry McMorran Memorial Auditorium Authority - McMorran is an autonomous governmental entity managed by a board of nine commissioners appointed by City Council. The Authority was established to manage the McMorran complex. The Authority is accounted for as a proprietary - type fund.

Downtown Development Authority - The Authority was established for the purpose of maintaining and renovating the downtown Port Huron area and collecting property tax revenues restricted for that purpose. The operating activities of the Authority are accounted for as governmental - type funds and long-term obligations are accounted for in an account group, General Long-Term Debt.

Tax Increment Finance Authority - The Authority is used for the maintaining and renovating of the City's Industrial Park and other areas outside the Downtown Development District/Authority through the collection of property tax revenues restricted for these purposes. The operating activities of the Authority are accounted for as governmental - type funds and long-term obligations are accounted for in an account group, General Long-Term Debt.

Local Development Finance Authority - The financing of public facilities and general infrastructure needs for specific project districts through the collection of property tax revenues restricted for these purposes is accomplished through this Authority. The operating activities of the Authority are accounted for as governmental - type funds and long-term obligations are accounted for in an account group, General Long-Term Debt.

City of Port Huron

COMBINING BALANCE SHEET - COMPONENT UNITS

June 30, 2002

EXHIBIT G

	McMorran	Downtown Development	Tax Increment Finance
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 12,871	\$ 36,894	\$ 3,647,595
Receivables	28,401	1,816	19,582
Inventories	10,262		
Prepaid items	21,933		
Restricted assets (cash and cash equivalents)	1,773,229		
Fixed assets (net of accumulated depreciation)	2,459,674		
Other debits - Amount to be provided for retirement of long-term debt		19,498,092	3,272,795
Total Assets and Other Debits	\$ 4,306,370	\$ 19,536,802	\$ 6,939,972
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$ 88,949	\$ 30,792	\$
Accrued payroll	94,902		
Contracts payable		5,000	63,769
Due to other governmental units			907,888
Deferred revenue	1,773,229		
Other liabilities	60,579		
Current portion of long-term debt	23,899		
Long-term debt (exclusive of current portion)		19,498,092	3,272,795
Total Liabilities	2,041,558	19,533,884	4,244,452
Equity and other credits:			
Contributed capital	787,763		
Retained earnings, unreserved	1,477,049		
Fund balances:			
Unreserved:			
Designated for subsequent years' expenditures			2,324,481
Undesignated		2,918	371,039
Total Equity and Other Credits	2,264,812	2,918	2,695,520
Total Liabilities, Equity and Other Credits	\$ 4,306,370	\$ 19,536,802	\$ 6,939,972

<u>Local Development Finance</u>	<u>Totals</u>
\$	\$ 3,697,360
	49,799
	10,262
	21,933
	1,773,229
	2,459,674
<u>4,666,840</u>	<u>27,437,727</u>
<u>\$ 4,666,840</u>	<u>\$ 35,449,984</u>

\$	\$ 119,741
	94,902
	68,769
	907,888
	1,773,229
	60,579
	23,899
<u>4,666,840</u>	<u>27,437,727</u>
<u>4,666,840</u>	<u>30,486,734</u>

787,763
1,477,049

	2,324,481
	373,957
<u>4,666,840</u>	<u>4,963,250</u>
<u>\$ 4,666,840</u>	<u>\$ 35,449,984</u>

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City of Port Huron

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL COMPONENT UNITS**
Year Ended June 30, 2002 EXHIBIT G-1

	Downtown Development	Tax Increment Finance	Local Development Finance	Totals
Revenues:				
Taxes	\$ 1,023,123	\$ 3,516,895	\$ 204,541	\$ 4,744,559
State shared revenues	4,011			4,011
Investment income		48,480		48,480
Sale of property	139,950			139,950
Total Revenues	<u>1,167,084</u>	<u>3,565,375</u>	<u>204,541</u>	<u>4,937,000</u>
Expenditures:				
Current:				
Taxes disbursed - not captured		1,133,772		1,133,772
General support services	63,254	103,656		166,910
Capital outlay	406,607	1,332,061		1,738,668
Total Expenditures	<u>469,861</u>	<u>2,569,489</u>		<u>3,039,350</u>
Revenues over (under) Expenditures	<u>697,223</u>	<u>995,886</u>	<u>204,541</u>	<u>1,897,650</u>
Other financing sources (uses):				
Operating transfers in:				
Primary government	18,093			18,093
Operating transfers out:				
Primary government	(911,738)	(948,156)	(204,541)	(2,064,435)
	<u>(893,645)</u>	<u>(948,156)</u>	<u>(204,541)</u>	<u>(2,046,342)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	(196,422)	47,730		(148,692)
Fund balances at beginning of year	199,340	2,647,790		2,847,130
FUND BALANCES AT END OF YEAR	<u>\$ 2,918</u>	<u>\$ 2,695,520</u>	<u>\$ 0</u>	<u>\$ 2,698,438</u>

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2002

EXHIBIT G-2

	Special Revenue			
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 1,102	\$ 5,000	\$	\$ 30,792
Receivables	61			
Other debits - Amount to be provided for retirement of long-term debt				
Total Assets and Other Debits	<u>\$ 1,163</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 30,792</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 30,792
Contracts payable		5,000		
General long-term debt				
Total Liabilities		<u>5,000</u>		<u>30,792</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures				
Undesignated	1,163			
Total Fund Balances	<u>1,163</u>			
Total Liabilities and Fund Balances	<u>\$ 1,163</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 30,792</u>

Funds			Account Group	Totals
Mainstreet	Water Street	Totals	General Long-Term Debt	(Memorandum Only)
\$ 1,755	\$	\$ 36,894 1,816	\$	\$ 36,894 1,816
			19,498,092	19,498,092
<u>\$ 1,755</u>	<u>\$ 0</u>	<u>\$ 38,710</u>	<u>\$ 19,498,092</u>	<u>\$ 19,536,802</u>
\$	\$	\$ 30,792 5,000	\$	\$ 30,792 5,000
			19,498,092	19,498,092
		<u>35,792</u>	<u>19,498,092</u>	<u>19,533,884</u>
1,755		2,918		2,918
<u>1,755</u>		<u>2,918</u>		<u>2,918</u>
<u>\$ 1,755</u>	<u>\$ 0</u>	<u>\$ 38,710</u>	<u>\$ 19,498,092</u>	<u>\$ 19,536,802</u>

City of Port Huron

**DOWNTOWN DEVELOPMENT AUTHORITY - SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS**

Year Ended June 30, 2002

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 58,105	\$ 22,630	\$ 31,179	\$ 427,220
State shared revenues	4,011			
Sale of property				
Total Revenues	<u>62,116</u>	<u>22,630</u>	<u>31,179</u>	<u>427,220</u>
Expenditures:				
Current:				
General support services	63,254			
Capital outlay		236,038		106,981
Total Expenditures	<u>63,254</u>	<u>236,038</u>	<u> </u>	<u>106,981</u>
Revenues over (under)				
Expenditures	(1,138)	(213,408)	31,179	320,239
Other financing sources (uses):				
Operating transfers in:				
Primary government	2,153	15,940		
Operating transfers out:				
Primary government			(31,179)	(320,239)
	<u>2,153</u>	<u>15,940</u>	<u>(31,179)</u>	<u>(320,239)</u>
Revenues and Other Sources				
over (under) Expenditures and				
Other Uses	1,015	(197,468)		
Fund balances at beginning of year	<u>148</u>	<u>197,468</u>	<u> </u>	<u> </u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 1,163</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

<u>Mainstreet</u>	<u>Water Street</u>	<u>Totals</u>
\$ 15,227	\$ 468,762	\$ 1,023,123
	139,950	4,011
<u>15,227</u>	<u>608,712</u>	<u>139,950</u>
		<u>1,167,084</u>
		63,254
	63,588	406,607
	<u>63,588</u>	<u>469,861</u>
<u>15,227</u>	<u>545,124</u>	<u>697,223</u>
		18,093
<u>(15,196)</u>	<u>(545,124)</u>	<u>(911,738)</u>
<u>(15,196)</u>	<u>(545,124)</u>	<u>(893,645)</u>
31		(196,422)
1,724		199,340
<u>\$ 1,755</u>	<u>\$ 0</u>	<u>\$ 2,918</u>

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE
June 30, 2002

EXHIBIT G-4

	Special Revenue Funds			
	Industrial Park	Paper Company	Krafft Holland	Peerless Site
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 3,277,928	\$ 248,615	\$ 121,052	\$
Receivables	18,210	730	642	
Other debits - Amount to be provided for retirement of long-term debt				
Total Assets and Other Debits	\$ 3,296,138	\$ 249,345	\$ 121,694	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities:				
Contracts payable	\$ 63,769	\$	\$	\$
Due to other governmental units	907,888			
General long-term debt				
Total Liabilities	971,657			
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	2,324,481			
Undesignated		249,345	121,694	
Total Fund Balances	2,324,481	249,345	121,694	
Total Liabilities and Fund Balances	\$ 3,296,138	\$ 249,345	\$ 121,694	\$ 0

<u>Totals</u>	<u>Account Group General Long-Term Debt</u>	<u>Totals (Memorandum Only)</u>
\$ 3,647,595 19,582	\$	\$ 3,647,595 19,582
	<u>3,272,795</u>	<u>3,272,795</u>
<u>\$ 3,667,177</u>	<u>\$ 3,272,795</u>	<u>\$ 6,939,972</u>
\$ 63,769 907,888	\$	\$ 63,769 907,888
<u>971,657</u>	<u>3,272,795</u> <u>3,272,795</u>	<u>3,272,795</u> <u>4,244,452</u>
2,324,481 371,039		2,324,481 371,039
<u>2,695,520</u>		<u>2,695,520</u>
<u>\$ 3,667,177</u>	<u>\$ 3,272,795</u>	<u>\$ 6,939,972</u>

City of Port Huron

**TAX INCREMENT FINANCE AUTHORITY - SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS**
Year Ended June 30, 2002

EXHIBIT G-5

	Industrial Park	Paper Company	Kraft Holland	Peerless Site	Totals
Revenues:					
Taxes	\$ 2,192,839	\$ 633,180	\$ 500,592	\$ 190,284	\$ 3,516,895
Investment income	48,480				48,480
Total Revenues	<u>2,241,319</u>	<u>633,180</u>	<u>500,592</u>	<u>190,284</u>	<u>3,565,375</u>
Expenditures:					
Current:					
Taxes disbursed - not captured		633,180	500,592		1,133,772
General support services	103,497		159		103,656
Capital outlay	1,169,410	160,449		2,202	1,332,061
Total Expenditures	<u>1,272,907</u>	<u>793,629</u>	<u>500,751</u>	<u>2,202</u>	<u>2,569,489</u>
Revenues over (under) Expenditures	968,412	(160,449)	(159)	188,082	995,886
Other financing sources (uses):					
Operating transfers out - primary government	(760,074)			(188,082)	(948,156)
Revenues and Other Sources over (under) Expenditures and Other Uses	208,338	(160,449)	(159)		47,730
Fund balances at beginning of year	<u>2,116,143</u>	<u>409,794</u>	<u>121,853</u>		<u>2,647,790</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,324,481</u>	<u>\$ 249,345</u>	<u>\$ 121,694</u>	<u>\$ 0</u>	<u>\$ 2,695,520</u>

STATISTICAL SECTION

The Statistical Section presents comparative data for expenditures, revenues, property tax levies and collections, property tax rates, taxable valuation of property, principal taxpayers, legal debt margin, ratio of net bonded debt, ratio of debt service to general governmental expenditures, direct and overlapping debt, property value, construction and bank deposits, schedules of revenue bond coverages, tax information, economic and statistical data, schedules of public works projects and special assessment billings and collections.

All economic and statistical data was obtained from records of the City of Port Huron.

City of Port Huron

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Senior Citizens</u>	<u>Recreation, Parks and Culture</u>
1992-1993	\$ 2,465,874	\$ 7,178,658	\$ 3,832,613	\$ 38,844	\$ 2,601,045
1993-1994	2,295,678	7,420,730	4,085,914	41,477	2,665,526
1994-1995	2,373,465	7,829,610	4,223,507	47,996	2,413,927
1995-1996	2,617,298	8,238,342	4,350,825	49,003	2,767,546
1996-1997	2,802,000	8,983,788	4,584,059	49,126	2,967,606
1997-1998	2,750,841	9,560,334	5,135,864	49,487	3,158,813
1998-1999	2,562,403	9,836,565	5,253,061	50,191	3,051,998
1999-2000	3,262,529	10,710,355	4,924,295	52,990	3,293,570
2000-2001	3,078,290	10,883,886	5,117,100	53,242	3,320,223
2001-2002	2,960,753	11,461,167	5,389,241	53,039	3,142,306

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Grants</u>	<u>State Shared Revenue</u>	<u>Charges For Services</u>	<u>Fines and Forfeits</u>
1992-1993	\$ 14,468,402	\$ 332,677	\$ 1,008,260	\$ 5,590,702	\$ 1,407,087	\$ 173,471
1993-1994	15,244,263	386,098	1,001,546	5,869,712	1,859,773	227,769
1994-1995	14,733,814	429,665	1,488,382	6,041,018	1,028,648	221,180
1995-1996	15,201,759	406,178	744,618	6,917,129	1,756,199	232,564
1996-1997	16,506,794	493,850	1,438,760	6,276,750	1,186,644	232,767
1997-1998	17,888,627	490,600	2,239,595	7,017,774	1,098,797	245,397
1998-1999	18,770,827	537,406	1,979,543	7,213,470	1,256,941	263,547
1999-2000	20,351,380	552,863	1,196,097	7,594,765	1,187,610	185,952
2000-2001	20,326,206	590,348	1,995,919	7,770,890	1,230,798	188,723
2001-2002	20,329,874	490,110	2,485,774	7,448,156	1,228,340	194,951

Includes General, Special Revenue and Debt Service Funds and discretely presented governmental component units.

<u>Taxes Disbursed - Not Captured</u>	<u>General Support Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 0	\$ 1,805,501	\$ 2,051,764	\$ 916,435	\$ 20,890,734
0	2,022,671	1,826,888	1,207,710	21,566,594
0	1,957,727	2,619,242	0	21,465,474
0	1,250,335	3,847,874	0	23,121,223
0	1,749,564	6,859,501	0	27,995,644
0	1,209,910	10,070,421	0	31,935,670
0	1,036,894	6,196,782	0	27,987,894
0	1,519,931	7,383,472	0	31,147,142
461,723	1,630,094	5,731,009	0	30,275,567
1,133,772	1,545,371	5,873,374	0	31,559,023

<u>Investment Income</u>	<u>Rents</u>	<u>Sale of Property and Other</u>	<u>Administrative Charges</u>	<u>Total</u>
\$ 280,081	\$ 30,756	\$ 1,500	\$ 993,174	\$ 24,286,110
164,821	31,640	1,311	1,044,360	25,831,293
462,548	31,817	5,106	1,025,533	25,467,711
686,199	31,817	5,062	1,036,376	27,017,901
719,506	36,411	2,334	1,075,768	27,969,584
680,996	31,110	589,004	1,043,228	31,325,128
669,868	36,761	842,166	1,068,443	32,638,972
864,991	68,721	1,439,073	1,107,670	34,549,122
937,432	176,138	293,554	1,176,037	34,686,045
441,644	184,139	141,191	1,230,312	34,174,491

City of Port Huron

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Ratio of Total Tax Collections To Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes To Total Tax Levy</u>
1992-1993	\$ 6,619,050	\$ 6,134,598	92.68%	\$ 492,562 (3,930)	100.12%	\$175,065	2.64%
1993-1994	6,824,692	6,416,809	94.02	466,234 (2,732)	100.85	153,054	2.24
1994-1995	7,077,944	6,628,536	93.65	490,109 (2,979)	100.58	167,732	2.37
1995-1996	7,284,801	6,845,377	93.97	465,257 (1,675)	100.35	250,262	3.44
1996-1997	7,709,779	7,250,760	94.05	489,901 (61,688)	100.40	153,528	1.99
1997-1998	8,170,190	7,688,105	94.10	510,262 (73,553)	100.34	61,367	.75
1998-1999	8,641,067	8,169,499	94.54	495,643 (1,270)	100.28	146,561	1.70
1999-2000	9,030,880	8,535,656	94.52	520,649 (2,049)	100.28	123,842	1.37
2000-2001	9,731,459	9,004,398	92.53	572,348 (151,326)	98.41	155,332	1.60
2001-2002	10,331,655	9,567,971	92.61	592,585 (132,011)	98.34	36,919	.36

Includes General, Special Revenue and Debt Service Funds and discretely presented governmental component units.

Bracketed amounts in the Delinquent Tax Collections column represent taxes canceled and reclassified.

City of Port Huron

PROPERTY TAX RATES PER \$1,000 STATE EQUALIZED VALUATION
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Year	CITY					BWATC
	Operating	Debt Service	Streets	Rubbish and Garbage Collection	Total	Bus Operating
1992-1993	\$ 12.0000	\$ 2.5000	\$	\$ 3.0000	\$ 17.5000	\$.7000
1993-1994	11.3376	2.1100		2.8344	16.2820	.6700
1994-1995	11.3376		2.0000	2.8344	16.1720	.6500
1995-1996	11.3376		2.0000	2.8344	16.1720	.6000
1996-1997	11.3376		2.0000	2.8344	16.1720	.6490
1997-1998	11.3376		2.0000	2.8344	16.1720	.6480
1998-1999	11.3376		2.0000	2.8344	16.1720	.6480
1999-2000	11.3297		1.9986	2.8324	16.1607	.6436
2000-2001	11.3297		1.9986	2.8324	16.1607	.6435
2001-2002	11.3263		1.9980	2.8315	16.1558	.6386

Year	COUNTY					COLLEGE
	St. Clair County	Intermediate School	Special Education	Vocational Education	Total	Operating and Debt
1992-1993	\$ 6.4925	\$.2080	\$ 2.4765	\$.9906	\$ 10.1676	\$ 1.6261
1993-1994	6.1400	.1970	2.3455	.9382	9.6207	1.4076
1994-1995	7.1400	.1970	2.3455	.9382	10.6207	1.4076
1995-1996	7.1400	.1970	2.3455	.9382	10.6207	1.4076
1996-1997	7.1400	.1970	2.3455	.9382	10.6207	1.4076
1997-1998	7.1400	.1970	2.3455	.9382	10.6207	1.4076
1998-1999	7.1706	.1970	2.3455	.9382	10.6513	1.4076
1999-2000	7.1564	.1967	2.3415	.9366	10.6312	1.9044
2000-2001	7.1564	.1966	2.3415	.9366	10.6311	1.9043
2001-2002	7.1153	.1955	2.3290	.9316	10.5714	1.8941

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
1992-1993	\$ 34.4719	\$ 2.0000	\$ 36.4719	\$	\$ 66.4656	\$ 66.4656
1993-1994	34.5974	2.0000	36.5974		64.5777	64.5777
1994-1995	18.0000*	2.0000	20.0000	6.0000	36.8503	54.8503
1995-1996	18.0000*	2.0000	20.0000	6.0000	36.8003	54.8003
1996-1997	18.0000*	2.0000	20.0000	6.0000	36.8493	54.8493
1997-1998	18.0000*	2.0000	20.0000	6.0000	36.8483	54.8483
1998-1999	18.0000*	2.0000	20.0000	6.0000	36.8789	54.8789
1999-2000	18.0000*	2.0000	20.0000	6.0000	37.3399	55.3399
2000-2001	18.0000*	2.0000	20.0000	6.0000	37.3396	55.3396
2001-2002	18.0000*	2.0000	20.0000	6.0000	37.2599	55.2599

*Non-homestead property only

City of Port Huron

TAXABLE VALUATION OF PROPERTY
Last Ten Fiscal Years and Succeeding Year

AD VALOREM ASSESSMENT ROLL

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1992-1993	\$ 319,551,400	\$ 58,891,575	\$ 378,442,975
1993-1994	359,873,975	60,586,850	420,460,825
1994-1995	374,706,375	63,239,050	437,945,425
1995-1996	382,546,743	68,436,130	450,982,873
1996-1997	397,706,603	79,127,550	476,834,153
1997-1998	420,082,279	85,312,150	505,394,429
1998-1999	437,700,332	97,402,375	535,102,707
1999-2000	454,711,855	104,918,375	559,630,230
2000-2001	473,213,072	105,730,775	578,943,847
2001-2002	499,277,450	116,239,150	615,516,600
2002-2003	528,537,633	116,579,850	645,117,483

ASSESSED AND EQUALIZED VALUATION OF PROPERTY
Last Ten Fiscal Years and Succeeding Year

AD VALOREM ASSESSMENT ROLL

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1992-1993	\$ 319,551,400	\$ 58,891,575	\$ 378,442,975
1993-1994	359,873,975	60,586,850	420,460,825
1994-1995	374,706,375	63,239,050	437,945,425
1995-1996	391,424,725	68,436,200	459,860,925
1996-1997	414,949,125	79,127,550	494,076,675
1997-1998	450,347,150	85,312,150	535,659,300
1998-1999	479,271,950	97,402,375	576,674,325
1999-2000	508,605,125	104,918,375	613,523,500
2000-2001	543,586,225	105,730,775	649,317,000
2001-2002	582,772,400	116,239,150	699,011,550
2002-2003	639,054,600	116,579,850	755,634,450

A decision of the Michigan Supreme Court of November 30, 1944, (Cheeseman vs. Dell, 310 Michigan 108) defined the term "assessed valuation" as used in the property tax limitation amendment to the State Constitution to mean "the local assessments, as approved or changed and corrected through the statutory process of County equalization." Based upon this decision, all real and personal property taxes for the fiscal years 1945-1946, through 1953-1954, were levied upon County equalized valuations. Since 1954-1955, pursuant to a Supreme Court decision of November 29, 1954, (Pittsfield School District vs Washtenaw County, 341 Michigan 388) the State equalized valuations have been used.

The assessed and equalized valuation of taxable property is determined as of December 31st of each year and is the basis upon which taxes are levied during the succeeding fiscal year. The passage of Proposal A in May, 1994 altered how tax values are determined. Beginning in the 1995-1996 fiscal year, property taxes are based on taxable value instead of state equalized value. Proposal A also capped taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value becomes 50% of true cash value, or the state equalized valuation. The Industrial and Commercial

INDUSTRIAL AND COMMERCIAL FACILITIES ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Commercial Real Property</u>	<u>Total</u>	<u>Total Taxable Valuation</u>
\$ 14,665,300	\$ 28,586,825	\$ 694,625	\$ 43,946,750	\$ 422,389,725
13,978,050	30,278,450	641,650	44,898,150	465,358,975
13,367,175	30,702,350	520,175	44,589,700	482,535,125
15,685,075	31,033,800	520,175	47,239,050	498,221,923
18,174,775	41,961,400	346,700	60,482,875	537,317,028
17,068,200	46,507,350	115,075	63,690,625	569,085,054
18,397,075	47,332,325		65,729,400	600,832,107
18,833,575	43,646,875		62,480,450	622,110,680
17,389,550	39,527,675		56,917,225	635,861,072
17,889,550	32,475,700		50,365,250	665,881,850
19,682,550	29,151,850		48,834,400	693,951,883

INDUSTRIAL AND COMMERCIAL FACILITIES ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Commercial Real Property</u>	<u>Total</u>	<u>Total Equalized Valuation</u>
\$ 14,665,300	\$ 28,586,825	\$ 694,625	\$ 43,946,750	\$ 422,389,725
13,978,050	30,278,450	641,650	44,898,150	465,358,975
13,367,175	30,702,350	520,175	44,589,700	482,535,125
15,685,075	31,033,800	520,175	47,239,050	507,099,975
18,174,775	41,961,400	346,700	60,482,875	554,559,550
17,068,200	46,507,350	115,075	63,690,625	599,349,925
18,397,075	47,332,325		65,729,400	642,403,725
18,833,575	43,646,875		62,480,450	676,003,950
17,389,550	39,527,675		56,917,225	706,234,225
17,889,550	32,475,700		50,365,250	749,376,800
19,682,550	29,151,850		48,834,400	804,468,850

Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years. The City Council has adopted a policy that such abatements will be twelve years for real property and six years for personal property. The ad valorem taxable valuation of \$615,516,600 and the abated taxable valuation of \$50,365,250 as of December 31, 2000 were used as the basis for determining the fiscal 2001-2002 operating taxes.

The State Tax Commission issued new personal property multipliers for the taxable valuation of personal property as of December 31, 1999. Such multipliers represent a significant change in the valuation of personal property resulting in lower valuations and, effective for the 2000-2001 and future fiscal years, reduced personal property tax revenues.

City of Port Huron

PRINCIPAL TAXPAYERS

June 30, 2002

<u>Taxpayer</u>	<u>2002 Ad Valorem Taxable Valuation</u>	<u>2002 Industrial Facilities Taxable Value</u>	<u>2002 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>
Domtar	\$ 19,432,600	\$ 4,618,600	\$ 24,051,200	3.47%
Mueller Brass Company	10,575,677	9,963,550	20,539,227	2.96
DTE (Detroit Edison)	13,353,200		13,353,200	1.92
Curtis Paper (formerly Crown Vantage)	9,102,500	756,650	9,859,150	1.42
Acheson Industries	8,973,190	472,500	9,445,690	1.36
Royal Oak Industries	2,577,150	6,516,950	9,094,100	1.31
Petri Inc.	1,550,906	4,918,300	6,469,206	.93
LDM Technologies	3,742,026	2,607,100	6,349,126	.91
Lear Corporation	5,412,100	886,500	6,298,600	.91
SEMCO Energy Company	5,453,538		5,453,538	.79
Blue Water Fiber Limited	2,572,754	2,500,000	5,072,754	.73
Port Huron Molded Products	3,838,250	796,600	4,634,850	.67
U. S. Manufacturing	3,314,994	1,228,200	4,543,194	.65
Innkeepers Management LLC (Edison Inn)	3,571,307		3,571,307	.51
Sombur Machine & Tool Co. Inc.	3,440,650	114,325	3,554,975	.51
Parkview Property Management	3,176,853		3,176,853	.46
Times Herald Company	2,924,041		2,924,041	.42
Pine Grove Plaza Limited	2,884,130		2,884,130	.42
Advanced Accessory Systems	2,824,031		2,824,031	.41
Huron Inc.	<u>1,153,300</u>	<u>1,552,050</u>	<u>2,705,350</u>	<u>.39</u>
	<u>\$ 109,873,197</u>	<u>\$ 36,931,325</u>	<u>\$ 146,804,522</u>	<u>21.15%</u>

City of Port Huron

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2002

STATE EQUALIZED VALUATION AT DECEMBER 31, 2001 \$ 755,634,450

	Actual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin Totals
General obligation debt	\$ 47,269,620	10%	\$ 75,563,445	\$ 28,293,825
Emergency bonds		3/8	\$ 2,833,629	\$ 2,833,629
Special assessment bonds		12	\$ 90,676,134	\$ 90,676,134
TOTAL DEBT	<u>\$ 47,269,620</u>			

The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the State equalized valuation of property in the City (\$755,634,450), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order.

The Michigan State Bond Act provides that the total debt in special assessment bonds, which would require that the City pledge its faith and credit, shall not exceed 12% of the state equalized valuation of property of the City, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

As described in the schedule of Assessed and Equalized Valuation of Taxable Property the State taxable valuation at December 31, 2001 of \$645,117,483 will be used as a basis for determining the fiscal 2002-2003 operating taxes.

City of Port Huron

RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO STATE EQUALIZED VALUE AND PER CAPITA
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>State Equalized Value</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>
1992-1993	33,694	\$ 378,442,975	\$ 2,975,000	325,000
1993-1994	33,694	420,460,825	1,675,000	0
1994-1995	33,694	437,945,425	1,525,000	0
1995-1996	33,694	459,860,925	1,350,000	0
1996-1997	33,694	494,076,675	1,175,000	0
1997-1998	33,694	535,659,300	1,000,000	0
1998-1999	33,694	576,674,325	18,484,105	0
1999-2000	33,694	613,523,500	23,434,066	0
2000-2001	32,338	649,317,000	32,966,540	0
2001-2002	32,338	699,011,550	56,543,328	0

<u>Fiscal Year</u>	<u>Self Supporting Debt</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to State Equalized Value</u>	<u>Net Bonded Debt Per Capita</u>
1992-1993	\$ 1,825,000	\$ 825,000	.22%	\$ 24.49
1993-1994	1,675,000	0	.00	.00
1994-1995	1,525,000	0	.00	.00
1995-1996	1,350,000	0	.00	.00
1996-1997	1,175,000	0	.00	.00
1997-1998	1,000,000	0	.00	.00
1998-1999	18,484,105	0	.00	.00
1999-2000	23,434,066	0	.00	.00
2000-2001	32,966,540	0	.00	.00
2001-2002	56,543,328	0	.00	.00

City of Port Huron

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
 BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1992-1993	\$ 800,000	\$ 116,435	\$ 916,435	\$ 20,890,734	4.39%
1993-1994	1,150,000	57,710	1,207,710	21,566,594	5.60
1994-1995	0	0	0	21,465,474	0.00
1995-1996	0	0	0	23,121,223	0.00
1996-1997	0	0	0	27,995,644	0.00
1997-1998	0	0	0	31,935,670	0.00
1998-1999	0	0	0	27,987,894	0.00
1999-2000	0	0	0	31,147,142	0.00
2000-2001	0	0	0	30,275,567	0.00
2001-2002	0	0	0	31,559,023	0.00

Includes General, Special Revenue and Debt Service Funds and discretely presented governmental component units.

City of Port Huron

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2002

DIRECT BONDED DEBT:		
Housing General Obligation Bonds		\$ 200,000
Water Supply System Revenue Bonds (Limited Tax General Obligation)		9,273,708
Wastewater General Obligation Limited Tax Bonds		17,392,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		24,135,518
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		<u>5,542,099</u>
Total Direct Bonded Debt		56,543,328
Less self-supporting general obligation bonds		
Housing General Obligation Bonds	\$ 200,000	
Water Supply System Revenue Bonds (Limited Tax General Obligation)	9,273,708	
Wastewater General Obligation Limited Tax Bonds	17,392,003	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	24,135,518	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	<u>5,542,099</u>	<u>56,543,328</u>
Net Direct Bonded Debt		0
OVERLAPPING BONDED DEBT:		
13.50% of St. Clair County Intermediate School District debt	10,800	
13.60% of St. Clair County Community College debt	330,480	
12.78% of St. Clair County debt	1,329,120	
41.14% of Port Huron Area School District debt	<u>7,216,779</u>	
Overlapping Bonded Debt		<u>8,887,179</u>
NET DIRECT AND OVERLAPPING BONDED DEBT		<u>\$ 8,887,179</u>
	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	\$.00	.00%
Net Direct and Overlapping Bonded Debt	\$ 274.82	1.27%

City of Port Huron

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years

	<u>Property Value</u>	<u>Construction</u>	<u>Bank Deposits</u>
1992-1993	\$ 844,779,450	\$ 13,855,992	*
1993-1994	930,717,950	15,597,139	*
1994-1995	965,070,250	15,025,671	*
1995-1996	1,014,199,950	18,224,279	*
1996-1997	1,109,119,100	26,842,567	*
1997-1998	1,198,699,850	39,123,226	*
1998-1999	1,284,807,450	24,414,998	*
1999-2000	1,352,007,900	25,180,532	*
2000-2001	1,412,468,450	30,116,864	*
2001-2002	1,498,753,600	10,811,337	*

* Information Not Available

City of Port Huron

SCHEDULE OF REVENUE BOND COVERAGE
Last Ten Fiscal Years

WATER SUPPLY SYSTEM

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses and Operating Transfers</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1992-1993	\$ 3,223,400	\$ 2,427,063	\$ 796,337	\$ 0	\$ 0	\$ 0	N/A
1993-1994	3,122,010	2,506,553	615,457	0	0	0	N/A
1994-1995	3,377,804	2,439,537	938,267	0	0	0	N/A
1995-1996	3,506,556	2,549,828	956,728	0	0	0	N/A
1996-1997	3,684,184	2,929,297	754,887	0	0	0	N/A
1997-1998	4,029,515	2,821,978	1,207,537	0	0	0	N/A
1998-1999	4,647,232	2,943,192	1,704,040	0	9,299	9,299	183.25
1999-2000	4,870,844	3,124,444	1,746,400	0	488,040	488,040	3.58
2000-2001	4,503,395	3,042,711	1,460,684	240,191	482,359	722,550	2.02
2001-2002	4,389,115	2,998,948	1,390,167	290,206	531,317	821,523	1.69

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

TAX INFORMATION

TAXES DUE: July 1st

PAYABLE: City and School taxes are due and payable July 1st at the office of the City Treasurer. (County taxes are due and payable December 1st)

PENALTIES FOR DELINQUENCY: An addition of one percent (1%) is made on the first day of the second, third, fourth and fifth thirty (30) day period next following the mailing of the tax bills. Commencing March 1st, taxes on real property are collected through the Treasurer of St. Clair County, who adds and retains a collection fee of 4%, and in addition adds interest at the rate of 1% per month or fraction thereof to the date of payment.

LIEN ON PROPERTY: Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The General Tax Law provides for disposition at public sale of real estate delinquent for taxes as follows:

<u>Date of Sale</u>	<u>Delinquent Tax Properties to be Sold</u>
May, 2003	Year 2000
May, 2004	Year 2001

STATE LAND SALE: The State Land Office Board Act No. 155, Public Acts of 1937, as amended, created a State agency to dispose of certain land held by the State of Michigan. (The functions of this agency were taken over by the State Department of Natural Resources in 1949.) Unsold taxes offered at the annual County May tax sale are deemed to be "bid in" by the State, which assumes jurisdiction over them. The taxpayer has twelve months from the date of the County May tax sale in which to redeem his property by paying all unpaid taxes and assessments in full, together with all interest, penalties and collection fees at the office of the County Treasurer. "Redemption interest" at the rate of 1% per month from the date of the County May tax sale is charged on those taxes and assessments paid during this redemption period. Taxes "bid in" by the State, which remain unpaid at the expiration of the redemption period, are deeded to the State of Michigan, and outstanding taxes, special assessments, etc. are immediately canceled. Administration of this property is then transferred from the Auditor General to the Department of Natural Resources.

On the first Tuesday in February, following acquisition by the State, these properties are offered at public auction at the statutory State Land Sale (minimum bid - 25% of the assessed valuation for the year preceding vesting of title in the State.) Properties offered but not sold at the State Land Sale may be appraised and again offered for sale by the Department of Natural Resources as they see fit. The proceeds from sales, together with any income from properties while under the jurisdiction of the Department of Natural Resources, are remitted to the taxing subdivisions on the basis of their equities in the properties.

City of Port Huron

ECONOMIC AND STATISTICAL DATA

<u>Area:</u>	8.00 square miles (5,120 acres)		
<u>Form of Government:</u>	Council-Manager (Since April 7, 1941)		
<u>Present Charter:</u>	Adopted April 7, 1969 (effective April 18, 1969)		
<u>Elections:</u>	Registered voters (General election)		
	November 6, 2001		20,806
	Number of voters voting in General election		
	November 6, 2001		4,933
	Percentage of registered voters voted		
			23.7%
	Registered voters (General election)		
	November 7, 2000		20,936
	Number of voters voting in General election		
	November 7, 2000		11,233
	Percentage of registered voters voted		
			53.7%
<u>Fiscal Year Begins:</u>	July 1		
<u>Number of City Employees:</u>	352 regular, 200 seasonal, summer and fall programs		
<u>Fire Protection:</u>	3 stations, 53 fire fighting personnel, 7 fire fighting apparatus, 2-way radio equipment, 1 rescue boat, 1 special response van and trailer		
<u>Police Protection:</u>	1 station, 52 police officers, 2-way radio equipment		
<u>Parking:</u>	13 metered lots		880 spaces
	1 free lot		228 spaces
	1 permit only lot		33 spaces
	street meters		540 spaces
	1 seasonal attended lot		464 spaces
	permit only spaces in metered lots		236 spaces
<u>Building Construction:</u>			
	1992-1993	729 permits	\$ 13,855,992 estimated value
	1993-1994	696 permits	\$ 15,597,139 estimated value
	1994-1995	696 permits	\$ 15,025,671 estimated value
	1995-1996	710 permits	\$ 18,224,279 estimated value
	1996-1997	748 permits	\$ 26,842,567 estimated value
	1997-1998	683 permits	\$ 39,123,226 estimated value
	1998-1999	641 permits	\$ 24,414,998 estimated value
	1999-2000	679 permits	\$ 25,180,532 estimated value
	2000-2001	715 permits	\$ 30,116,864 estimated value
	2001-2002	833 permits	\$ 10,811,337 estimated value
<u>Streets:</u>	144.64 miles improved		
	2.15 miles unimproved		

City of Port Huron

ECONOMIC AND STATISTICAL DATA

<u>Sewers:</u>	222.0 miles (combination storm and sanitary)		
<u>Street Lights:</u>	3,096 (includes both mercury vapor and high pressure sodium)		
<u>Water Plant:</u>	Accounts:		
	City-regular		12,605
	Port Huron Township		3,244
	Fort Gratiot - regular		85
	Fort Gratiot - Water District No. FG		4,276
	Kimball Township		1,451
	Average capacity	20,000,000 gallons per day	
	Maximum daily capacity	30,000,000 gallons per day	
	Maximum hourly capacity	40,000,000 gallons per day	
	Average pumpage per day	8,200,000 gallons per day	
	Watermains	170.4 miles	
	Hydrants:		
	City maintained		1,263
	Private		128
<u>Wastewater Plant:</u>	Customers:		
	Equivalent connected population		56,900
	Average daily capacity	20,000,000 gallons per day	
	Maximum daily capacity	33,000,000 gallons per day	
	Average daily flow	10,000,000 gallons per day	
<u>Recreation:</u>	15 public parks (125.0 acres)		
	20 playgrounds (City owned)		
	8 playgrounds (School owned)		
	25 tennis courts, including 8 at schools and		
	6 indoors available May-October		
	2 public beaches		
	2 public swimming pools		
	1 community center		
	2 public scenic turnouts		
	2 public parkways		
<u>Population Growth:</u>	Official U.S. Census		
	1880		8,883
	1890		13,543
	1900		19,158
	1910		18,863
	1920		25,944
	1930		31,361
	1940		32,759
	1950		35,725
	1960		36,084
	1970		35,794
	1980		33,934
	1990		33,694
	2000		32,338
<u>Marina:</u>	67 seasonal boat wells		
	442 transient boat wells		

City of Port Huron

PUBLIC WORKS PROJECTS
CURRENT YEAR PROJECTS
Year Ended June 30, 2002

In any year the City of Port Huron has a number of public works projects in varying stages of completion. A schedule of costs incurred on such projects during the year ended June 30, 2002 appears below. Public works projects necessary for the elimination of combined sewer overflows (CSO) primarily involve substantial sewer separation work, but include improvements of water distribution lines where appropriate, the restoration of the roadways due to the sewer separation or water distribution line work and other street reconstruction, where necessary or recommended. Costs associated with these projects are primarily recorded in the Streets Funds, the Water Fund and the Wastewater Fund. Certain of these projects could also be recorded in the Community Development Block Grant Fund and the tax increment funds. Those projects with a significant portion of the project dedicated to the elimination of combined sewer overflows (CSO) are noted.

Costs incurred for public works projects for the 2001-2002 year are as follows:

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Stone Street - Hollis to Holland Tunnel Area (CSO)	\$ 595,524	\$ 242,847	\$ 85,676	\$ 924,047
Indian Creek 2B (CSO)	8,582	73,597	194,509	213,917
Indian Creek 2C (CSO)	23,496	1,583,960	2,637,793	4,245,249
Indian Creek 4 (CSO)	32,866	85,581	492,875	611,322
7 th and 9 th Area (CSO)		1,383,466	3,623,957	5,007,423
Utility building		37,265	37,265	74,530
Stone Street - McPherson to State Peavey Area (CSO)	99,390	382,034	1,395,238	1,777,272
Gratiot Avenue - MDOT	190,662		29,512	220,174
Military/Electric Area - MDOT (CSO)		1,268,387	1,257,239	2,525,626
Other MDOT contracts	101,721			101,721
Rural Area (CSO)		784,502	2,005,325	2,789,827
4 th Street Area (CSO)			466,489	466,489
11 th Avenue Area (CSO)	21,297	192,615	186,256	400,168
Palmer Court Area (CSO)			639,085	639,085
Beard Area - Industrial Park (CSO)	(735)	170,161	2,799,242	2,968,668
Wall Street	162,102	47,430	26,506	236,038
10 th Street Bridge	162,962			162,962
Other contracts	<u>212,171</u>	<u>18,005</u>	<u>82,948</u>	<u>313,124</u>
Total public works projects	<u>\$ 1,610,038</u>	<u>\$ 6,269,850</u>	<u>\$ 16,091,653</u>	<u>\$ 23,971,541</u>

Reconciliation of public works projects to amounts reported in the financial statements is as follows:

Total public works projects above	\$ 1,610,038	\$ 6,269,850	\$ 16,091,653
Other capital additions		415,842	1,044,494
Projects recorded in other funds:			
Community Development Block Grant			(554,887)
Land Purchase	(7,805)	(2,561)	(4,930)
Tax Increment Finance Authority	<u>(192,150)</u>	<u>(29,277)</u>	<u>(1,235,035)</u>
Capital outlay (Exhibit C-1 - Streets Funds)	<u>\$ 1,410,083</u>		
Acquisition and construction of capital assets (Exhibit D-2)		<u>\$ 6,653,854</u>	<u>\$ 15,341,295</u>

City of Port Huron

PUBLIC WORKS PROJECTS
COMPLETED PROJECTS
June 30, 2002

The following is a summary of significant completed public works projects beginning with projects completed during the year ended June 30, 1999. Those projects with a significant portion of the project dedicated to the elimination of combined sewer overflows (CSO) are noted.

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
East Hancock Area	\$ 684,601	\$ 156,131	\$ 24,488	\$ 865,220
8 th Street (CSO)	551,018	195,111	475,475	1,221,604 *
Stone Street - Hollis to Holland	630,246	242,847	85,676	958,769
Mason Area (CSO)	573,606	251,139	347,205	1,171,950
St. Clair Street	106,515	157,461	48,422	312,398
LaSalle Area	559,358	115,643	104,018	779,019
Varney Area	729,184	361,504		1,090,688 *
Sherman Woods	1,288,362	516,635	313,205	2,118,202
Indian Creek 2A (CSO)	132,219	797,864	3,149,118	4,079,201 ***
Cooper Area	399,499	197,288	3,290	600,077
Indian Creek 2B (CSO)	339,033	2,907,315	5,204,090	8,450,438 ***
Indian Creek 3 (CSO)	476,058	1,205,646	4,429,670	6,111,374
Indian Creek 4 (CSO)	533,639	2,234,369	4,062,443	6,830,451
10 th Avenue (CSO)		650,354	4,982,100	5,632,454 ***
Peavey Area (CSO)		1,375,380	3,241,141	4,616,521 *
Florida Area	690,912	201,817	44,393	937,122
Military Street-Utility Rehabilitation		191,251	240,037	431,288
Beard Area - Industrial Park (CSO)		861,023	6,224,596	7,085,619 **
16 th Street Pump Station (CSO)			1,490,374	1,490,374 **
10 th Street Pump Station (CSO)			949,967	949,967 **
12 th Avenue/River Street (CSO)	41,889	920,104	2,501,404	3,463,397 **
Thomas Street Pump Station (CSO)			1,427,602	1,427,602 **
Wall Street	188,205	47,430	26,506	262,141 **
Indian Creek Pump Station (CSO)			1,308,259	1,308,259 **
Indian Creek 1 (CSO)	10,867	601,898	3,012,164	3,624,929 **
River Centre - Site Work	1,868,363	187,944	321,461	2,377,768 **
River Centre - Seawall	716,124			716,124 **
Renaissance South III	<u>222,901</u>	<u>73,135</u>	<u>140,775</u>	<u>436,811</u>
Total	<u>\$ 10,742,599</u>	<u>\$ 14,449,289</u>	<u>\$ 44,157,879</u>	<u>\$ 69,349,767</u>

* Projects partially or completely funded through Community Development Block Grant funds.

** Projects partially or completely funded through tax increment financing.

*** Projects partially or completely funded through Environmental Protection Agency grant funds.

City of Port Huron

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected</u>
1992-1993	\$ 0	\$ 0
1993-1994	0	0
1994-1995	0	0
1995-1996	0	0
1996-1997	0	0
1997-1998	0	0
1998-1999	0	0
1999-2000	0	0
2000-2001	0	0
2001-2002	0	0

**SINGLE AUDIT
SECTION**

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Plante & Moran, PLLC
Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586 465.2200
Fax: 586 469.0165
plantemoran.com

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Port Huron
St. Clair County, Michigan

We have audited the general purpose financial statements of the City of Port Huron for the year ended June 30, 2002 and have issued our report thereon dated October 9, 2002. Those general purpose financial statements are the responsibility of the management of the City of Port Huron. Our responsibility was to express an opinion on those general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Port Huron taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

October 9, 2002

Report Letter on Compliance with Laws and Regulations and
Internal Control - General Purpose Financial Statements

To the Honorable Mayor and
Members of the City Council
City of Port Huron
St. Clair County, Michigan

We have audited the financial statements of the City of Port Huron as of and for the year ended June 30, 2002 and have issued our report thereon dated October 9, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Port Huron'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Port Huron'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Port Huron
St. Clair County, Michigan

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 9, 2002

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Honorable Mayor and
Members of the City Council
City of Port Huron
St. Clair County, Michigan

Compliance

We have audited the compliance of the City of Port Huron with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The major federal programs of the City of Port Huron are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Port Huron's management. Our responsibility is to express an opinion on the City of Port Huron's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Port Huron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Port Huron's compliance with those requirements.

In our opinion, the City of Port Huron complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

To the Honorable Mayor and
Members of the City Council
City of Port Huron
St. Clair County, Michigan

Internal Control Over Compliance

The management of the City of Port Huron is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Port Huron's 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 9, 2002

**City of Port Huron
St. Clair County, Michigan**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002**

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entry Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants:	14.218			
Program year 1996		B-96-MC-26-0038	\$ 1,127,449	\$ 184,323
Program year 1997		B-97-MC-26-0038	1,005,319	32,693
Program year 1998		B-98-MC-26-0038	1,165,674	1,350
Program year 1999		B-99-MC-26-0038	1,225,454	19,510
Program year 2000		B-00-MC-26-0038	1,162,000	744,487
Program year 2001		B-01-MC-26-0038	1,160,000	371,488
Program year 2002		B-02-MC-26-0038	1,165,000	<u>2,694</u>
Total Community Development Block Grants				1,356,545
Home Investment Partnership Program:	14.239			
Program year 1998		M-98-MC-260217	406,000	35,909
Program year 1999		M-99-MC-260217	438,000	157,953
Program year 2000		M-00-MC-260217	438,000	292,317
Program year 2001		M-01-MC-260217	489,000	142,151
Program year 2002		M-02-MC-260217	486,000	<u>-</u>
Total Home Investment Partnership Program				628,330
Section 8 New Construction and Substantial Rehabilitation	14.182	MI-28-8023-005	464,008	<u>464,008</u>
Total U.S. Department of Housing and Urban Development				2,448,883
U.S. Department of Justice - Bureau of Justice Assistance				
Law Enforcement Block Grant:	16.592			
Program year 1999		1999-LB-VX-8998	77,099	22,460
Program year 2000		2000-LB-BX-2359	54,198	54,198
Program year 2001		2001-LB-BX-2384	51,114	<u>9,628</u>
Total U.S. Department of Justice				86,286
U.S. Department of Transportation Federal Highway Administration - Passed through the Michigan Department of Transportation - Congestion Mitigation and Air Quality Grant				
	20.unknown	CM 0177(026) 53614	184,417	15,573

**City of Port Huron
St. Clair County, Michigan**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2002**

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency - Surveys, Studies, Investigations and Special Purpose Grants - Program year 2001	66.606	XP005480-02	\$ 3,257,300	\$ 731,250
Passed through Michigan Department of Environmental Quality:				
Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-01			7,775,000	2,073
Project number 5006-02			5,230,000	111,944
Project number 5006-03			9,470,000	989,243
Project number 5006-04			8,120,000	1,175,950
Project number 5006-05			640,000	58,635
Project number 5006-06			3,650,000	<u>58,767</u>
Total Capitalization Grants for State Revolving Funds				2,396,612 *
Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7088-01			8,945,000	3,034,380
Project number 7110-01			3,930,000	<u>142,418</u>
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>3,176,798</u> *
Total Passed through Michigan Department of Environmental Quality				<u>5,573,410</u>
Total U.S. Environmental Protection Agency				<u>6,304,660</u>
Total federal awards				<u>\$ 8,855,402</u>

* Amount is included in long-term debt on the Comprehensive Annual Financial Report.

**City of Port Huron
St. Clair County, Michigan**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002**

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Huron and is presented on the same basis of accounting as the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Port Huron Neighborhood Housing Corporation:		
Community Development Block Grant	14.218	\$ 4,000
Home Investment Partnership Programs	14.239	<u>429,208</u>
Total subrecipient		<u>\$ 433,208</u>

**City of Port Huron
St. Clair County, Michigan**

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2002**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ___ Yes X No
- Reportable conditions identified that are
not considered to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial
statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? ___ Yes X No
- Reportable conditions identified that are
not considered to be material weaknesses? ___ Yes X None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133? ___ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants
66.458	Capitalization Grants for State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

**City of Port Huron
St. Clair County, Michigan**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2002**

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None