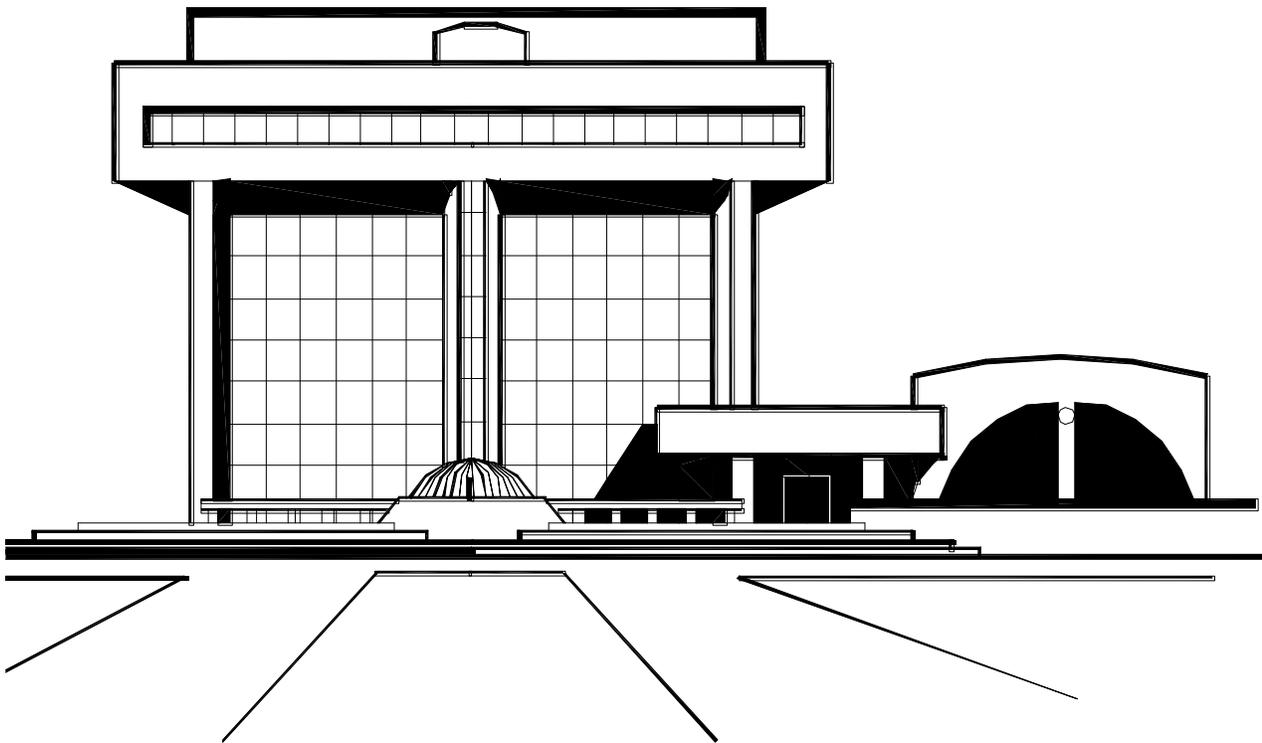


# Comprehensive Annual Financial Report

For the Year Ended June 30, 2003



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

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

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For the Fiscal Year Ended June 30, 2003

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**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  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2003

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October 10, 2003

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, 2003. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants within six months of the close of each fiscal year. Pursuant to the requirement, we hereby issue the comprehensive annual financial report of the City of Port Huron for the fiscal year ended June 30, 2003. This report was prepared in accordance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, the Treasurer of the State of Michigan, and the Government Finance Officers Association.

This report consists of management's representations concerning the finances of the City of Port Huron. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Port Huron has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Port Huron's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Port Huron's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Port Huron's financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Port Huron for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unqualified opinion that the City of Port Huron's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Port Huron was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

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

### PROFILE OF THE GOVERNMENT

The City of Port Huron, incorporated in 1857, is located in southeastern Michigan, on the western shore of Lake Huron where it flows into the St. Clair River. The City of Port Huron occupies a land area of approximately eight square miles and serves a population of 32,338.

The City of Port Huron is operated under the council-manager form of government. Policy-making and legislative authority are vested in City Council, consisting of seven members, one of whom is selected as the mayor. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve two year terms, with all seven council members elected every two years.

The City of Port Huron provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; sanitation services and recreational activities and cultural events. 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. The City provides water distribution and wastewater collection services for its residents and for portions of five surrounding communities, serving a population in excess of 50,000.

The annual budget serves as the foundation for the City of Port Huron's financial planning and control. State law requires the City Manager to develop a proposed budget. The City Charter requires that the proposed budget be presented to the City Council for review at the second April council meeting. The council is required to hold public hearings on the proposed budget and to

adopt a final budget no later than June 30, the close of the City of Port Huron's fiscal year. The budget is prepared by fund and function (e.g., public safety) with supporting detail by activity or department (e.g., police). Department heads may make transfers of appropriations within a department. Authority to make transfers of appropriations between departments is generally given to the City Manager. Transfers between funds or changes in spending at the fund level require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the major special revenue funds, this comparison is presented starting on page 38 as part of the basic financial statements for the governmental fund financial statements. For governmental funds, other than the general fund and the major special revenue funds, with appropriated annual budgets, this comparison is presented in the combining and individual fund subsection of this report, which starts on page 84.

### FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Port Huron operates.

### ECONOMIC CONDITION AND OUTLOOK

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 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). It is particularly important that the major construction projects be constantly monitored with regard to costs, quality, public safety and convenience.

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.

The Michigan Municipal League recognized the City of Port Huron with a first place Superior Innovation Award at the 20<sup>th</sup> Annual Michigan Municipal Achievement Awards. The City was recognized for establishing Revitalizing Port Huron, a program that works with private and public partners to improve the community. In July 2002, a local bank committed \$2.5 million and dedicated personnel to providing nontraditional mortgages, down payment assistance to first-time homeowners, along with grant funds for home repairs. This unprecedented commitment became the necessary catapult and soon several nonprofit organizations eagerly offered their services. Partnerships included service clubs, lending institutions, local merchants, social agencies, interest groups and individuals. In less than one year, the Revitalizing Port Huron campaign has made an impact on many neighborhoods.

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 2003 Silver award. The personnel department has received such an award for nine consecutive years. The Governor's Council also recognized the City with a Promoting Active Communities Award. 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. The City of Port Huron has been a Tree City USA for six 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 (subject to renewal in May, 2004).
- Continued operation of the City's industrial park to facilitate additional manufacturing sites and employment opportunities.
- Construction of an industrial speculative building 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, 2003 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 construction of single family homes beginning in the Spring of 2003.
- The continued development of River Centre which will include nineteen condominiums along the banks of the Black River (seventeen of which are completed and occupied at June 30, 2003), 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 funds raised of almost \$3.4 million as of June 30, 2003.

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.

## PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City of Port Huron participates 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. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Port Huron must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Port Huron fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the City of Port Huron's conservative funding policy, the City of Port Huron has succeeded as of December 31, 2002, the date of the most recent actuarial report, in funding 94.6 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as part of the annual required contribution calculated by the actuary.

The City of Port Huron also provides post-retirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 250 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principals (GAAP) do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Port Huron's pension arrangements and post-employment benefits can be found in Notes L and M in the notes to the financial statements.

## OTHER INFORMATION

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 permanent fund's 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, 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, 2003, the average twelve month interest rate was 1.10% compared to an average treasury rate of approximately 1.04% for the same period. The City also took advantage of other available bank investments, where the average twelve month rate for the banks varied from 1.78% to 2.08%. Investment income was \$597,181 for the government funds. The Enterprise and Internal Service Funds had investment income of \$379,296 and \$108,488, 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.

#### AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Huron for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the twenty-eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the 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, 2002

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.



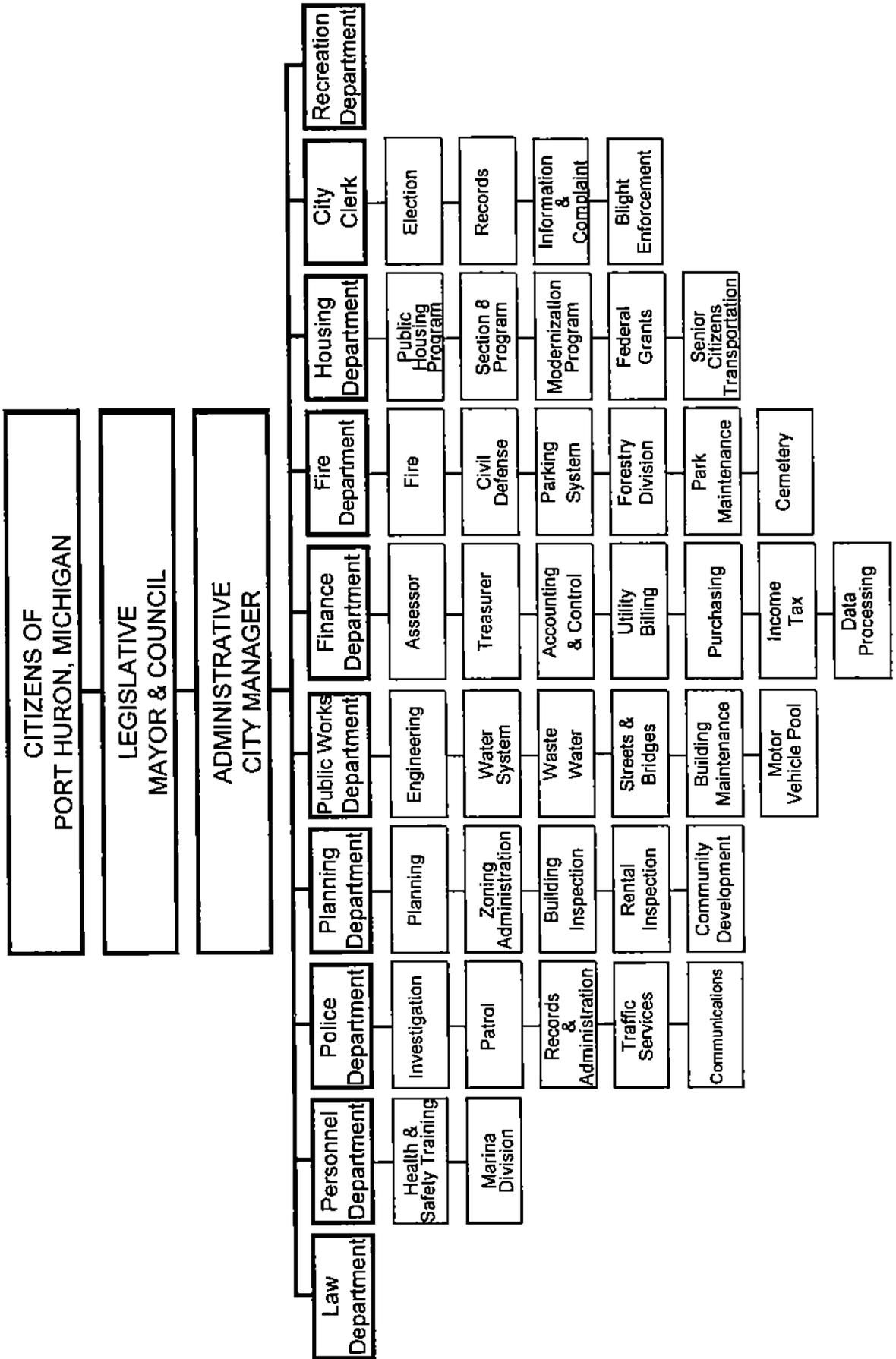
*William Patrick Hoke*

President

*Jeffrey R. Enser*

Executive Director

# ORGANIZATIONAL CHART PORT HURON CITY GOVERNMENT



# FINANCIAL SECTION

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Port Huron, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budget and actual statements, and retirement system schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Huron, Michigan's basic financial statements. The accompanying combining and individual fund statements and schedules section, as identified in the table of contents, is not a required part of the basic financial statements but is presented for the purpose of additional analysis. The combining and individual fund statements and schedules section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

As described in Note R, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 & Moran, PLLC*

October 10, 2003

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2003

As management of the City of Port Huron, we offer readers of the City of Port Huron's financial statements this narrative overview and analysis of the financial activities of the City of Port Huron for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-11 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Port Huron exceeded its liabilities at the close of the most recent fiscal year by \$148,103,719 (net assets). Of this amount, \$36,768,867 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,339,952. This increase is primarily the result of the careful review and control of expenses and the ongoing policy to increase working capital.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$16,160,186, an increase of \$795,693 in comparison with the prior year. Approximately seventy percent of this total amount, \$10,972,783, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,241,893, or 16 percent of total general fund expenditures.
- The City of Port Huron's total debt increased by \$10,907,299 during the current fiscal year. The key factors in this increase were the continuing separation of combined sewers and the related infrastructure improvements and the solids handling improvements to the wastewater plant.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Port Huron that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Port Huron include general government, public safety, public works, (highways and streets, rubbish and garbage collection, and other services), health and welfare, community and economic development and recreation, parks and culture. The business-type activities of the City of Port Huron include a regional water distribution system, regional wastewater collection system, parking, senior citizens housing, marinas and land purchase and economic development.

The government-wide financial statements include not only the City of Port Huron itself (known as the primary government), but also legally separate entities for which the primary government is financially accountable. The Henry McMorran Memorial Auditorium Authority is reported as a discretely presented business-type component unit. The Downtown Development Authority, Tax Increment Finance Authority and Local Development Finance Authority are reported as discretely presented governmental component units. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27 through 29 of this report.

## FUND FINANCIAL STATEMENTS

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

## GOVERNMENTAL FUNDS

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

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

The City of Port Huron maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the major, local and municipal streets funds, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Port Huron adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for the general fund and the major, local and municipal streets funds to demonstrate compliance with this budget, within the basic financial statements. The budgetary comparison statements for the other governmental funds are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 30 through 43 of this report.

## PROPRIETARY FUNDS

The City of Port Huron maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Port Huron uses enterprise funds to account for water distribution, wastewater collection, parking, senior citizens housing, marina and land purchase and economic development. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Port Huron's various functions. The City of Port Huron uses internal service funds to account for central office supply stores, motor vehicle pool and fleet operations, data processing services and insurance and employee fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and land purchase funds, which are considered to be major funds of the City of Port Huron. Conversely, the remaining enterprise funds and the internal service funds are each combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the remaining enterprise funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 44 through 51 of this report.

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 58 through 75 of this report.

## OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Port Huron's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80 through 107 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Huron, assets exceeded liabilities by \$148,103,719 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Huron uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Huron's investment in its capital assets is reported net of related debt, (if applicable) it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF PORT HURON'S NET ASSETS

	Governmental activities <u>2003</u>	Business-type activities <u>2003</u>	Total <u>2003</u>
Current and other assets	\$ 36,650,122	\$ 24,669,163	\$ 61,319,285
Capital assets	<u>35,485,109</u>	<u>135,599,967</u>	<u>171,085,076</u>
Total assets	<u>72,135,231</u>	<u>160,269,130</u>	<u>232,404,361</u>
Noncurrent liabilities and deferred	6,515,456	66,966,304	73,481,760
Other liabilities	<u>6,720,687</u>	<u>4,098,195</u>	<u>10,818,882</u>
Total liabilities	<u>13,236,143</u>	<u>71,064,499</u>	<u>84,300,642</u>
Net assets:			
Invested in capital assets, net of related debt	35,485,109	68,361,930	103,847,039
Restricted	6,351,281	1,136,532	7,487,813
Unrestricted	<u>17,062,698</u>	<u>19,706,169</u>	<u>36,768,867</u>
Total net assets	<u>\$ 58,899,088</u>	<u>\$ 89,204,631</u>	<u>\$ 148,103,719</u>

An additional portion of the City of Port Huron's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$36,768,867) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Port Huron is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as its separate governmental and business-type activities (except for the marina fund, which has negative unrestricted net assets). The situation held true for the prior fiscal year.

There was an increase of \$263,890 in net assets reported in connection with the City of Port Huron's business-type activities. This increase was reduced from the prior year as a result of reduced transfers from component units and increased depreciation expense.

The government's net assets increased by \$2,339,952 during the current fiscal year. This increase primarily represents governmental fund net revenues due to controlling expenses and accumulating funds within the internal service funds to provide for post-employment health care costs.

#### GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Port Huron's assets by \$2,076,062, thereby accounting for 89 percent of the total growth in the net assets of the City of Port Huron. Key elements of this increase are as follows:

#### CITY OF PORT HURON'S CHANGES IN NET ASSETS

	Governmental activities <u>2003</u>	Business-type activities <u>2003</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,290,721	\$ 13,866,470	\$ 17,157,191
Operating grants and contributions	1,635,624	1,752,573	3,388,197
Capital grants and contributions	1,442,511	1,568,566	3,011,077
General revenues:			
Property taxes	10,524,978		10,524,978
Income taxes	5,551,093		5,551,093
State shared revenue	7,193,745		7,193,745
Gain on sale of property and equipment	77,703	1,388,014	1,465,717
Other	<u>989,661</u>	<u>380,296</u>	<u>1,369,957</u>
Total revenues	<u>30,706,036</u>	<u>18,955,919</u>	<u>49,661,955</u>
Expenses:			
General government	4,077,747		4,077,747
Public safety	11,838,334		11,838,334
Public works	7,675,927		7,675,927
Health and welfare	62,125		62,125
Community and economic development	2,305,879		2,305,879
Recreation, parks and culture	2,669,962		2,669,962
Water		5,039,293	5,039,293
Wastewater		10,753,669	10,753,669
Land purchase		1,202,243	1,202,243
Parking		164,866	164,866
Senior citizens		698,169	698,169
Marina		<u>833,789</u>	<u>833,789</u>
Total expenses	<u>28,629,974</u>	<u>18,692,029</u>	<u>47,322,003</u>
Increase in net assets	2,076,062	263,890	2,339,952
Net assets - beginning of year	<u>56,823,026</u>	<u>88,940,741</u>	<u>145,763,767</u>
Net assets - end of year	<u>\$ 58,899,088</u>	<u>\$ 89,204,631</u>	<u>\$ 148,103,719</u>

- Property taxes increased by \$1,138,465 (12 percent) during the year. Most of this increase (\$896,000) is as a result of property taxes no longer being captured by the Industrial Park Tax Increment Fund.
- Income tax revenues decreased by \$647,709 (10 percent) primarily as a result of reduced withholding payments, lower investment earnings and reduced corporate earnings due to the economic slowdown.
- State revenue sharing payments decreased by approximately \$150,000 primarily due to reduced sales tax collections at the state level and state budget balancing efforts.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net assets by \$263,890 accounting for 11 percent of the total growth in the government's net assets. Key elements affecting business-type activities are as follows:

- Charges for services increased by \$705,557 (5 percent) during the year. Most of this increase was due to rate adjustments in the water and wastewater funds.
- Operating grants and contributions decreased \$775,870 during the year. Most of this decrease was the result of lower payments from component units due to the outstanding balance from the Industrial Park Tax Increment district being repaid in the prior year.
- Capital grants and contributions decreased \$1,119,374 during the year. The decrease was primarily the result in a reduction in infrastructure assets donated as projects in the tax increment districts were completed.
- Gain on sale of property and equipment increased by \$1,387,969 primarily due to the sale of the former Seaway Terminal to a private developer.
- Increases in operating expenses closely paralleled inflation and growth in demand for services.
- Depreciation and interest expense increased by \$794,443 and \$683,615, respectively, as a result of the ongoing sewer separation and infrastructure improvement projects.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### GOVERNMENTAL FUNDS

The focus of the City of Port Huron's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Port Huron's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$16,160,186, an increase of \$795,693 in comparison with the prior year. Approximately 70 percent of this total amount (\$10,972,783) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to generate income to pay for the perpetual care of the municipal cemetery (\$4,815,335), or 2) for a variety of other restricted purposes (\$372,068).

The general fund is the chief operating fund of the City of Port Huron. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,241,893, while total fund balance reached \$3,248,058. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.2 percent of total general fund expenditures, while total fund balance represents 16.3 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by \$391,686 during the current fiscal year. Key factors in the change in fund balance are as follows:

- The decrease in income tax revenue as a result of the economic slowdown was offset by an increase in property tax revenues, primarily due to closing out a tax capture project, so that overall tax revenue increased by \$115,216.
- State shared revenues declined by \$435,825 as a result of the current State economic conditions.
- Public safety expenditures increased by \$444,009.

- Capital outlay declined \$539,721 as the swimming pool improvement projects were completed.
- In the aggregate, all other general fund expenditures declined \$92,914 as a result of cost control measures.

#### PROPRIETARY FUNDS

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

Unrestricted net assets at the end of the year for the Water Fund were \$2,978,812, unrestricted net assets for the Wastewater Fund were \$7,923,752 and unrestricted net assets for the Land Purchase Fund were \$8,703,943. The total growth in net assets for the Water and Wastewater Funds was \$176,869 and \$394,019, respectively. Net assets of the Land Purchase Fund decreased by \$179,326 during the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Port Huron's business-type activities.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were primarily related to the downturn in the economy which resulted in reduced revenues and can be briefly summarized as follows:

- The budget amount for income tax revenues was reduced by \$1 million (15 percent) to reflect economic conditions.
- Capital outlay and transfers to other funds were each reduced by approximately \$500,000. Both the capital outlay and the transfers were continued with funds from the Land Purchase Fund.
- Other revenue and expenditure items had minor budgetary adjustments.

However, revenues were close to the budgetary estimates and expenditures were significantly less than budgetary estimates, thus allowing for a post year end transfer to the Motor Vehicle Fund of \$300,000 which would then be available for a fire truck purchase and allowing for an increase in available General Fund fund balance.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

The City of Port Huron's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$171,085,076 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, systems, machinery and equipment, streets, bridges and sidewalks. The total increase in the City of Port Huron's investment in capital assets for the current fiscal year was \$19,597,784 (a 1 percent increase for governmental activities and a 16 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction began on improvements to the solids handling portion of the wastewater treatment facilities for the Wastewater Fund.
- A variety of sewer separation and infrastructure improvement continued; construction in progress as of the end of the current fiscal year had reached approximately \$1.6 million for streets and \$4.9 and \$11.3 million for water and wastewater, respectively.
- Various building and system additions and improvements were also completed and the City's structured replacement of vehicles continued.

### CITY OF PORT HURON'S CAPITAL ASSETS

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 4,257,209	\$ 4,257,209	\$ 5,968,673	\$ 6,138,648	\$ 10,225,882	\$ 10,395,857
Construction in progress	1,679,976	1,509,761	16,253,342	18,899,431	17,933,318	20,409,192
Land improvements	10,131,616	10,106,243	859,022	851,771	10,990,638	10,958,014
Buildings	10,269,156	10,267,688	34,758,501	28,351,933	45,027,657	38,619,621
Machinery and equipment	7,534,082	7,308,086	14,272,687	14,155,289	21,806,769	21,463,375
Vehicles	4,290,984	3,883,333			4,290,984	3,883,333
Infrastructure	<u>36,982,631</u>	<u>34,719,848</u>	<u>109,764,269</u>	<u>89,926,146</u>	<u>146,746,900</u>	<u>124,645,994</u>
Total	\$ 75,145,654	\$ 72,052,168	\$181,876,494	\$158,323,218	\$257,022,148	\$230,375,386
Less accumulated depreciation	<u>39,660,545</u>	<u>36,676,661</u>	<u>46,276,527</u>	<u>42,211,433</u>	<u>85,937,072</u>	<u>78,888,094</u>
Total	<u>\$ 35,485,109</u>	<u>\$ 35,375,507</u>	<u>\$135,599,967</u>	<u>\$116,111,785</u>	<u>\$171,085,076</u>	<u>\$151,487,292</u>

Additional information on the City of Port Huron's capital assets can be found in note F on pages 66 and 67 of this report.

#### LONG-TERM DEBT

At the end of the current fiscal year, the City of Port Huron had total bonded debt outstanding of \$67,238,037. Of this amount \$58,304,535 comprises debt backed by the full faith and credit of the government. The remainder of the City of Port Huron's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

#### CITY OF PORT HURON'S OUTSTANDING DEBT General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$	\$	\$ 58,304,535	\$ 47,269,620	\$ 58,304,535	\$ 47,269,620
Revenue bonds			<u>8,933,502</u>	<u>9,273,708</u>	<u>8,933,502</u>	<u>9,273,708</u>
Total	<u>\$</u>	<u>\$</u>	<u>\$ 67,238,037</u>	<u>\$ 56,543,328</u>	<u>\$ 67,238,037</u>	<u>\$ 56,543,328</u>

The City of Port Huron's total debt increased by \$10,694,709 (19 percent) during the current fiscal year. The key factor in this increase was the continuing combined sewer separation and infrastructure improvement projects.

The City of Port Huron maintains a "A" rating from Fitch for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Port Huron is \$68,054,040, after exclusion of debt issued as a result of an order, which is in excess of the City of Port Huron's outstanding general obligation debt.

In November 2003, the City of Port Huron issued \$5.5 million of LTGO bonds to finance the ongoing sewer separation and infrastructure improvement projects.

Additional information on the City of Port Huron's long-term debt can be found in note H on pages 68 through 70 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- As of September 30, 2003, the unemployment rate for the City of Port Huron was 10.6 percent, an increase from a rate of 8.5 percent the year before. This compares to the county's average unemployment rate of 8.1 percent, the state's average unemployment rate of 7.5 percent and the national average rate of 6.1 percent.
- The occupancy rate of the government's central business district has remained consistent for the past two years.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Port Huron's budget for the 2003/2004 fiscal year.

During the current fiscal year, unreserved fund balance in the Municipal Street Fund increased to \$6.0 million. The City of Port Huron has appropriated \$1.7 million of this amount for spending in the 2003/2004 fiscal year budget. It is intended that this use of available fund balance will allow for the reconstruction of the 7<sup>th</sup> Street Bridge beginning in the 2003/2004 fiscal year. It also is intended to obviate the need for the transfer of additional resources to the Municipal Street Fund, as has occurred in the past.

Both the Water and Wastewater Funds' rates were increased for the 2003/2004 budget year. The rates were increased by an average of 6.5 percent for all customers, which affected both residential and industrial consumers by approximately the same percentage. These rate increases were necessary as a result of operating cost increases and to finance debt service on the new debt issued during the current fiscal year.

#### REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Port Huron's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 100 McMorran Boulevard, Port Huron, Michigan 48060.

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City of Port Huron

STATEMENT OF NET ASSETS

June 30, 2003

EXHIBIT A

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 24,179,046	\$ 19,526,073	\$ 43,705,119	\$ 2,700,719
Investments	4,629,542		4,629,542	
Receivables (net of allowances for uncollectibles)	4,593,734	3,290,494	7,884,228	59,954
Due from other governmental units	2,969,633	126,749	3,096,382	
Internal balances	4,958	(4,958)		
Inventories	269,753	44,880	314,633	10,391
Prepaid and deferred items	3,456	549,393	552,849	19,201
Restricted assets (cash and cash equivalents)		1,136,532	1,136,532	1,423,828
Fixed assets (net of accumulated depreciation)	35,485,109	135,599,967	171,085,076	2,757,041
<b>Total Assets</b>	<b>72,135,231</b>	<b>160,269,130</b>	<b>232,404,361</b>	<b>6,971,134</b>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Accounts payable	566,234	156,882	723,116	125,360
Accrued payroll	1,013,912	215,555	1,229,467	103,256
Contracts payable	3,930,977	2,642,185	6,573,162	3,080
Taxes collected in advance	272,189		272,189	
Accrued interest payable		461,000	461,000	
Other liabilities	18,250	188,749	206,999	24,259
Current liabilities payable from restricted assets		433,824	433,824	
Claims and judgements payable	919,125		919,125	
Deferred revenue	3,374,664	78,267	3,452,931	1,423,828
Noncurrent liabilities:				
Due within one year	211,488	2,954,209	3,165,697	
Due in more than one year	2,929,304	63,933,828	66,863,132	
<b>Total Liabilities</b>	<b>13,236,143</b>	<b>71,064,499</b>	<b>84,300,642</b>	<b>1,679,783</b>
<b>NET ASSETS</b>				
Invested in fixed assets, net of related debt	35,485,109	68,361,930	103,847,039	2,757,041
Restricted for revenue bond redemption and reserve account		1,136,532	1,136,532	
Restricted for law enforcement	526,652		526,652	
Restricted for rubbish and garbage collection	691,390		691,390	
Restricted for nonexpendable endowments	5,015,335		5,015,335	
Restricted for expendable Auditorium endowments	117,904		117,904	
Unrestricted	17,062,698	19,706,169	36,768,867	2,534,310
<b>Net Assets</b>	<b>\$ 58,899,088</b>	<b>\$ 89,204,631</b>	<b>\$ 148,103,719</b>	<b>\$ 5,291,351</b>

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

City of Port Huron

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003

EXHIBIT A-1

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 4,077,747	\$ 1,884,026	\$ 18,051	\$ 71,578
Public safety	11,838,334	640,868		1,240,875
Public works	7,675,927	228,617		
Health and welfare	62,125			
Community and economic development	2,305,879	438,047	1,617,573	
Recreation, parks and culture	2,669,962	99,163		130,058
<b>Total governmental activities</b>	<b>28,629,974</b>	<b>3,290,721</b>	<b>1,635,624</b>	<b>1,442,511</b>
<b>Business-type activities:</b>				
Water	5,039,293	4,704,166		149,480
Wastewater	10,753,669	7,962,142		1,398,124
Land purchase	1,202,243	227,598	1,276,947	
Parking	164,866	195,697		
Senior citizens	698,169	314,687	475,626	
Marina	833,789	462,180		20,962
<b>Total business-type activities</b>	<b>18,692,029</b>	<b>13,866,470</b>	<b>1,752,573</b>	<b>1,568,566</b>
<b>Total primary government</b>	<b>\$ 47,322,003</b>	<b>\$ 17,157,191</b>	<b>\$ 3,388,197</b>	<b>\$ 3,011,077</b>
<b>Component units:</b>				
McMorran	\$ 2,398,678	\$ 1,705,164	\$ 335,000	\$ 672,688
Downtown development	1,225,798			
Tax increment finance	2,796,935			
Local development finance	211,436			
<b>Total component units</b>	<b>\$ 6,632,847</b>	<b>\$ 1,705,164</b>	<b>\$ 335,000</b>	<b>\$ 672,688</b>

General revenues:

Property taxes  
Income tax  
State-shared revenues  
Investment income  
Gain on sale of property and equipment  
Unrestricted cable fees and other

Total general revenues and transfers

Change in net assets

Net assets at beginning of year (as restated)

NET ASSETS AT END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	<u>Component Units</u>
\$ (2,193,721)	\$	\$ (2,193,721)	\$
(11,107,837)		(11,107,837)	
(6,206,435)		(6,206,435)	
(62,125)		(62,125)	
(250,259)		(250,259)	
(2,440,741)		(2,440,741)	
<u>(22,261,118)</u>		<u>(22,261,118)</u>	
	(185,647)	(185,647)	
	(1,393,403)	(1,393,403)	
	302,302	302,302	
	30,831	30,831	
	92,144	92,144	
	(350,647)	(350,647)	
	<u>(1,504,420)</u>	<u>(1,504,420)</u>	
<u>\$ (22,261,118)</u>	<u>\$ (1,504,420)</u>	<u>\$ (23,765,538)</u>	<u>\$ 0</u>
\$	\$	\$	\$ 314,174
			(1,225,798)
			(2,796,935)
			(211,436)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,919,995)</u>
\$ 10,524,978	\$	\$ 10,524,978	\$ 4,142,483
5,551,093		5,551,093	
7,193,745		7,193,745	4,011
705,669	379,296	1,084,965	27,872
77,703	1,388,014	1,465,717	69,655
283,992	1,000	284,992	4,075
<u>24,337,180</u>	<u>1,768,310</u>	<u>26,105,490</u>	<u>4,248,096</u>
2,076,062	263,890	2,339,952	328,101
<u>56,823,026</u>	<u>88,940,741</u>	<u>145,763,767</u>	<u>4,963,250</u>
<u>\$ 58,899,088</u>	<u>\$ 89,204,631</u>	<u>\$ 148,103,719</u>	<u>\$ 5,291,351</u>

City of Port Huron

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**  
June 30, 2003

EXHIBIT A-2

ASSETS	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,760,508	\$ 44,241	\$ 197,644	\$ 9,865,355
Investments				
Receivables (net of allowances for uncollectibles)	1,196,847	2,478		209
Due from other governmental units	722,841	199,009	46,596	15,353
Due from other funds	4,958			
Inventories	2,709			165,903
Prepaid and deferred items	3,456			
<b>Total Assets</b>	<u>\$ 4,691,319</u>	<u>\$ 245,728</u>	<u>\$ 244,240</u>	<u>\$ 10,046,820</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 480,533	\$ 6,630	\$ 4,541	\$ 1,017
Accrued payroll	651,985	40,418	16,248	20,766
Contracts payable	324	3,485		3,927,168
Taxes collected in advance	191,310			33,448
Due to other funds				
Deferred revenue	119,109		163,553	16,053
Other liabilities				
<b>Total Liabilities</b>	<u>1,443,261</u>	<u>50,533</u>	<u>184,342</u>	<u>3,998,452</u>
<b>Fund balances:</b>				
Reserved for inventories	2,709			165,903
Reserved for prepaid items	3,456			
Reserved for endowments				
<b>Unreserved:</b>				
Designated for subsequent years' expenditures				1,714,048
<b>Undesignated:</b>				
General Fund	3,241,893			
Special Revenue Funds		195,195	59,898	4,168,417
Permanent Funds				
<b>Total Fund Balances</b>	<u>3,248,058</u>	<u>195,195</u>	<u>59,898</u>	<u>6,048,368</u>
<b>Total Liabilities And Fund Balances</b>	<u>\$ 4,691,319</u>	<u>\$ 245,728</u>	<u>\$ 244,240</u>	<u>\$ 10,046,820</u>

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

Other Nonmajor Governmental Funds	Total Governmental Funds	
	June 30, 2003	June 30, 2002
S 1,344,353	S 14,212,101	S 13,295,072
4,629,542	4,629,542	4,804,970
3,011,845	4,211,379	4,261,540
825,792	1,809,591	1,431,660
772,731	777,689	82,171
	168,612	244,612
	3,456	64,773
<u>S 10,584,263</u>	<u>S 25,812,370</u>	<u>S 24,184,798</u>
S 29,611	S 522,332	S 502,995
31,624	761,041	660,531
	3,930,977	4,269,782
47,431	272,189	243,534
772,731	772,731	79,423
3,075,949	3,374,664	3,050,890
18,250	18,250	13,150
<u>3,975,596</u>	<u>9,652,184</u>	<u>8,820,305</u>
	168,612	244,612
	3,456	64,773
5,015,335	5,015,335	4,930,318
32,069	1,746,117	4,303,599
	3,241,893	2,787,306
1,443,359	5,866,869	2,944,579
117,904	117,904	89,306
<u>6,608,667</u>	<u>16,160,186</u>	<u>15,364,493</u>
<u>S 10,584,263</u>	<u>S 25,812,370</u>	<u>S 24,184,798</u>

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City of Port Huron

**RECONCILIATION OF FUND BALANCES TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS**

June 30, 2003

EXHIBIT A-3

Total fund balances for governmental funds	\$ 16,160,186
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	33,181,788
Certain amounts due from other governmental units are expected to be collected during the next fiscal year, however, these amounts are not available to pay for current year expenditures	1,160,042
Internal Service Funds are included as part of governmental activities	<u>8,397,072</u>
Net assets of governmental activities	<u>\$ 58,899,088</u>

City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT A-4

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>
<b>Revenues:</b>			
Taxes	\$ 12,697,788	\$	\$
Licenses and permits	517,234		
Grants	89,629	674,024	107,847
State shared revenues	4,487,450	1,988,952	530,398
Charges for services	496,654		
Fines and forfeits	251,427		
Contributions		257,179	
Investment income	241,262		
Rents	184,291		
Sale of property	57,279		
Administrative charges	1,292,306		
Total Revenues	<u>20,315,320</u>	<u>2,920,155</u>	<u>638,245</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	3,033,866		
Public safety	11,905,176		
Public works	1,371,864	1,620,532	862,938
Senior citizens	62,125		
Recreation, parks and culture	2,660,764		
General support services	559,366		
Capital outlay	23,873	1,643,312	551,997
Total Expenditures	<u>19,617,034</u>	<u>3,263,844</u>	<u>1,414,935</u>
Revenues over (under) Expenditures	<u>698,286</u>	<u>(343,689)</u>	<u>(776,690)</u>
<b>Other financing sources (uses):</b>			
Transfers in		803,003	781,083
Transfers out	(306,600)	(431,083)	(3,003)
	<u>(306,600)</u>	<u>371,920</u>	<u>778,080</u>
Net Change in Fund Balances	391,686	28,231	1,390
Fund balances at beginning of year	<u>2,856,372</u>	<u>166,964</u>	<u>58,508</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 3,248,058</u>	<u>\$ 195,195</u>	<u>\$ 59,898</u>

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

Municipal Streets	Other Nonmajor Governmental Funds	Total Governmental Funds	
		June 30, 2003	June 30, 2002
\$ 1,632,430	\$ 1,745,853	\$ 16,076,071	\$ 15,585,315
		517,234	490,110
	1,617,573	2,489,073	2,485,774
		7,006,800	7,444,145
	622,863	1,119,517	1,297,512
		251,427	194,951
		257,179	
59,612	296,307	597,181	468,708
		184,291	184,139
		57,279	1,241
		1,292,306	1,230,312
<u>1,692,042</u>	<u>4,282,596</u>	<u>29,848,358</u>	<u>29,382,207</u>
		3,033,866	2,960,753
		11,905,176	11,461,167
94,551	2,078,773	6,028,658	5,821,016
		62,125	53,039
		2,660,764	2,710,531
400,469	547,166	1,507,001	1,378,461
	1,335,893	3,555,075	4,134,706
<u>495,020</u>	<u>3,961,832</u>	<u>28,752,665</u>	<u>28,519,673</u>
<u>1,197,022</u>	<u>320,764</u>	<u>1,095,693</u>	<u>862,534</u>
	261,201	1,845,287	2,848,638
(1,150,000)	(254,601)	(2,145,287)	(3,275,850)
<u>(1,150,000)</u>	<u>6,600</u>	<u>(300,000)</u>	<u>(427,212)</u>
47,022	327,364	795,693	435,322
6,001,346	6,281,303	15,364,493	14,929,171
<u>\$ 6,048,368</u>	<u>\$ 6,608,667</u>	<u>\$ 16,160,186</u>	<u>\$ 15,364,493</u>

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City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT A-5

Net changes in fund balances - total governmental funds	\$	795,693
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		54,920
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection		201,233
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds		201,825
Internal Service Funds are included as part of governmental activities		<u>822,391</u>
Change in net assets of governmental activities	<u>\$</u>	<u>2,076,062</u>

City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2002 Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Real property taxes	\$ 5,716,192	\$ 5,716,192	\$ 5,687,803	\$ (28,389)	\$ 5,212,266
Personal property taxes	1,329,494	1,329,494	1,251,932	(77,562)	970,502
Income tax	6,475,000	5,475,000	5,551,093	76,093	6,198,802
Other	180,000	180,000	206,960	26,960	201,002
	<u>13,700,686</u>	<u>12,700,686</u>	<u>12,697,788</u>	<u>(2,898)</u>	<u>12,582,572</u>
<b>Business licenses and permits:</b>					
Cable television	235,000	270,000	273,098	3,098	243,353
Other	9,800	9,800	10,894	1,094	11,254
	<u>244,800</u>	<u>279,800</u>	<u>283,992</u>	<u>4,192</u>	<u>254,607</u>
<b>Nonbusiness licenses and permits:</b>					
Building	135,000	135,000	153,714	18,714	142,523
Electrical	35,000	35,000	26,632	(8,368)	30,845
Heating	30,000	30,000	23,161	(6,839)	29,945
Plumbing	30,000	30,000	21,335	(8,665)	27,714
Other	5,400	5,400	8,400	3,000	4,476
	<u>235,400</u>	<u>235,400</u>	<u>233,242</u>	<u>(2,158)</u>	<u>235,503</u>
<b>Grants</b>		100,000	89,629	(10,371)	385,326
<b>State shared revenues</b>	<u>4,797,500</u>	<u>4,572,500</u>	<u>4,487,450</u>	<u>(85,050)</u>	<u>4,923,275</u>
<b>Charges for services:</b>					
Recreation fees	85,000	95,000	99,163	4,163	85,296
Blue Water Bridge reimbursement	200,000	200,000	200,000		200,000
County parks millage	110,000	110,000	115,770	5,770	109,625
Other	79,940	79,940	81,721	1,781	90,181
	<u>474,940</u>	<u>484,940</u>	<u>496,654</u>	<u>11,714</u>	<u>485,102</u>
<b>Fines and forfeits:</b>					
Parking violations	75,000	90,000	99,136	9,136	86,697
Ordinance fines	110,000	110,000	152,291	42,291	108,254
	<u>185,000</u>	<u>200,000</u>	<u>251,427</u>	<u>51,427</u>	<u>194,951</u>
<b>Investment income</b>	<u>375,000</u>	<u>275,000</u>	<u>241,262</u>	<u>(33,738)</u>	<u>283,008</u>
<b>Rents</b>	<u>170,000</u>	<u>170,000</u>	<u>184,291</u>	<u>14,291</u>	<u>184,139</u>
<b>Sale of property and equipment</b>	<u>3,000</u>	<u>43,000</u>	<u>57,279</u>	<u>14,279</u>	<u>1,241</u>

(Continued on next page)

City of Port Huron

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2003

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2002 Actual
<b>Charges to other funds:</b>					
Garbage and rubbish collection fund	\$ 82,995	\$ 82,995	\$ 82,995	\$	\$ 83,413
Marina fund	32,796	32,796	32,796		40,128
Senior citizen housing fund	53,454	53,454	53,454		49,872
Parking fund	17,067	17,067	17,067		17,493
Water fund	443,551	443,551	443,551		424,771
Wastewater fund	394,450	394,450	394,450		359,148
Central stores fund	11,424	11,424	11,424		11,143
Data processing fund	81,114	81,114	81,114		73,377
Motor vehicle fund	175,455	175,455	175,455		170,967
	<u>1,292,306</u>	<u>1,292,306</u>	<u>1,292,306</u>		<u>1,230,312</u>
<b>Total Revenues</b>	<b>21,478,632</b>	<b>20,353,632</b>	<b>20,315,320</b>	<b>(38,312)</b>	<b>20,760,036</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	93,341	93,341	83,357	9,984	96,282
City manager	243,349	254,043	253,387	656	237,164
Elections	73,957	69,840	67,885	1,955	64,470
Finance and accounting	529,724	543,808	543,169	639	482,880
Income tax	253,218	256,240	251,560	4,680	232,429
Assessor	330,957	336,083	324,959	11,124	289,254
Legal counsel	258,508	260,940	249,756	11,184	274,811
Clerk	199,239	203,544	194,891	8,653	200,444
Personnel	286,624	290,783	283,050	7,733	267,637
Purchasing	30,275	31,737	31,051	686	29,286
Board of review	2,400	2,400	2,395	5	2,377
Treasurer	184,948	186,967	179,979	6,988	171,730
Municipal office center	561,191	543,350	538,822	4,528	587,693
Promotional	23,000	29,700	29,605	95	24,296
	<u>3,070,731</u>	<u>3,102,776</u>	<u>3,033,866</u>	<u>68,910</u>	<u>2,960,753</u>
<b>Public safety:</b>					
Police administration	944,114	905,144	889,967	15,177	843,312
Detectives	914,178	906,890	888,131	18,759	916,449
Patrol	4,286,572	4,511,680	4,510,591	1,089	4,463,466
Communications	574,731	604,700	595,260	9,440	574,348
Fire	4,819,894	5,022,229	5,021,227	1,002	4,663,592
	<u>11,539,489</u>	<u>11,950,643</u>	<u>11,905,176</u>	<u>45,467</u>	<u>11,461,167</u>
<b>Public works:</b>					
Inspection	325,358	339,449	339,318	131	296,360
Emergency management	2,610	7,110	6,685	425	1,660
Public works administration	167,540	172,665	172,631	34	167,209
Engineering	456,576	202,178	198,636	3,542	358,018
Street lighting	641,771	631,771	590,471	41,300	581,798
Blight	77,322	79,077	64,123	14,954	62,658
	<u>1,671,177</u>	<u>1,432,250</u>	<u>1,371,864</u>	<u>60,386</u>	<u>1,467,703</u>

(Continued on next page)

City of Port Huron

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2003

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2002 Actual
<b>Senior citizens:</b>					
Discounts for senior citizens	\$ 9,800	\$ 6,800	\$ 6,501	\$ 299	\$ 7,290
Senior citizens transportation	48,966	55,966	55,624	342	45,749
	<u>58,766</u>	<u>62,766</u>	<u>62,125</u>	<u>641</u>	<u>53,039</u>
<b>Recreation, parks and culture:</b>					
Parks	911,221	796,106	784,475	11,631	835,413
Recreation	686,512	665,569	642,337	23,232	662,194
Leonard Center	20,000	20,000	15,000	5,000	20,000
20th and Court pool	109,266	109,266	92,372	16,894	92,967
Sanborn pool	126,393	126,393	108,030	18,363	108,715
Lighthouse park	72,279	72,279	41,212	31,067	43,516
Lakeside park	81,364	81,364	55,788	25,576	61,264
Palmer park recreation center	116,543	125,313	125,029	284	109,539
Lightship	10,218	10,218	7,507	2,711	8,912
McMorran complex	335,000	335,000	335,000		330,000
Library	8,000	8,000	8,000		8,000
Museum	146,125	93,625	73,770	19,855	114,402
Fine arts	3,000	3,000	3,000		3,000
Forestry	510,011	424,034	369,244	54,790	312,609
	<u>3,135,932</u>	<u>2,870,167</u>	<u>2,660,764</u>	<u>209,403</u>	<u>2,710,531</u>
<b>General support services:</b>					
Planning	183,550	179,144	162,918	16,226	237,309
Telephone service	38,265	38,265	35,659	2,606	37,321
Contingencies	30,000				
Insurance, health and safety	334,196	353,364	352,730	634	220,770
Taxes written off	8,000	8,000	7,317	683	93,267
Demolitions	15,000	15,000	742	14,258	206
	<u>609,011</u>	<u>593,773</u>	<u>559,366</u>	<u>34,407</u>	<u>588,873</u>
Capital outlay	532,926	34,657	23,873	10,784	563,594
<b>Total Expenditures</b>	<u>20,618,032</u>	<u>20,047,032</u>	<u>19,617,034</u>	<u>429,998</u>	<u>19,805,660</u>
<b>Revenues over (under) Expenditures</b>	<u>860,000</u>	<u>306,600</u>	<u>698,286</u>	<u>391,686</u>	<u>954,376</u>
<b>Other financing sources (uses):</b>					
Transfers in:					
Special revenue funds:					
Law Enforcement					183,604

(Continued on next page)

City of Port Huron

**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2003

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2002 Actual
Transfers out:					
Special revenue funds:					
Cemetery	(54,000)				(56,322)
Beautification Commission	(6,600)	(6,600)	(6,600)		(6,600)
Enterprise funds:					
Wastewater	(700,000)				(1,012,212)
Marina	(100,000)				
Internal service funds:					
Motor vehicle		(300,000)	(300,000)		
	<u>(860,600)</u>	<u>(306,600)</u>	<u>(306,600)</u>		<u>(1,075,134)</u>
	<u>(860,600)</u>	<u>(306,600)</u>	<u>(306,600)</u>		<u>(891,530)</u>
Net Change in Fund Balance			391,686	391,686	62,846
Fund balance at beginning of year	<u>2,856,372</u>	<u>2,856,372</u>	<u>2,856,372</u>		<u>2,793,526</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 2,856,372</b></u>	<u><b>\$ 2,856,372</b></u>	<u><b>\$ 3,248,058</b></u>	<u><b>\$ 391,686</b></u>	<u><b>\$ 2,856,372</b></u>

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

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.

City of Port Huron

MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
Year Ended June 30, 2003

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year End June 30, 2002 Actual
<b>MAJOR STREETS:</b>					
Revenues:					
Grants	\$ 1,725,000	\$ 925,000	\$ 674,024	\$ (250,976)	\$ 15,573
State shared revenues	1,855,608	1,855,608	1,988,952	133,344	1,890,647
Contributions	500,000	500,000	257,179	(242,821)	
<b>Total Revenues</b>	<b>4,080,608</b>	<b>3,280,608</b>	<b>2,920,155</b>	<b>(360,453)</b>	<b>1,906,220</b>
Expenditures:					
Current:					
Public works	1,647,516	1,647,516	1,620,532	26,984	1,338,795
Capital outlay	2,178,750	2,138,750	1,643,312	495,438	858,782
<b>Total Expenditures</b>	<b>3,826,266</b>	<b>3,786,266</b>	<b>3,263,844</b>	<b>522,422</b>	<b>2,197,577</b>
Revenues over (under) Expenditures	254,342	(505,658)	(343,689)	161,969	(291,357)
Other financing sources (uses):					
Transfers in		800,000	803,003	3,003	800,000
Transfers out	(410,000)	(450,000)	(431,083)	18,917	(430,733)
	<u>(410,000)</u>	<u>350,000</u>	<u>371,920</u>	<u>21,920</u>	<u>369,267</u>
Net Change in Fund Balances	(155,658)	(155,658)	28,231	183,889	77,910
Fund balance at beginning of year	166,964	166,964	166,964		89,054
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 11,306</b>	<b>\$ 11,306</b>	<b>\$ 195,195</b>	<b>\$ 183,889</b>	<b>\$ 166,964</b>
<b>LOCAL STREETS:</b>					
Revenues:					
Grants	\$ 700,000	\$ 190,000	\$ 107,847	\$ (82,153)	\$
State shared revenues	500,000	500,000	530,398	30,398	518,333
<b>Total Revenues</b>	<b>1,200,000</b>	<b>690,000</b>	<b>638,245</b>	<b>(51,755)</b>	<b>518,333</b>
Expenditures:					
Current:					
Public works	896,114	896,114	862,938	33,176	918,344
Capital outlay	753,750	753,750	551,997	201,753	551,301
<b>Total Expenditures</b>	<b>1,649,864</b>	<b>1,649,864</b>	<b>1,414,935</b>	<b>234,929</b>	<b>1,469,645</b>
Revenues over (under) Expenditures	(449,864)	(959,864)	(776,690)	183,174	(951,312)
Other financing sources:					
Transfers in	410,000	950,000	781,083	(168,917)	955,733
Transfers out			(3,003)	(3,003)	
	<u>410,000</u>	<u>950,000</u>	<u>778,080</u>	<u>(171,920)</u>	<u>955,733</u>
Net Change in Fund Balances	(39,864)	(9,864)	1,390	11,254	4,421
Fund balance at beginning of year	58,508	58,508	58,508		54,087
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 18,644</b>	<b>\$ 48,644</b>	<b>\$ 59,898</b>	<b>\$ 11,254</b>	<b>\$ 58,508</b>

(Continued on next page)

City of Port Huron

**MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2003

EXHIBIT A-7  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year End June 30, 2002 Actual
<b>MUNICIPAL STREETS:</b>					
Revenues:					
Taxes - Streets	\$ 1,242,886	\$ 1,242,886	\$ 1,231,961	\$ (10,925)	\$ 1,097,916
Taxes - BWATC		450,000	400,469	(49,531)	348,926
State shared revenues	46,000				46,289
Investment income	50,000	50,000	59,612	9,612	110,156
<b>Total Revenues</b>	<u>1,338,886</u>	<u>1,742,886</u>	<u>1,692,042</u>	<u>(50,844)</u>	<u>1,603,287</u>
Expenditures:					
Current:					
Public works	296,963	296,963	94,551	202,412	64,990
General support services - BWATC		450,000	400,469	49,531	348,926
Capital Outlay	5,150,000	3,400,000		3,400,000	
<b>Total Expenditures</b>	<u>5,446,963</u>	<u>4,146,963</u>	<u>495,020</u>	<u>3,651,943</u>	<u>413,916</u>
Revenues over (under) Expenditures	<u>(4,108,077)</u>	<u>(2,404,077)</u>	<u>1,197,022</u>	<u>3,601,099</u>	<u>1,189,371</u>
Other financing sources (uses):					
Transfers in					585,000
Transfers out		(1,300,000)	(1,150,000)	150,000	(1,325,000)
		<u>(1,300,000)</u>	<u>(1,150,000)</u>	<u>150,000</u>	<u>(740,000)</u>
Net Change in Fund Balances	<u>(4,108,077)</u>	<u>(3,704,077)</u>	<u>47,022</u>	<u>3,751,099</u>	<u>449,371</u>
Fund balance at beginning of year	<u>6,001,346</u>	<u>6,001,346</u>	<u>6,001,346</u>		<u>5,551,975</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1,893,269</u>	<u>\$ 2,297,269</u>	<u>\$ 6,048,368</u>	<u>\$ 3,751,099</u>	<u>\$ 6,001,346</u>

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

PROPRIETARY FUNDS - STATEMENT OF NET ASSETS

June 30, 2003

EXHIBIT A-8

		Business-Type Activities -		
		Water	Wastewater	Land Purchase
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents		\$ 1,990,697	\$ 8,410,075	\$ 8,610,689
Accounts receivable (net of allowances for uncollectibles)		1,142,376	2,087,084	53,910
Due from other governmental units		126,749		244,763
Due from other funds				
Inventories		8,930	29,602	
	Total Current Assets	<u>3,268,752</u>	<u>10,526,761</u>	<u>8,909,362</u>
Restricted assets:				
Cash and cash equivalents		1,136,532		
Fixed assets:				
Land		799,823	631,745	2,157,212
Land improvements				
Buildings		4,918,271	20,362,240	3,876,554
Systems		29,602,969	80,161,300	
Machinery and equipment			11,227,160	
Vehicles				
Construction in progress		4,947,146	11,306,196	
		40,268,209	123,688,641	6,033,766
Less accumulated depreciation		7,778,896	31,774,415	415,544
	Total Fixed Assets	<u>32,489,313</u>	<u>91,914,226</u>	<u>5,618,222</u>
Other long-term assets:				
Bond issuance costs (net of amortization)		181,440	367,953	
	Total Assets	<u>37,076,037</u>	<u>102,808,940</u>	<u>14,527,584</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable		23,613	62,610	28,356
Accrued payroll		78,017	113,312	2,620
Claims and judgements payable				
Contracts payable		80,575	2,395,660	142,925
Due to other funds				
Accrued interest payable		61,620	399,380	
Deferred revenue				
Other liabilities		143,731		31,518
Current portion of long-term debt		575,206	2,379,003	
Compensated absences payable (current portion)				
	Total Current Liabilities	<u>962,762</u>	<u>5,349,965</u>	<u>205,419</u>
Current liabilities payable from restricted assets:				
Accrued interest payable		83,824		
Current portion of long-term debt		350,000		
	Total Current Liabilities Payable from Restricted Assets	<u>433,824</u>		
Noncurrent liabilities:				
Long-term debt (exclusive of current portion)		18,313,637	45,620,191	
Compensated absences payable (exclusive of current portion)				
	Total Noncurrent Liabilities	<u>18,313,637</u>	<u>45,620,191</u>	
	Total Liabilities	<u>19,710,223</u>	<u>50,970,156</u>	<u>205,419</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt		13,250,470	43,915,032	5,618,222
Restricted for revenue bond redemption and reserve account		1,136,532		
Unrestricted (deficit)		2,978,812	7,923,752	8,703,943
	Total Net Assets	<u>\$ 17,365,814</u>	<u>\$ 51,838,784</u>	<u>\$ 14,322,165</u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2003	June 30, 2002 (Restated)	June 30, 2003	June 30, 2002
\$ 514,612	\$ 19,526,073	\$ 19,901,693	\$ 9,966,945	\$ 8,852,974
7,124	3,290,494	2,893,859	382,355	308,108
	126,749	549,821		
	244,763	292,269		
6,348	44,880	77,200	101,141	79,497
<u>528,084</u>	<u>23,232,959</u>	<u>23,714,842</u>	<u>10,450,441</u>	<u>9,240,579</u>
	1,136,532	6,996,932		
2,379,893	5,968,673	6,138,648		
859,022	859,022	851,771	1,322,749	1,322,749
5,601,436	34,758,501	28,351,933		
	109,764,269	89,926,146		
3,045,527	14,272,687	14,155,289	1,328,623	1,225,163
	16,253,342	18,899,431	3,527,533	3,119,882
11,885,878	181,876,494	158,323,218	6,178,905	5,667,794
6,307,672	46,276,527	42,211,433	3,875,584	3,217,330
5,578,206	135,599,967	116,111,785	2,303,321	2,450,464
	549,393	429,077		
<u>6,106,290</u>	<u>160,518,851</u>	<u>147,252,636</u>	<u>12,753,762</u>	<u>11,691,043</u>
42,303	156,882	147,508	43,902	133,163
21,606	215,555	193,706	252,871	193,370
			919,125	861,627
23,025	2,642,185	483,038		
249,721	249,721	295,017		
	461,000	323,119		
78,267	78,267	81,097		
13,500	188,749	158,924		
	2,954,209	2,055,000		
			211,488	203,907
<u>428,422</u>	<u>6,946,568</u>	<u>3,737,409</u>	<u>1,427,386</u>	<u>1,392,067</u>
	83,824	86,158		
	350,000	350,000		
	433,824	436,158		
	63,933,828	54,138,328		
			2,929,304	2,724,295
	63,933,828	54,138,328	2,929,304	2,724,295
<u>428,422</u>	<u>71,314,220</u>	<u>58,311,895</u>	<u>4,356,690</u>	<u>4,116,362</u>
5,578,206	68,361,930	59,568,457	2,303,321	2,450,464
	1,136,532	1,138,866		
99,662	19,706,169	28,233,418	6,093,751	5,124,217
<u>\$ 5,677,868</u>	<u>\$ 89,204,631</u>	<u>\$ 88,940,741</u>	<u>\$ 8,397,072</u>	<u>\$ 7,574,681</u>

City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 4,704,166	\$ 7,962,142	\$
Rents			227,598
Total Operating Revenues	<u>4,704,166</u>	<u>7,962,142</u>	<u>227,598</u>
Operating expenses:			
Personal services	1,825,187	2,656,545	22,342
Supplies and materials	247,768	554,976	92
Contractual services	1,224,349	2,957,520	874,242
Depreciation	1,067,272	3,098,939	30,567
Total Operating Expenses	<u>4,364,576</u>	<u>9,267,980</u>	<u>927,243</u>
Operating Income (Loss)	<u>339,590</u>	<u>(1,305,838)</u>	<u>(699,645)</u>
Nonoperating revenues (expenses):			
Investment income	62,516	186,422	130,358
Interest expense	(674,717)	(1,485,689)	
Operating grants and contributions			1,276,947
Gain on sale of property and equipment			1,388,014
Capital assistance - component units			(275,000)
Other income		1,000	
	<u>(612,201)</u>	<u>(1,298,267)</u>	<u>2,520,319</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(272,611)</u>	<u>(2,604,105)</u>	<u>1,820,674</u>
Capital contributions:			
Grants received	149,480	720,550	
Infrastructure improvements donated		677,574	
	<u>149,480</u>	<u>1,398,124</u>	
Income (Loss) Before Transfers	<u>(123,131)</u>	<u>(1,205,981)</u>	<u>1,820,674</u>
Transfers in (out):			
Transfer in	300,000	1,600,000	
Transfer out			(2,000,000)
	<u>300,000</u>	<u>1,600,000</u>	<u>(2,000,000)</u>
Change in Net Assets	<u>176,869</u>	<u>394,019</u>	<u>(179,326)</u>
Net assets at beginning of year (as restated)	<u>17,188,945</u>	<u>51,444,765</u>	<u>14,501,491</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 17,365,814</u></u>	<u><u>\$ 51,838,784</u></u>	<u><u>\$ 14,322,165</u></u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2003	June 30, 2002 (Restated)	June 30, 2003	June 30, 2002
\$ 432,156	\$ 13,098,464	\$ 12,277,972	\$ 11,735,999	\$ 10,848,166
540,408	768,006	882,941		
<u>972,564</u>	<u>13,866,470</u>	<u>13,160,913</u>	<u>11,735,999</u>	<u>10,848,166</u>
397,846	4,901,920	4,556,704	8,327,745	7,296,954
219,458	1,022,294	889,958	313,541	335,624
651,887	5,707,998	4,819,699	2,042,980	1,721,277
421,320	4,618,098	3,823,655	658,254	641,732
<u>1,690,511</u>	<u>16,250,310</u>	<u>14,090,016</u>	<u>11,342,520</u>	<u>9,995,587</u>
<u>(717,947)</u>	<u>(2,383,840)</u>	<u>(929,103)</u>	<u>393,479</u>	<u>852,579</u>
	379,296	480,125	108,488	161,587
(6,313)	(2,166,719)	(1,483,104)		
475,626	1,752,573	2,528,443		
	1,388,014	45	20,424	11,762
	(275,000)	(18,093)		
	1,000			
<u>469,313</u>	<u>1,079,164</u>	<u>1,507,416</u>	<u>128,912</u>	<u>173,349</u>
<u>(248,634)</u>	<u>(1,304,676)</u>	<u>578,313</u>	<u>522,391</u>	<u>1,025,928</u>
20,962	890,992	861,250		
	677,574	1,826,690		
<u>20,962</u>	<u>1,568,566</u>	<u>2,687,940</u>		
<u>(227,672)</u>	<u>263,890</u>	<u>3,266,253</u>	<u>522,391</u>	<u>1,025,928</u>
100,000	2,000,000	1,912,212	300,000	
	(2,000,000)	(1,485,000)		
<u>100,000</u>		<u>427,212</u>	<u>300,000</u>	
<u>(127,672)</u>	<u>263,890</u>	<u>3,693,465</u>	<u>822,391</u>	<u>1,025,928</u>
5,805,540	88,940,741	85,247,276	7,574,681	6,548,753
<u>\$ 5,677,868</u>	<u>\$ 89,204,631</u>	<u>\$ 88,940,741</u>	<u>\$ 8,397,072</u>	<u>\$ 7,574,681</u>

## PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS

Year Ended June 30, 2003

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 4,563,789	\$ 7,750,508	\$ 184,706
Payments to suppliers for goods and services	(1,045,847)	(3,267,259)	(682,152)
Payments to employees for services	(1,825,494)	(2,635,304)	(22,133)
Payments connected with interfund services	(443,551)	(394,450)	
Net cash provided by (used in) operating activities	<u>1,248,897</u>	<u>1,453,495</u>	<u>(519,579)</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating grants and contributions received			1,276,947
Capital assistance - component units			(275,000)
Other income		1,000	
Transfers in	300,000	1,600,000	
Transfers out			(2,000,000)
Net cash provided by (used in) noncapital financing activities	<u>300,000</u>	<u>1,601,000</u>	<u>(998,053)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(6,475,120)	(14,725,460)	
Proceeds from issuance of long-term debt	5,113,242	7,970,673	
Principal payments on long-term debt	(690,206)	(1,499,000)	
Interest paid	(646,965)	(1,401,509)	
Bond issuance costs	(49,244)	(102,584)	
Proceeds from sale of property and equipment			1,744,253
Capital contributions	22,731	1,099,397	
Net cash provided by (used in) capital and related financing activities	<u>(2,725,562)</u>	<u>(8,658,483)</u>	<u>1,744,253</u>
<b>Cash flows from investing activities:</b>			
Sale of investments			130,358
Investment income	62,516	186,422	130,358
Net cash provided by (used in) investing activities	<u>62,516</u>	<u>186,422</u>	<u>130,358</u>
Net increase (decrease) in cash and cash equivalents	(1,114,149)	(5,417,566)	356,979
Cash and cash equivalents at beginning of year	<u>4,241,378</u>	<u>13,827,641</u>	<u>8,253,710</u>
Cash and cash equivalents at end of year	<u>\$ 3,127,229</u>	<u>\$ 8,410,075</u>	<u>\$ 8,610,689</u>
<b>Balance sheet classification of cash and cash equivalents:</b>			
Current assets - cash and cash equivalents	\$ 1,990,697	\$ 8,410,075	\$ 8,610,689
Restricted assets - cash and cash equivalents	<u>1,136,532</u>		
Total balance sheet classification	<u>\$ 3,127,229</u>	<u>\$ 8,410,075</u>	<u>\$ 8,610,689</u>

(Continued on next page)

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2003	June 30,2002	June 30, 2003	June 30,2002
\$ 968,002	\$ 13,467,005	\$ 13,169,822	\$ 11,661,753	\$ 10,847,151
(883,160)	(5,878,418)	(4,883,262)	(2,199,434)	(1,280,448)
(397,140)	(4,880,071)	(4,538,223)	(7,998,156)	(7,398,169)
(103,317)	(941,318)	(891,412)	(267,993)	(264,362)
<u>(415,615)</u>	<u>1,767,198</u>	<u>2,856,925</u>	<u>1,196,170</u>	<u>1,904,172</u>
516,600	1,793,547	2,487,469		
	(275,000)	(18,093)		
	1,000			
100,000	2,000,000	1,912,212	300,000	
	(2,000,000)	(1,485,000)		
<u>616,600</u>	<u>1,519,547</u>	<u>2,896,588</u>	<u>300,000</u>	
(202,751)	(21,403,331)	(22,520,509)	(511,111)	(434,526)
	13,083,915	25,145,994		
(200,000)	(2,389,206)	(1,569,206)		
(10,480)	(2,058,954)	(1,363,046)		
	(151,828)	(189,934)		
	1,744,253	69,678	20,424	11,762
150,962	1,273,090	731,250		
<u>(262,269)</u>	<u>(9,902,061)</u>	<u>304,227</u>	<u>(490,687)</u>	<u>(422,764)</u>
		9,632,664		5,314,618
	379,296	480,125	108,488	161,587
	<u>379,296</u>	<u>10,112,789</u>	<u>108,488</u>	<u>5,476,205</u>
(61,284)	(6,236,020)	16,170,529	1,113,971	6,957,613
575,896	26,898,625	10,728,096	8,852,974	1,895,361
<u>\$ 514,612</u>	<u>\$ 20,662,605</u>	<u>\$ 26,898,625</u>	<u>\$ 9,966,945</u>	<u>\$ 8,852,974</u>
\$ 514,612	\$ 19,526,073	\$ 19,901,693	\$ 9,966,945	\$ 8,852,974
	1,136,532	6,996,932		
<u>\$ 514,612</u>	<u>\$ 20,662,605</u>	<u>\$ 26,898,625</u>	<u>\$ 9,966,945</u>	<u>\$ 8,852,974</u>

City of Port Huron

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2003

EXHIBIT A-10  
(Continued)

	<u>Business-Type Activities -</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Land Purchase</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 339,590	\$ (1,305,838)	\$ (699,645)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,067,272	3,098,939	30,567
Amortization of bond issuance costs	10,386	18,719	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	(140,377)	(211,634)	(42,892)
Decrease (increase) in due from other governmental units			
Decrease (increase) in due from other funds			47,506
Decrease (increase) in inventory	1,306	28,465	
Increase (decrease) in accounts payable	5,157	(32,843)	21,560
Increase (decrease) in accrued payroll	(307)	21,241	209
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable	(44,596)	(163,554)	103,993
Increase (decrease) in compensated absences payable			
Increase (decrease) in due to other funds			
Increase (decrease) in deferred revenue			
Increase (decrease) in other liabilities	10,466		19,123
Total Adjustments	<u>909,307</u>	<u>2,759,333</u>	<u>180,066</u>
Net cash provided by (used in) operating activities	<u>\$ 1,248,897</u>	<u>\$ 1,453,495</u>	<u>\$ (519,579)</u>

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2003, infrastructure improvements with an estimated value of \$677,574 were constructed and funded by the Community Development Block Grant Fund and the Tax Increment Finance Authority and subsequently donated to the Wastewater Fund.

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

Enterprise Funds Other Nonmajor Enterprise Funds	Totals		Governmental Activities - Internal Service Funds Totals	
	June 30, 2003	June 30,2002	June 30, 2003	June 30,2002
	\$ (717,947)	\$ (2,383,840)	\$ (929,103)	\$ 393,479
421,320	4,618,098	3,823,655	658,254	641,732
	29,105	22,839		
(1,732)	(396,635)	15,783	(74,247)	(1,015)
		(378,847)		
	47,506	(246,373)		
2,549	32,320	(63,089)	(21,644)	10,711
15,500	9,374	45,654	(89,261)	97,346
706	21,849	18,481	59,501	(101,215)
			57,498	49,772
(88,121)	(192,278)	343,031		
			212,590	354,262
(45,296)	(45,296)	243,951		
(2,830)	(2,830)	(47,848)		
236	29,825	8,791		
<u>302,332</u>	<u>4,151,038</u>	<u>3,786,028</u>	<u>802,691</u>	<u>1,051,593</u>
\$ (415,615)	\$ 1,767,198	\$ 2,856,925	\$ 1,196,170	\$ 1,904,172

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2003

EXHIBIT A-11

	Private Purpose Trust Funds	Agency	<u>Totals</u>	
			<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 42,988</u>	<u>\$ 361,839</u>	<u>\$ 404,827</u>	<u>\$ 394,989</u>
<b>LIABILITIES</b>				
Liabilities:				
Due to other governmental units		\$ 10,972	10,972	14,898
Taxes collected in advance		350,432	350,432	336,943
Other liabilities	<u>300</u>	<u>435</u>	<u>735</u>	
Total Liabilities	<u>300</u>	<u>\$ 361,839</u>	<u>362,139</u>	<u>351,841</u>
<b>NET ASSETS</b>				
Net assets held in trust	<u>\$ 42,688</u>		<u>\$ 42,688</u>	<u>\$ 43,148</u>

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

City of Port Huron

**FIDUCIARY FUNDS - STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
 Year Ended June 30, 2003

EXHIBIT A-12

	<u>Private Purpose Trust Funds</u>	
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>Additions:</b>		
Investment income	\$ 740	\$ 855
<b>Deductions:</b>		
Supplies and materials	900	1,000
Contractual services	300	1,500
Total Deductions	<u>1,200</u>	<u>2,500</u>
Change in Net Assets	(460)	(1,645)
Net assets at beginning of year	<u>43,148</u>	<u>44,793</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 42,688</u></u>	<u><u>\$ 43,148</u></u>

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

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City of Port Huron

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS**  
June 30, 2003

EXHIBIT A-13

ASSETS	Downtown Development	Tax Increment Finance	Local Development Finance	McMorran	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 43,175	\$ 2,657,544	\$	\$	\$ 2,700,719
Receivables (net of allowances for uncollectibles)	4,633	7,463		22,809	34,905
Due from primary government				25,049	25,049
Inventories				10,391	10,391
Prepaid and deferred items				19,201	19,201
Restricted assets (cash and cash equivalents)				1,423,828	1,423,828
Fixed assets (net of accumulated depreciation)				2,757,041	2,757,041
<b>Total Assets</b>	<u>47,808</u>	<u>2,665,007</u>		<u>4,258,319</u>	<u>6,971,134</u>
<b>LIABILITIES</b>					
<b>Liabilities:</b>					
Accounts payable				84,635	84,635
Accrued payroll				103,256	103,256
Contracts payable		3,080			3,080
Due to primary government				40,725	40,725
Other liabilities				24,259	24,259
Deferred revenue				1,423,828	1,423,828
<b>Total Liabilities</b>		<u>3,080</u>		<u>1,676,703</u>	<u>1,679,783</u>
<b>NET ASSETS</b>					
Invested in fixed assets, net of related debt				2,757,041	2,757,041
Unrestricted (deficit)	47,808	2,661,927		(175,425)	2,534,310
<b>Net Assets</b>	<u>\$ 47,808</u>	<u>\$ 2,661,927</u>	<u>\$ 0</u>	<u>\$ 2,581,616</u>	<u>\$ 5,291,351</u>

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

City of Port Huron

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS**  
Year Ended June 30, 2003

EXHIBIT A-14

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development:				
Governmental activities:				
Community and economic development	\$ 1,225,798	\$	\$	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	261,687			
Taxes disbursed - not captured	2,535,248			
Total tax increment finance	2,796,935			
Local Development Finance:				
Governmental activities:				
Community and economic development	211,436			
McMorran:				
Business-type activities:				
McMorran	2,398,678	1,705,164	335,000	672,688
Total component units	\$ 6,632,847	\$ 1,705,164	\$ 335,000	\$ 672,688

General revenues:  
Property taxes  
State-shared revenues  
Investment income  
Gain on sale of property and equipment  
Other

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

NET ASSETS AT END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets

<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>	<u>McMorran</u>	<u>Total</u>
\$ (1,225,798)	\$	\$	\$	\$ (1,225,798)
	(261,687)			(261,687)
	(2,535,248)			(2,535,248)
	(2,796,935)			(2,796,935)
		(211,436)		(211,436)
			314,174	314,174
<u>(1,225,798)</u>	<u>(2,796,935)</u>	<u>(211,436)</u>	<u>314,174</u>	<u>(3,919,995)</u>
1,192,947	2,738,100	211,436		4,142,483
4,011				4,011
	25,242		2,630	27,872
69,655				69,655
4,075				4,075
<u>1,270,688</u>	<u>2,763,342</u>	<u>211,436</u>	<u>2,630</u>	<u>4,248,096</u>
44,890	(33,593)		316,804	328,101
2,918	2,695,520		2,264,812	4,963,250
<u>\$ 47,808</u>	<u>\$ 2,661,927</u>	<u>\$ 0</u>	<u>\$ 2,581,616</u>	<u>\$ 5,291,351</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2003

EXHIBIT A-15

**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, 2003 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, 2003, 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 (DDA) 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 (TIFA) 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 (LDFA) 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 City of Port Huron Brownfield Redevelopment Authority (BRA) is a municipal nonprofit, nonstock corporation organized on March 10, 1997 under the laws of the State of Michigan for the purpose of remediation, removal and redevelopment of formerly contaminated properties for beneficial uses. In addition, the City qualifies for financing of public facilities and general infrastructure needs for specific remediation sites. 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 DDA 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 TIFA, LDFA and BRA 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, 2003, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2003, the DDA manages five plans, the TIFA manages four and the LDFA and BRA each manage one plan.

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, 2002, the date of its latest audited financial statements, is as follows:

Total Assets	\$ 12,156,154
Total Liabilities	<u>295,448</u>
Fund Equity	<u>\$ 11,860,706</u>
Total Operating Revenues	\$ 4,099,335
Total Operating Expenses	4,463,017
Total Nonoperating Revenues	<u>796,019</u>
Net Income	<u>\$ 432,337</u>

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

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

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

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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 City 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.

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

Property taxes, City income tax revenues (principally employee withholdings), state shared revenues, reimbursement type grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The Major Streets Fund accounts for the various state shared and other revenues relating to the repairs and maintenance of the major streets and state trunklines.

The Local Streets Fund accounts for the various state shared and other revenues relating to the repairs and maintenance of the local streets.

The Municipal Streets Fund accounts 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.

The City reports the following major proprietary funds:

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

The Wastewater Fund is used to account for the collection of wastewater and related treatment services to the residents of the City and surrounding townships.

The Land Purchase 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.

Additionally, the government reports the following fund types:

Internal Service Funds account for office supply room and copier activities, rental of City owned vehicle and other equipment, data processing services and payment of insurance and payroll related fringe benefits provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds (specifically private purpose trust funds) are used to account for resources legally held in trust for use in port promotion and senior citizen’s projects. All resources of the funds, including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the water and wastewater functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue other than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on fixed assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### 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 and the policy adopted by the City Council 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 respective funds balance sheet or statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

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, 2003 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 statement of net assets and the statement of cash flows. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## FIXED ASSETS

Fixed assets, which include property, buildings, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Fixed assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the related assets, which range from 2 to 10 years for vehicles, machinery and equipment and 10 to 50 years for buildings, infrastructure and other improvements.

## COMPENSATED ABSENCES

At June 30, 2003 the total accrued liability (\$3,140,792) 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. 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.

For the government wide financial statements, all long-term obligations are recorded within the applicable governmental or business-type activity.

## FUND EQUITY

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. Amounts reserved for endowments in the Cemetery Perpetual Care Fund and the McMorran Auditorium Fund (Permanent Funds) are not available for expenditure. All interest and dividends earned in the Cemetery Perpetual Care Fund are transferred annually for use in the Cemetery (Operating) Fund. Therefore, there are no resources available for expenditure in the Cemetery Perpetual Care Fund. The McMorran Auditorium Fund is required to maintain its initial endowment of \$200,000. All other net assets are available for expenditure. Any proposed expenditure is required to be approved by the City Manager following a request from the McMorran Authority to use the resources for an appropriate purpose. The amount available for expenditure as of June 30, 2003 is \$117,904 and is recorded as unreserved, undesignated fund balance in the governmental funds balance sheet.

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.

## 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.

## NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles and State statutes. 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.

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 supplemental appropriation was adopted to reflect changes in economic conditions. Further, after June 30, 2003, the City Council approved a transfer of \$300,000 from the General Fund to an Internal Service Fund. All budget adjustments are reflected as the Final Budget in this report.

### 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 provisions of the Act, the City adopted this accounting treatment effective January 1, 2000. For the year ended June 30, 2003, building department revenues and expenditures totaled \$230,242 and \$488,668 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$1,099,230 and \$1,813,614 respectively.

## NOTE C--DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2003, are summarized as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Assets</u>	<u>Total</u>
Governmental activities	\$ 24,179,046	\$ 4,629,542	\$	\$ 28,808,588
Business-type activities	19,526,073		1,136,532	20,662,605
Fiduciary and Trust and Agency Funds	<u>404,827</u>	<u>                    </u>	<u>                    </u>	<u>404,827</u>
Total primary government	44,109,946	4,629,542	1,136,532	49,876,020
Component units	<u>2,700,719</u>	<u>                    </u>	<u>1,423,828</u>	<u>4,124,547</u>
Total	<u>\$ 46,810,665</u>	<u>\$ 4,629,542</u>	<u>\$ 2,560,360</u>	<u>\$ 54,000,567</u>

## 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, 2003 which would be classified as Category 2. Shared 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, 2003 are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Shared (Primary and Component)</u>	<u>Total</u>
Insured-Category 1	\$ 932,548	\$	\$ 200,000	\$ 1,132,548
Uninsured and uncollateralized - Category 3	<u>33,873,769</u>	<u>                    </u>	<u>715,631</u>	<u>34,589,400</u>
Total Deposits	<u>\$ 34,806,317</u>	<u>\$</u>	<u>\$ 915,631</u>	<u>\$ 35,721,948</u>

## INVESTMENTS

The City's investments at June 30, 2003, 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, 2003, which would be classified as Category 2 or Category 3.

A summary of the investments at June 30, 2003, follows:

Risk Categorized:	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Governmental Activities:				
Permanent Funds:				
U.S. Government Securities	\$ 15,980	\$	\$	\$ 15,980
Corporate bonds	3,148,464			3,148,464
Common stock	<u>1,465,098</u>	<u>                    </u>	<u>                    </u>	<u>1,465,098</u>
	<u>\$ 4,629,542</u>	<u>\$</u>	<u>\$</u>	4,629,542
Nonrisk Categorized:				
Pooled accounts - cash				
equivalents - surplus funds				
investment pool				<u>13,575,936</u>
Total investments				<u>\$ 18,205,478</u>

**NOTE D—RECEIVABLES**

Receivables at June 30, 2003 consist of the following:

	<u>General</u>	<u>Special Revenue/ Permanent</u>	<u>Total Governmental Funds</u>	<u>Internal Service</u>	<u>Total Governmental Activities</u>	<u>Business-type Activities (Enterprise)</u>
Receivables:						
Income tax	\$ 1,133,276	\$	\$ 1,133,276	\$	\$ 1,133,276	\$
Interest receivable		45,703	45,703		45,703	
Property taxes	9,408	4,011	13,419		13,419	
Accounts	<u>62,413</u>	<u>2,968,318</u>	<u>3,030,731</u>	<u>382,355</u>	<u>3,413,086</u>	<u>3,360,494</u>
Gross Receivables	1,205,097	3,018,032	4,223,129	382,355	4,605,484	3,360,494
Less allowances for uncollectibles	<u>8,250</u>	<u>3,500</u>	<u>11,750</u>		<u>11,750</u>	<u>70,000</u>
Net total receivables	<u>\$ 1,196,847</u>	<u>\$ 3,014,532</u>	<u>\$ 4,211,379</u>	<u>\$ 382,355</u>	<u>\$ 4,593,734</u>	<u>\$ 3,290,494</u>

Property taxes receivable represents the past five years of uncollected personal and certain real property tax levies.

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 (\$1,845,975 in 2009 and \$1,100,000 in 2015, subject to contractual provisions).

**NOTE E—INTERFUND RECEIVABLES AND PAYABLES**

Outstanding balances between funds are reported in the fund financial statements as "due to/from other funds". These amounts result from short-term lending from one fund to another. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Due from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Receivable Amount</u>	<u>Payable Amount</u>
General	Nonmajor enterprise funds	<u>\$ 4,958</u>	\$ 4,958
Land Purchase	Nonmajor enterprise funds	<u>\$ 244,763</u>	<u>244,763</u>
	Total nonmajor enterprise fund payables		<u>\$ 249,721</u>
Nonmajor special revenue fund:	Nonmajor special revenue funds	<u>\$ 772,731</u>	<u>\$ 772,731</u>

**NOTE F—FIXED ASSETS**

The components of property and equipment at June 30, 2003 for the primary government's governmental activities are summarized as follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Property and equipment not being depreciated:				
Land	\$ 4,257,209	\$	\$	\$ 4,257,209
Construction in progress	<u>1,509,761</u>	<u>1,679,976</u>	<u>1,509,761</u>	<u>1,679,976</u>
Total property and equipment not being depreciated	<u>5,766,970</u>	<u>1,679,976</u>	<u>1,509,761</u>	<u>5,937,185</u>
Property and equipment being depreciated:				
Land improvements	10,106,243	25,373		10,131,616
Buildings	10,267,688	1,468		10,269,156
Streets, bridges and sidewalks	34,719,848	2,262,783		36,982,631
Machinery and equipment	7,308,086	225,996		7,534,082
Vehicles	<u>3,883,333</u>	<u>407,651</u>		<u>4,290,984</u>
Total property and equipment being depreciated	66,285,198	2,923,271		69,208,469
Less accumulated depreciation	<u>36,676,661</u>	<u>2,983,884</u>		<u>39,660,545</u>
Net property and equipment being depreciated	<u>29,608,537</u>	<u>(60,613)</u>		<u>29,547,924</u>
Net governmental property and equipment	<u>\$ 35,375,507</u>	<u>\$ 1,619,363</u>	<u>\$ 1,509,761</u>	<u>\$ 35,485,109</u>

The components of property and equipment at June 30, 2003 for the primary government's business-type activities are summarized as follows:

	Balance July 1, 2002 (Restated)	Additions	Deductions	Balance June 30, 2003
Property and equipment not being depreciated:				
Land	\$ 6,138,648	\$	\$ 169,975	\$ 5,968,673
Construction in progress	<u>18,899,431</u>	<u>16,253,342</u>	<u>18,899,431</u>	<u>16,253,342</u>
Total property and equipment not being depreciated	<u>25,038,079</u>	<u>16,253,342</u>	<u>19,069,406</u>	<u>22,222,015</u>
Property and equipment being depreciated:				
Land improvements	851,771	7,251		859,022
Buildings	28,351,933	7,088,463	681,895	34,758,501
Systems	89,926,146	19,838,123		109,764,269
Machinery and equipment	<u>14,155,289</u>	<u>174,771</u>	<u>57,373</u>	<u>14,272,687</u>
Total property and equipment being depreciated	133,285,139	27,108,608	739,268	159,654,479
Less accumulated depreciation	<u>42,211,433</u>	<u>4,618,098</u>	<u>553,004</u>	<u>46,276,527</u>
Net property and equipment being depreciated	<u>91,073,706</u>	<u>22,490,510</u>	<u>186,264</u>	<u>113,377,952</u>
Net business-type property and equipment	<u>\$ 116,111,785</u>	<u>\$ 38,743,852</u>	<u>\$ 19,255,670</u>	<u>\$ 135,599,967</u>

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

Governmental activities:	
General government	\$ 1,064,589
Public safety	104,061
Public works	1,731,411
Recreation, parks and culture	<u>83,823</u>
Total governmental activities	<u>\$ 2,983,884</u>
Business-type activities	
Water	\$ 1,067,272
Wastewater	3,098,939
Land purchase	30,567
Parking	8,728
Senior citizens	171,494
Marina	<u>241,098</u>
Total business-type activities	<u>\$ 4,618,098</u>

#### NOTE G—INTERFUND TRANSFERS

Interfund transfers are used either to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or to use unrestricted revenues collected in the General Fund or the Land Purchase Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers are as follows:

Transfers to Major Streets from:

Local Streets	\$ 3,003
Municipal Streets	<u>800,000</u>
Total	<u>\$ 803,003</u>

Transfers to Local Streets from:

Major Streets	\$ 431,083
Municipal Streets	<u>350,000</u>
Total	<u>\$ 781,083</u>

Transfer to Water from Land Purchase \$ 300,000

Transfer to Wastewater from Land Purchase \$ 1,600,000

Transfers to nonmajor governmental funds from:

General Fund	\$ 6,600
Nonmajor governmental funds	<u>254,601</u>
Total	<u>\$ 261,201</u>

Transfer to nonmajor Enterprise Fund from Land Purchase \$ 100,000

Transfer to Internal Service Fund from General Fund \$ 300,000

**NOTE H—LONG TERM DEBT**

Long-term debt of the City is as follows:

	Balance July 1, 2002	Additions	(Reductions)	Balance June 30, 2003	Due Within One Year
<b>Business-type activities:</b>					
5% to 7% 1977 Housing general obligation bonds	\$ 200,000	\$	\$ (200,000)	\$	\$
3.40% to 5.25% 1999 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized discount of \$166,498; amount of issue - \$10,000,000	9,273,708		(340,206)	8,933,502	340,206
2.5% Drinking Water Revolving Fund (DWRF) Water Supply System General Obligation Limited Tax Bonds:					
Series 7088-01	5,285,890	2,764,114	(350,000)	7,700,004	360,000
Series 7105-01		88,560		88,560	
Series 7110-01	256,209	1,559,349		1,815,558	155,000
Series 7113-01		701,219		701,219	70,000
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$99,997; amount of issue - \$10,000,000	9,900,003			9,900,003	245,003
4.875% to 5.25% 1999A Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$102,000; amount of issue - \$8,000,000	7,492,000		(244,000)	7,248,000	294,000
2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	4,673,192		(320,000)	4,353,192	210,000
Series 5006-02	4,239,068	34,291	(210,000)	4,063,359	215,000
Series 5006-03	8,971,089	128,911	(380,000)	8,720,000	390,000
Series 5006-04	5,776,665	1,489,361	(320,000)	6,946,026	325,000
Series 5006-05	237,662	171,176	(25,000)	383,838	25,000
Series 5006-06	237,842	1,509,300		1,747,142	145,000
Series 5006-07		1,279,812		1,279,812	130,000
Series 5006-08		81,699		81,699	
Series 5177-01		3,276,123		3,276,123	400,000
<b>Total business-type activities</b>	<b>56,543,328</b>	<b>13,083,915</b>	<b>(2,389,206)</b>	<b>67,238,037</b>	<b>3,304,209</b>
<b>Governmental activities:</b>					
Compensated absences payable	<u>2,928,202</u>	<u>358,806</u>	<u>(146,216)</u>	<u>3,140,792</u>	<u>211,488</u>
<b>Total</b>	<b><u>\$ 59,471,530</u></b>	<b><u>\$ 13,442,721</u></b>	<b><u>\$(2,535,422)</u></b>	<b><u>\$ 70,378,829</u></b>	<b><u>\$ 3,515,697</u></b>

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, 2003, the City's debt limit amounted to \$78,358,575 and indebtedness subject to the limitation totaled \$10,305,341 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$68,054,040.

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 (DWRF) 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 DWRF and SRF loans which have not been finalized as of June 30, 2003, 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, 2003, 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 or Final Amount</u>	<u>Advances</u>	<u>Projects</u>
June 24, 1999 Finalized February 10, 2003	SRF	5006-01	\$ 5,288,192	\$ 5,288,192	Indian Creek 2B Indian Creek 3
March 30, 2000	SRF	5006-02	5,230,000	4,478,359	10 <sup>th</sup> Avenue Indian Creek 4
June 29, 2000	SRF	5006-03	9,470,000	9,470,000	Peavey Area Beard Area-Industrial Park 16 <sup>th</sup> Street Pump Station 10 <sup>th</sup> Street Pump Station
March 29, 2001	SRF	5006-04	8,120,000	7,266,026	Indian Creek 2C 7 <sup>th</sup> and 9 <sup>th</sup> Area Military/Electric Area Rural Area
September 28, 2001	SRF	5006-05	640,000	408,838	Rural Area
December 20, 2001	DWRF	7088-01	8,945,000	8,050,004	Indian Creek 2C 7 <sup>th</sup> and 9 <sup>th</sup> Area Military/Electric Area Rural Area
March 28, 2002	SRF	5006-06	3,650,000	1,747,142	11 <sup>th</sup> Avenue Area Palmer Court Area
March 28, 2002	DWRF	7110-01	3,930,000	1,815,558	11 <sup>th</sup> Avenue Area Palmer Court Area
September 26, 2002	SRF	5177-01	10,220,000	3,276,123	Solids Handling Project
September 26, 2002	SRF	5006-07	3,310,000	1,279,812	4 <sup>th</sup> Street Area
September 26, 2002	DWRF	7113-01	1,805,000	701,219	4 <sup>th</sup> Street Area
March 27, 2003	SRF	5006-08	1,670,000	81,699	Tunnel Street Area
March 27, 2003	DWRF	7105-01	<u>1,800,000</u>	<u>88,560</u>	Tunnel Street Area
Total			<u>\$ 64,078,192</u>	<u>\$ 43,951,532</u>	

The SRF loan Series 5006-01 approved for \$7,775,000 was subsequently reduced to an approved amount of \$5,770,000 as a result of federal grant funding. The final amortization schedule based upon advances of \$5,288,192 was approved by City Council on February 10, 2003.

Recorded in the Enterprise Funds are general obligation bonds amounting to \$67,238,037 at June 30, 2003 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 annual requirements to pay principal and interest on the obligations outstanding at June 30, 2003 are as follows:

	<u>Business-Type Activities (Enterprise Funds)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 3,304,209	\$ 2,286,252	\$ 5,590,461
2005	3,504,206	2,188,648	5,692,854
2006	3,554,465	2,083,439	5,637,904
2007	3,659,206	1,975,085	5,634,291
2008	3,779,206	1,862,359	5,641,565
2009-2013	19,368,184	7,446,023	26,814,207
2014-2018	18,762,568	4,192,027	22,954,595
2019-2023	<u>11,305,993</u>	<u>887,932</u>	<u>12,193,925</u>
	<u>\$ 67,238,037</u>	<u>\$ 22,921,765</u>	<u>\$ 90,159,802</u>

Subsequent to year end, on November 18, 2003, the City of Port Huron borrowed \$5,500,000 for continuing sewer separation and infrastructure improvement projects. The funds will be used for the portion of sewer projects that does not qualify for SRF financing. The City also expects to borrow \$3,000,000 in December, 2003, for the water fund portion of continuing infrastructure projects that do not qualify for DWRP financing.

#### NOTE I—RESTRICTED ASSET ACCOUNTS AND RESTRICTED NET ASSETS

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

	<u>Primary Government- Water</u>	<u>Component Unit McMorran</u>
Revenue bond redemption and reserve account	\$ 1,136,532	
State grant account		1,402,412
Seeing Stars account		21,416
	<u>\$ 1,136,532</u>	<u>\$ 1,423,828</u>

The bond covenants of the Water Fund (an Enterprise Fund) require certain reservations of net assets. In accordance with these bond covenants, \$1,136,532 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 \$83,824.

Assets of McMorran have been restricted for the renovation and revitalization of the McMorran Place Auditorium and Main Arena.

#### NOTE J—COMMITMENTS FROM COMPONENT UNITS

The Downtown Development Authority, the Tax Increment Finance Authority and the Local Development Finance Authority have committed to repay the General Fund (\$1,106,326) and the Land Purchase Fund (\$25,054,454) for payments made on behalf of the Authorities. Such payments were made to finance various improvements, public facilities and infrastructure needs in accordance with each authority's specific purposes. The payments made on behalf of the Authorities 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 amounts due from component units 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 not recorded the outstanding balances due from component units. Revenue is recognized annually as nonoperating revenues - operating grants and contributions as payments are made by the component units from available incremental tax receipts. If further tax revenues are insufficient, such amounts due from component units may not be repaid.

The activity from component units for the year ended June 30, 2003 are summarized as follows:

	Balance <u>July 1, 2002</u>	<u>(Reductions)</u>	Balance <u>June 30, 2003</u>
<b>Commitment from Component Units:</b>			
Downtown Development - On behalf of payments from primary government:			
General Fund	\$ 551,166	\$	\$ 551,166
Land Purchase Fund	<u>18,946,926</u>	<u>(1,003,006)</u>	<u>17,943,920</u>
Total Downtown Development	<u>19,498,092</u>	<u>(1,003,006)</u>	<u>18,495,086</u>
Tax Increment Finance - On behalf of payments from primary government:			
General Fund	163,863		163,863
Land Purchase Fund	<u>3,108,932</u>	<u>(164,505)</u>	<u>2,944,427</u>
Total Tax Increment Finance	<u>3,272,795</u>	<u>(164,505)</u>	<u>3,108,290</u>
Local Development Finance - On behalf of payments from primary government:			
General Fund	391,297		391,297
Land Purchase Fund	<u>4,275,543</u>	<u>(109,436)</u>	<u>4,166,107</u>
Total Local Development Finance	<u>4,666,840</u>	<u>(109,436)</u>	<u>4,557,404</u>
 Total Commitment from Component Units	 <u>\$ 27,437,727</u>	 <u>\$ (1,276,947)</u>	 <u>\$ 26,160,780</u>

On August 12, 2002, the City Council approved a brownfield plan as recommended by the Brownfield Redevelopment Authority. Such plan proposes that eligible cleanup and infrastructure costs incurred by a developer will be reimbursed from captured incremental taxes. Such tax capture will be limited to fifty percent of the new taxes generated. The remaining incremental taxes will flow to the appropriate taxing authorities. As of June 30, 2003, the developer had incurred approximately \$2,500,000 in eligible costs. There were no captured taxes for the year ended June 30, 2003, and no other financial activity.

#### NOTE K—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 of Port Huron has received a demand letter from the Michigan Department of Environmental Quality for reimbursement of state costs related to the closed Ft. Gratiot Sanitary Landfill. The State of Michigan believes the City was one of multiple users of the landfill. The State proposes to allocate past and future response activity costs proportionally among the multiple users. The outcome of this matter is not presently determinable. The City administration has not been able to document significant usage of the landfill and does not believe that the City disposed of hazardous materials. The City administration expects that any liability subsequently determined will not have a material adverse effect on the City's financial condition.

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 L—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 251 retirees, these costs total \$1,707,850. 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, 2003. The City has set aside funds in the Fringe Benefit Fund to partially offset such liability.

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 condensed financial data (segment information) for the City's nonmajor enterprise funds for the year ended June 30, 2003 is as follows:

Condensed Statement of Net Assets:

	<u>Parking</u>	<u>Senior Citizens</u>	<u>Marina</u>	<u>Total</u>
<b>Assets:</b>				
Current assets	\$ 167,515	\$ 347,516	\$ 13,053	\$ 528,084
Fixed assets	<u>882,059</u>	<u>1,915,763</u>	<u>2,780,384</u>	<u>5,578,206</u>
Total assets	<u>1,049,574</u>	<u>2,263,279</u>	<u>2,793,437</u>	<u>6,106,290</u>
<b>Liabilities:</b>				
Current liabilities	4,891	32,846	140,964	178,701
Due to other funds	<u>4,958</u>	<u>          </u>	<u>244,763</u>	<u>249,721</u>
Total liabilities	<u>9,849</u>	<u>32,846</u>	<u>385,727</u>	<u>428,422</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	882,059	1,915,763	2,780,384	5,578,206
Unrestricted (deficit)	<u>157,666</u>	<u>314,670</u>	<u>(372,674)</u>	<u>99,662</u>
Total net assets	<u>\$ 1,039,725</u>	<u>\$ 2,230,433</u>	<u>\$ 2,407,710</u>	<u>\$ 5,677,868</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets:

Operating revenues	\$ 195,697	\$ 314,687	\$ 462,180	\$ 972,564
Depreciation	(8,728)	(171,494)	(241,098)	(421,320)
Other operating expenses	<u>(156,138)</u>	<u>(520,362)</u>	<u>(592,691)</u>	<u>(1,269,191)</u>
Operating income (loss)	30,831	(377,169)	(371,609)	(717,947)
<b>Nonoperating revenues (expenses):</b>				
Interest expense		(6,313)		(6,313)
Operating grants		475,626		475,626
Capital contributions - grants received			20,962	20,962
Transfers in			<u>100,000</u>	<u>100,000</u>
Changes in net assets	<u>30,831</u>	<u>92,144</u>	<u>(250,647)</u>	<u>(127,672)</u>
Net assets at beginning of year	<u>1,008,894</u>	<u>2,138,289</u>	<u>2,658,357</u>	<u>5,805,540</u>
Net assets at end of year	<u>\$ 1,039,725</u>	<u>\$ 2,230,433</u>	<u>\$ 2,407,710</u>	<u>\$ 5,677,868</u>

Condensed Statement of Cash Flows:

<b>Net cash provided by (used in):</b>				
Operating activities	\$ 42,784	\$ (241,914)	\$ (45,511)	\$ (244,641)
Noncapital financing activities		475,626	100,000	575,626
Capital and related financing activities		<u>(336,430)</u>	<u>(55,839)</u>	<u>(392,269)</u>
Net increase (decrease) in cash and cash equivalents	42,784	(102,718)	(1,350)	(61,284)
Cash and cash equivalents at beginning of year	<u>124,187</u>	<u>448,559</u>	<u>3,150</u>	<u>575,896</u>
Cash and cash equivalents at end of year	<u>\$ 166,971</u>	<u>\$ 345,841</u>	<u>\$ 1,800</u>	<u>\$ 514,612</u>

**NOTE R—ACCOUNTING AND REPORTING CHANGE**

**GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. The City has applied the provisions of the statement in the accompanying financial statements (including notes to financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (streets, bridges, sidewalks, etc.).
- A change in the fund financial statements to increase focus on the major funds.
- Fixed assets at July 1, 2002 previously reported in the General Fixed Assets Account Group have been adjusted to reflect historical cost of the City's fixed capital assets at that date. The total recorded value of assets previously recorded in the General Fixed Assets Account Group is \$26,105,265, net of accumulated depreciation.
- Fixed assets in the governmental activities column of the statement of net assets includes infrastructure not previously accounted for by the City. These assets total \$6,819,778, net of accumulated depreciation, at July 1, 2002.
- The activity from the Internal Service Fund has been reported as part of the governmental activities.

The Land Purchase Fund net assets as of June 30, 2002 have been restated as follows:

Land Purchase net assets, as previously reported	\$ 15,870,284
Land and land improvements - net of accumulated depreciation	<u>(1,368,793)</u>
Land Purchase net assets - June 30, 2002, as restated	<u>\$ 14,501,491</u>

Land Purchase Fund net income for the year ended June 30, 2002 was not affected by this adjustment.

# FINANCIAL STATEMENTS

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## REQUIRED SUPPLEMENTARY INFORMATION

City of Port Huron participation in agent multiple-employer plan - Municipal Employees' Retirement System of Michigan (MERS) - schedule of funding progress.

City of Port Huron

REQUIRED SUPPLEMENTARY INFORMATION  
 AGENT MULTIPLE - EMPLOYER PLAN  
 MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN (MERS)  
 SCHEDULE OF FUNDING PROGRESS

June 30, 2003

EXHIBIT B

The schedule of funding progress is as follows:  
 (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)
2002	92,849	98,060	5,211	94.7	16,577	31.4

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# FINANCIAL STATEMENTS

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## NONMAJOR GOVERNMENTAL FUNDS

### 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 Nonmajor Special Revenue Funds are comprised of the following individual funds:

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.

### PERMANENT FUNDS

Permanent Funds are used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the citizens of the City.

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.

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.

City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2003

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
<b>Assets:</b>						
Cash and cash equivalents	\$ 42,384	\$ 587,731	\$ 48,946	\$ 122,196	\$	\$ 150
Investments						
Receivables	19,865		302		2,945,975	
Due from other governmental units		34,114				729,397
Due from other funds			717,094	55,637		
<b>Total Assets</b>	<b>\$ 62,249</b>	<b>\$ 621,845</b>	<b>\$ 766,342</b>	<b>\$ 177,833</b>	<b>\$ 2,945,975</b>	<b>\$ 729,547</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 2	\$ 2,555	\$	\$ 1,666	\$	\$ 2,702
Accrued payroll	5,350		4,772	12,885		6,558
Taxes collected in advance			47,431			
Due to other funds						717,094
Deferred revenue		92,638	22,749		2,945,975	3,193
Other liabilities						
<b>Total Liabilities</b>	<b>5,352</b>	<b>95,193</b>	<b>74,952</b>	<b>14,551</b>	<b>2,945,975</b>	<b>729,547</b>
<b>Fund balances:</b>						
Reserved for endowments						
Unreserved:						
Designated for subsequent years' expenditures	8,783			20,286		
Undesignated	48,114	526,652	691,390	142,996		
<b>Total Fund Balances</b>	<b>56,897</b>	<b>526,652</b>	<b>691,390</b>	<b>163,282</b>		
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,249</b>	<b>\$ 621,845</b>	<b>\$ 766,342</b>	<b>\$ 177,833</b>	<b>\$ 2,945,975</b>	<b>\$ 729,547</b>



City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2003

EXHIBIT C-1

	Special					Community Development Block Grant
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	
Revenues:						
Taxes	\$	\$	\$ 1,745,853	\$	\$	\$
Grants						1,156,440
State shared revenues						
Charges for services	192,138	189,441		115,667		8,560
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	<u>\$ 192,138</u>	<u>\$ 189,441</u>	<u>\$ 1,745,853</u>	<u>\$ 115,667</u>	<u>\$</u>	<u>\$ 1,165,000</u>
Expenditures:						
Current:						
Public works	\$	\$	\$ 1,609,051	\$ 434,574	\$	\$
General support services	168,077	79,758				243,022
Capital outlay						921,978
Total Expenditures	<u>168,077</u>	<u>79,758</u>	<u>1,609,051</u>	<u>434,574</u>	<u></u>	<u>1,165,000</u>
Revenue over (under) Expenditures	<u>24,061</u>	<u>109,683</u>	<u>136,802</u>	<u>(318,907)</u>	<u></u>	<u></u>
Other financing sources (uses):						
Transfers in				254,601		
Transfers out				<u>254,601</u>		
Net Change in Fund Balances	24,061	109,683	136,802	(64,306)		
Fund balances at beginning of year	<u>32,836</u>	<u>416,969</u>	<u>554,588</u>	<u>227,588</u>	<u></u>	<u></u>
FUND BALANCES AT END OF YEAR	<u>\$ 56,897</u>	<u>\$ 526,652</u>	<u>\$ 691,390</u>	<u>\$ 163,282</u>	<u>\$ 0</u>	<u>\$ 0</u>

Revenue Funds				Permanent Funds		Totals	
Home	Rental Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	Auditorium	June 30, 2003	June 30, 2002
\$ 461,133	\$	\$	\$	\$	\$	\$ 1,745,853	\$ 1,555,901
4,107		40,221	820	71,909		1,617,573	2,084,875
				254,601	11,038	622,863	65,601
				13,108	17,560	265,639	812,410
\$ 465,240	\$	\$ 40,221	\$ 820	\$ 339,618	\$ 28,598	\$ 4,282,596	\$ 4,594,331
\$ 51,325	\$	\$ 35,148	\$ 4,984	\$	\$	\$ 2,078,773	\$ 2,031,184
413,915						547,166	440,662
465,240		35,148	4,984			1,335,893	2,161,029
		5,073	(4,164)	339,618	28,598	3,961,832	4,632,875
			6,600			320,764	(38,544)
			6,600	(254,601)		261,201	324,301
			6,600	(254,601)		(254,601)	(444,983)
		5,073	2,436	85,017	28,598	6,600	(120,682)
		26,502	3,196	4,730,318	289,306	327,364	(159,226)
\$ 0	\$ 0	\$ 31,575	\$ 5,632	\$ 4,815,335	\$ 317,904	\$ 6,281,303	\$ 6,440,529
						6,608,667	6,281,303

City of Port Huron

NONMAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
Year Ended June 30, 2003

EXHIBIT C-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RENTAL CERTIFICATION:</b>				
Revenues:				
Charges for services	\$ 195,037	\$ 195,037	\$ 192,138	\$ (2,899)
Expenditures:				
Current:				
General support services	190,037	190,037	168,077	21,960
Capital outlay	5,000	5,000		5,000
Total Expenditures	<u>195,037</u>	<u>195,037</u>	<u>168,077</u>	<u>26,960</u>
Revenues over (under) Expenditures			24,061	24,061
Fund balance at beginning of year	<u>32,836</u>	<u>32,836</u>	<u>32,836</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 32,836</u></u>	<u><u>\$ 32,836</u></u>	<u><u>\$ 56,897</u></u>	<u><u>\$ 24,061</u></u>
<b>LAW ENFORCEMENT:</b>				
Revenues:				
Charges for services	\$ 177,000	\$ 177,000	\$ 189,441	\$ 12,441
Expenditures:				
Current:				
Public safety	78,524	80,524	79,758	766
Capital outlay	98,476	96,476		96,476
Total Expenditures	<u>177,000</u>	<u>177,000</u>	<u>79,758</u>	<u>97,242</u>
Revenues over (under) Expenditures			109,683	109,683
Fund balance at beginning of year	<u>416,969</u>	<u>416,969</u>	<u>416,969</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 416,969</u></u>	<u><u>\$ 416,969</u></u>	<u><u>\$ 526,652</u></u>	<u><u>\$ 0</u></u>
<b>RUBBISH AND GARBAGE COLLECTION:</b>				
Revenues:				
Taxes	\$ 1,768,359	\$ 1,768,359	\$ 1,745,853	\$ (22,506)
State shared revenues	65,000			
Total Revenues	<u>1,833,359</u>	<u>1,768,359</u>	<u>1,745,853</u>	<u>(22,506)</u>
Expenditures:				
Current:				
Public works	1,648,941	1,648,941	1,609,051	39,890
Capital outlay	184,418	119,418		119,418
Total Expenditures	<u>1,833,359</u>	<u>1,768,359</u>	<u>1,609,051</u>	<u>159,308</u>
Revenues over (under) Expenditures			136,802	136,802
Fund balance at beginning of year	<u>554,588</u>	<u>554,588</u>	<u>554,588</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 554,588</u></u>	<u><u>\$ 554,588</u></u>	<u><u>\$ 691,390</u></u>	<u><u>\$ 136,802</u></u>

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City of Port Huron

NONMAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
Year Ended June 30, 2003

EXHIBIT C-2  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>CEMETERY:</b>				
Revenues:				
Charges for services	\$ 133,100	\$ 133,100	\$ 115,667	\$ (17,433)
Expenditures:				
Current:				
Public works	443,465	443,465	434,574	8,891
Capital outlay	8,500	8,500		8,500
Total Expenditures	<u>451,965</u>	<u>451,965</u>	<u>434,574</u>	<u>17,391</u>
Revenues over (under) Expenditures	(318,865)	(318,865)	(318,907)	(42)
Other financing sources (uses):				
Transfers in	<u>318,865</u>	<u>264,865</u>	<u>254,601</u>	<u>(10,264)</u>
Net Change in Fund Balance		(54,000)	(64,306)	(10,306)
Fund balance at beginning of year	<u>227,588</u>	<u>227,588</u>	<u>227,588</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 227,588</u></u>	<u><u>\$ 173,588</u></u>	<u><u>\$ 163,282</u></u>	<u><u>\$ (10,306)</u></u>
<b>LOAN REVOLVING:</b>				
Revenues over Expenditures	\$	\$	\$	\$
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT:</b>				
Revenues:				
Grants	\$ 1,165,000	\$ 1,165,000	\$ 1,156,440	\$ (8,560)
Charges for services			8,560	8,560
Total Revenues	<u>1,165,000</u>	<u>1,165,000</u>	<u>1,165,000</u>	
Expenditures:				
Current:				
General support services	175,000	243,022	243,022	
Capital outlay	990,000	921,978	921,978	
Total Expenditures	<u>1,165,000</u>	<u>1,165,000</u>	<u>1,165,000</u>	<u>0</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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City of Port Huron

**NONMAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

Year Ended June 30, 2003

EXHIBIT C-2  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>HOME:</b>				
Revenues:				
Grants	\$ 486,000	\$ 486,000	\$ 461,133	\$ (24,867)
Charges for services			4,107	4,107
Total Revenues	<u>486,000</u>	<u>486,000</u>	<u>465,240</u>	<u>(20,760)</u>
Expenditures:				
Current:				
General support services	48,600	51,600	51,325	275
Capital outlay	437,400	434,400	413,915	20,485
Total Expenditures	<u>486,000</u>	<u>486,000</u>	<u>465,240</u>	<u>20,760</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>				
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>RENTAL REHABILITATION:</b>				
Revenues:				
Grants	\$ 150,000	\$ 150,000	\$	\$ (150,000)
Charges for services				
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>(150,000)</u>
Expenditures:				
Current:				
General support services	15,000	15,000		15,000
Capital outlay	135,000	135,000		135,000
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>				
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>STREETSCAPE MAINTENANCE:</b>				
Revenues:				
Charges for services	\$ 40,000	\$ 40,000	\$ 40,221	\$ 221
Expenditures:				
Current:				
Public works	40,000	40,000	35,148	4,852
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>				
	<u>\$ 26,502</u>	<u>\$ 26,502</u>	<u>\$ 31,575</u>	<u>\$ 5,073</u>

(Continued on next page)

City of Port Huron

NONMAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
Year Ended June 30, 2003

EXHIBIT C-2  
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>BEAUTIFICATION COMMISSION:</b>				
Revenues:				
Charges for services	\$ 1,000	\$ 1,000	\$ 820	\$ (180)
Expenditures:				
Current:				
General support services	<u>7,600</u>	<u>7,600</u>	<u>4,984</u>	<u>2,616</u>
Revenues over (under) Expenditures	(6,600)	(6,600)	(4,164)	2,436
Other financing sources:				
Transfers in	<u>6,600</u>	<u>6,600</u>	<u>6,600</u>	
Net Change in Fund Balance			2,436	2,436
Fund balance at beginning of year	<u>3,196</u>	<u>3,196</u>	<u>3,196</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 3,196</u></u>	<u><u>\$ 3,196</u></u>	<u><u>\$ 5,632</u></u>	<u><u>\$ 2,436</u></u>

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# FINANCIAL STATEMENTS

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## NONMAJOR ENTERPRISE FUNDS

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

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.

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF NET ASSETS

June 30, 2003

EXHIBIT D

ASSETS	<u>Parking</u>	<u>Senior Citizens</u>	<u>Marina</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 166,971	\$ 345,841	\$ 1,800
Accounts receivable (net of allowances for uncollectibles)	544	1,675	4,905
Due from other governmental units			
Inventories			6,348
Total Current Assets	<u>167,515</u>	<u>347,516</u>	<u>13,053</u>
<b>Fixed assets:</b>			
Land	861,665		1,518,228
Land improvements	267,758		591,264
Buildings		4,944,617	656,819
Equipment	3,370	36,147	3,006,010
	<u>1,132,793</u>	<u>4,980,764</u>	<u>5,772,321</u>
Less accumulated depreciation	250,734	3,065,001	2,991,937
Total Fixed Assets	<u>882,059</u>	<u>1,915,763</u>	<u>2,780,384</u>
Total Assets	<u>1,049,574</u>	<u>2,263,279</u>	<u>2,793,437</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	1,939	13,189	27,175
Accrued payroll	2,952	6,157	12,497
Contracts payable			23,025
Due to other funds	4,958		244,763
Accrued interest payable			
Deferred revenue			78,267
Other liabilities		13,500	
Current portion of long-term debt			
Total Current Liabilities	<u>9,849</u>	<u>32,846</u>	<u>385,727</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	882,059	1,915,763	2,780,384
Unrestricted (deficit)	157,666	314,670	(372,674)
Total Net Assets	<u>\$ 1,039,725</u>	<u>\$ 2,230,433</u>	<u>\$ 2,407,710</u>

Totals

	June 30, 2003		June 30, 2002
\$	514,612	\$	575,896
	7,124		5,392
			170,974
	6,348		8,897
	528,084		761,159
	2,379,893		2,379,893
	859,022		851,771
	5,601,436		5,475,486
	3,045,527		2,975,977
	11,885,878		11,683,127
	6,307,672		5,886,352
	5,578,206		5,796,775
	6,106,290		6,557,934
	42,303		26,803
	21,606		20,900
	23,025		111,146
	249,721		295,017
			4,167
	78,267		81,097
	13,500		13,264
			200,000
	428,422		752,394
	5,578,206		5,596,775
	99,662		208,765
\$	5,677,868	\$	5,805,540

City of Port Huron

**NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS**

Year Ended June 30, 2003

EXHIBIT D-1

	<u>Parking</u>	<u>Senior Citizens</u>	<u>Marina</u>
Operating revenues:			
Charges for services	\$ 195,697	\$	\$ 236,459
Rents		314,687	225,721
Total Operating Revenues	<u>195,697</u>	<u>314,687</u>	<u>462,180</u>
Operating expenses:			
Personal services	76,504	153,196	168,146
Supplies and materials	13,907	10,583	194,968
Contractual services	65,727	356,583	229,577
Depreciation	8,728	171,494	241,098
Total Operating Expenses	<u>164,866</u>	<u>691,856</u>	<u>833,789</u>
Operating Income (Loss)	<u>30,831</u>	<u>(377,169)</u>	<u>(371,609)</u>
Nonoperating revenues (expenses):			
Interest expense		(6,313)	
Operating grants		475,626	
Gain on sale of property and equipment			
		<u>469,313</u>	
Income (Loss) Before Capital Contributions and Operating Transfers	30,831	92,144	(371,609)
Capital contributions:			
Grants received			20,962
Income (Loss) Before Operating Transfers	<u>30,831</u>	<u>92,144</u>	<u>(350,647)</u>
Operating transfers in (out):			
Transfer in			100,000
Change in Net Assets	<u>30,831</u>	<u>92,144</u>	<u>(250,647)</u>
Net assets at beginning of year	1,008,894	2,138,289	2,658,357
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,039,725</u></u>	<u><u>\$ 2,230,433</u></u>	<u><u>\$ 2,407,710</u></u>

Totals

June 30, 2003	June 30, 2002
\$ 432,156	\$ 323,573
540,408	639,429
<u>972,564</u>	<u>963,002</u>
397,846	381,163
219,458	149,249
651,887	652,872
421,320	414,183
<u>1,690,511</u>	<u>1,597,467</u>
<u>(717,947)</u>	<u>(634,465)</u>
(6,313)	(16,314)
475,626	464,008
	45
<u>469,313</u>	<u>447,739</u>
(248,634)	(186,726)
20,962	130,000
<u>(227,672)</u>	<u>(56,726)</u>
100,000	
<u>(127,672)</u>	<u>(56,726)</u>
5,805,540	5,862,266
<u>\$ 5,677,868</u>	<u>\$ 5,805,540</u>

City of Port Huron

**NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT  
OF CASH FLOWS**

Year Ended June 30, 2003

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 195,496	\$ 313,604	\$ 458,902
Payments to suppliers for goods and services	(58,513)	(389,832)	(434,815)
Payments to employees for services	(77,132)	(153,206)	(166,802)
Payments connected with interfund services	(17,067)	(53,454)	(32,796)
Net cash provided by (used in) operating activities	<u>42,784</u>	<u>(282,888)</u>	<u>(175,511)</u>
Cash flows from noncapital financing activities:			
Operating grants received		516,600	
Transfers in			100,000
Net cash provided by (used in) noncapital financing activities		<u>516,600</u>	<u>100,000</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(125,950)	(76,801)
Principal payments on long-term debt		(200,000)	
Interest paid		(10,480)	
Proceeds from sale of property and equipment			
Capital contributions			150,962
Net cash provided by (used in) capital and related financing activities		<u>(336,430)</u>	<u>74,161</u>
Net increase (decrease) in cash and cash equivalents	42,784	(102,718)	(1,350)
Cash and cash equivalents at beginning of year	124,187	448,559	3,150
Cash and cash equivalents at end of year	<u>\$ 166,971</u>	<u>\$ 345,841</u>	<u>\$ 1,800</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 30,831	\$ (377,169)	\$ (371,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,728	171,494	241,098
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables	(201)	(1,083)	(448)
Decrease (increase) in due from other funds			
Decrease (increase) in inventory			2,549
Increase (decrease) in accounts payable	1,844	3,032	10,624
Increase (decrease) in accrued payroll	(628)	(10)	1,344
Increase (decrease) in contracts payable		(79,388)	(8,733)
Increase (decrease) in due to other funds	2,210		(47,506)
Increase (decrease) in deferred revenue			(2,830)
Increase (decrease) in other liabilities		236	
Total Adjustments	<u>11,953</u>	<u>94,281</u>	<u>196,098</u>
Net cash provided by (used in) operating activities	<u>\$ 42,784</u>	<u>\$ (282,888)</u>	<u>\$ (175,511)</u>

Totals	
June 30, 2003	June 30, 2002
\$ 968,002	\$ 913,237
(883,160)	(424,098)
(397,140)	(378,068)
(103,317)	(107,493)
<u>(415,615)</u>	<u>3,578</u>
516,600	423,034
100,000	
<u>616,600</u>	<u>423,034</u>
(202,751)	(209,658)
(200,000)	(200,000)
(10,480)	(20,480)
150,962	45
<u>(262,269)</u>	<u>(430,093)</u>
(61,284)	(3,481)
575,896	579,377
<u>\$ 514,612</u>	<u>\$ 575,896</u>
<u>\$ (717,947)</u>	<u>\$ (634,465)</u>
421,320	414,183
(1,732)	(1,917)
2,549	5,214
15,500	(5,799)
706	3,095
(88,121)	25,773
(45,296)	243,951
(2,830)	(47,848)
236	1,391
<u>302,332</u>	<u>638,043</u>
<u>\$ (415,615)</u>	<u>\$ 3,578</u>

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# FINANCIAL STATEMENTS

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## 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 STATEMENT OF NET ASSETS**  
June 30, 2003

EXHIBIT E

ASSETS	Governmental Activities		
	Central Stores	Motor Vehicle	Data Processing
<b>Current assets:</b>			
Cash and cash equivalents	\$ 64,424	\$ 1,073,675	\$ 324,515
Accounts receivable			36,764
Inventories	32,901	28,852	39,388
<b>Total Current Assets</b>	<u>97,325</u>	<u>1,102,527</u>	<u>400,667</u>
<b>Fixed assets:</b>			
Land improvements		1,322,749	
Machinery and equipment	40,135	602,435	686,053
Vehicles		3,527,533	
	40,135	5,452,717	686,053
Less accumulated depreciation	29,363	3,280,385	565,836
<b>Total Fixed Assets</b>	<u>10,772</u>	<u>2,172,332</u>	<u>120,217</u>
<b>Total Assets</b>	<u>108,097</u>	<u>3,274,859</u>	<u>520,884</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	5,299	15,922	3,689
Accrued payroll	391	27,560	22,367
Claims and judgements payable			
Compensated absences payable (current portion)			
<b>Total Current Liabilities</b>	<u>5,690</u>	<u>43,482</u>	<u>26,056</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable (exclusive of current portion)			
<b>Total Liabilities</b>	<u>5,690</u>	<u>43,482</u>	<u>26,056</u>
<b>NET ASSETS</b>			
Invested in capital assets	10,772	2,172,332	120,217
Unrestricted	91,635	1,059,045	374,611
<b>Total Net Assets</b>	<u>\$ 102,407</u>	<u>\$ 3,231,377</u>	<u>\$ 494,828</u>

<u>Insurance and Fringe Benefit</u>	<u>Totals</u>	
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
\$ 8,504,331	\$ 9,966,945	\$ 8,852,974
345,591	382,355	308,108
	101,141	79,497
<u>8,849,922</u>	<u>10,450,441</u>	<u>9,240,579</u>
	1,322,749	1,322,749
	1,328,623	1,225,163
	3,527,533	3,119,882
	<u>6,178,905</u>	<u>5,667,794</u>
	3,875,584	3,217,330
	<u>2,303,321</u>	<u>2,450,464</u>
<u>8,849,922</u>	<u>12,753,762</u>	<u>11,691,043</u>
18,992	43,902	133,163
202,553	252,871	193,370
919,125	919,125	861,627
211,488	211,488	203,907
<u>1,352,158</u>	<u>1,427,386</u>	<u>1,392,067</u>
2,929,304	2,929,304	2,724,295
<u>4,281,462</u>	<u>4,356,690</u>	<u>4,116,362</u>
4,568,460	2,303,321	2,450,464
	6,093,751	5,124,217
<u>\$ 4,568,460</u>	<u>\$ 8,397,072</u>	<u>\$ 7,574,681</u>

City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 110,096	\$ 1,946,447	\$ 863,665
Operating expenses:			
Personal services	8,921	725,871	513,148
Supplies and materials	35,761	178,131	99,215
Contractual services	58,512	764,486	179,131
Depreciation	3,286	573,746	81,222
Total Operating Expenses	<u>106,480</u>	<u>2,242,234</u>	<u>872,716</u>
Operating Income (Loss)	<u>3,616</u>	<u>(295,787)</u>	<u>(9,051)</u>
Nonoperating revenues:			
Investment income			
Gain on sale of property and equipment	54	20,046	324
Total Nonoperating Revenues	<u>54</u>	<u>20,046</u>	<u>324</u>
Income (Loss) Before Operating Transfers	<u>3,670</u>	<u>(275,741)</u>	<u>(8,727)</u>
Transfers in (out):			
Transfer in		300,000	
Change in Net Assets	<u>3,670</u>	<u>24,259</u>	<u>(8,727)</u>
Net assets at beginning of year	<u>98,737</u>	<u>3,207,118</u>	<u>503,555</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 102,407</u></u>	<u><u>\$ 3,231,377</u></u>	<u><u>\$ 494,828</u></u>

Insurance and Fringe Benefit	Totals	
	June 30, 2003	June 30, 2002
\$ 8,815,791	\$ 11,735,999	\$ 10,848,166
7,079,805	8,327,745	7,296,954
434	313,541	335,624
1,040,851	2,042,980	1,721,277
	658,254	641,732
<u>8,121,090</u>	<u>11,342,520</u>	<u>9,995,587</u>
<u>694,701</u>	<u>393,479</u>	<u>852,579</u>
108,488	108,488	161,587
	20,424	11,762
<u>108,488</u>	<u>128,912</u>	<u>173,349</u>
<u>803,189</u>	<u>522,391</u>	<u>1,025,928</u>
	300,000	
<u>803,189</u>	<u>822,391</u>	<u>1,025,928</u>
3,765,271	7,574,681	6,548,753
<u>\$ 4,568,460</u>	<u>\$ 8,397,072</u>	<u>\$ 7,574,681</u>

City of Port Huron

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

Year Ended June 30, 2003

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 110,096	\$ 1,946,447	\$ 852,817
Payments to suppliers for goods and services	(91,229)	(841,716)	(234,009)
Payments to employees for services	(8,854)	(721,984)	(509,433)
Payments connected with interfund services	(11,424)	(175,455)	(81,114)
Net cash provided by (used in) operating activities	<u>(1,411)</u>	<u>207,292</u>	<u>28,261</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in		300,000	
Net cash provided by noncapital financing activities		<u>300,000</u>	
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(10,740)	(440,318)	(60,053)
Proceeds from sale of equipment	54	20,046	324
Net cash provided by (used in) capital and related financial activities	<u>(10,686)</u>	<u>(420,272)</u>	<u>(59,729)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of investments			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(12,097)	87,020	(31,468)
Cash and cash equivalents at beginning of year	76,521	986,655	355,983
Cash and cash equivalents at end of year	<u>\$ 64,424</u>	<u>\$ 1,073,675</u>	<u>\$ 324,515</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	<u>\$ 3,616</u>	<u>\$ (295,787)</u>	<u>\$ (9,051)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>			
Depreciation	3,286	573,746	81,222
<b>Changes in current assets and liabilities:</b>			
Decrease (increase) in accounts receivable			(10,849)
Decrease (increase) in inventories	(8,250)	(9,897)	(3,497)
Increase (decrease) in accounts payable	(130)	(64,657)	(33,279)
Increase (decrease) in accrued payroll	67	3,887	3,715
Increase (decrease) in claims and judgements payable			
Increase (decrease) in compensated absences payable			
Total adjustments	<u>(5,027)</u>	<u>503,079</u>	<u>37,312</u>
Net cash provided by (used in) operating activities	<u>\$ (1,411)</u>	<u>\$ 207,292</u>	<u>\$ 28,261</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2003	June 30, 2002
\$ 8,752,393	\$ 11,661,753	\$ 10,847,151
(1,032,480)	(2,199,434)	(1,280,448)
(6,757,885)	(7,998,156)	(7,398,169)
	(267,993)	(264,362)
<u>962,028</u>	<u>1,196,170</u>	<u>1,904,172</u>
	300,000	
	<u>300,000</u>	
	(511,111)	(434,526)
	20,424	11,762
	<u>(490,687)</u>	<u>(422,764)</u>
		5,314,618
108,488	108,488	161,587
<u>108,488</u>	<u>108,488</u>	<u>5,476,205</u>
1,070,516	1,113,971	6,957,613
<u>7,433,815</u>	<u>8,852,974</u>	<u>1,895,361</u>
<u>\$ 8,504,331</u>	<u>\$ 9,966,945</u>	<u>\$ 8,852,974</u>
\$ 694,701	\$ 393,479	\$ 852,579
	658,254	641,732
(63,398)	(74,247)	(1,015)
	(21,644)	10,711
8,805	(89,261)	97,346
51,832	59,501	(101,215)
57,498	57,498	49,772
212,590	212,590	354,262
<u>267,327</u>	<u>802,691</u>	<u>1,051,593</u>
<u>\$ 962,028</u>	<u>\$ 1,196,170</u>	<u>\$ 1,904,172</u>

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# FINANCIAL STATEMENTS

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## FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity for others and therefore cannot be used to support the City's own programs. Both of the City's fiduciary funds are private purpose trust funds. Private purpose trust funds are used to account for any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations or other governments.

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

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.

City of Port Huron

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

June 30, 2003

EXHIBIT F

	Trust Funds		Totals	
	<u>E. W. Kiefer</u>	<u>Senior Citizens</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,011	\$ 29,977	\$ 42,988	\$ 43,148
<b>LIABILITIES</b>				
Other liabilities	<u>300</u>	<u></u>	<u>300</u>	<u></u>
<b>NET ASSETS</b>				
Net assets held in trust	<u>\$ 12,711</u>	<u>\$ 29,977</u>	<u>\$ 42,688</u>	<u>\$ 43,148</u>

City of Port Huron

**FIDUCIARY FUNDS - COMBINING**  
**STATEMENT OF CHANGES IN NET ASSETS**  
 Year Ended June 30, 2003

EXHIBIT F-1

	E.W. Kiefer	Senior Citizens	Totals	
			June 30, 2003	June 30, 2002
<b>Additions:</b>				
Investment income	\$ 140	\$ 600	\$ 740	\$ 855
<b>Deductions:</b>				
Supplies and materials		900	900	1,000
Contractual services	300		300	1,500
Total Deductions	300	900	1,200	2,500
Change in Net Assets	(160)	(300)	(460)	(1,645)
Net assets at beginning of year	12,871	30,277	43,148	44,793
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 12,711</u>	<u>\$ 29,977</u>	<u>\$ 42,688</u>	<u>\$ 43,148</u>

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# FINANCIAL STATEMENTS

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## 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.

**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 with each plan reported as a special revenue fund.

**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 with each plan reported as a special revenue fund.

City of Port Huron

**DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE**  
June 30, 2003

EXHIBIT G

	Operating	Harrington Hotel	Bank	Special Revenue Edison Redevelopment Area
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,223	\$ 7,309	\$	\$
Receivables	890			
Total Assets	\$ 4,113	\$ 7,309	\$ 0	\$ 0
<b>LIABILITIES AND FUND BALANCES</b>				
Fund balances:				
Unreserved and undesignated	4,113	7,309		
Total Liabilities and Fund Balances	\$ 4,113	\$ 7,309	\$ 0	\$ 0

Funds

<u>Mainstreet</u>	<u>Water Street</u>	<u>Totals</u>
\$ 32,643	\$	\$ 43,175
3,743		4,633
<u>\$ 36,386</u>	<u>\$ 0</u>	<u>\$ 47,808</u>
36,386		47,808
<u>\$ 36,386</u>	<u>\$ 0</u>	<u>\$ 47,808</u>

City of Port Huron

**DOWNTOWN DEVELOPMENT AUTHORITY - SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS**  
Year Ended June 30, 2003

EXHIBIT G-1

	<u>Operating</u>	<u>Harrington Hotel</u>	<u>Bank</u>	<u>Edison Redevelopment Area</u>
Revenues:				
Taxes	\$ 59,439	\$ 23,431	\$ 39,531	\$ 469,073
State shared revenues	4,011			
Sale of property				
Other				4,075
Total Revenues	<u>63,450</u>	<u>23,431</u>	<u>39,531</u>	<u>473,148</u>
Expenditures:				
Current:				
General support services	60,500			
Capital outlay		182		147,141
Total Expenditures	<u>60,500</u>	<u>182</u>		<u>147,141</u>
Revenues over (under)				
Expenditures	<u>2,950</u>	<u>23,249</u>	<u>39,531</u>	<u>326,007</u>
Other financing sources (uses):				
Transfers out:				
Primary government		(15,940)	(39,531)	(326,007)
		<u>(15,940)</u>	<u>(39,531)</u>	<u>(326,007)</u>
Net Change in Fund Balances	2,950	7,309		
Fund balances at beginning of year	<u>1,163</u>			
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,113</u>	<u>\$ 7,309</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>Mainstreet</u>	<u>Water Street</u>	<u>Totals</u>
\$ 40,673	\$ 560,800	\$ 1,192,947
		4,011
	69,655	69,655
		4,075
<u>40,673</u>	<u>630,455</u>	<u>1,270,688</u>
881		61,381
2,500	11,588	161,411
<u>3,381</u>	<u>11,588</u>	<u>222,792</u>
<u>37,292</u>	<u>618,867</u>	<u>1,047,896</u>
(2,661)	(618,867)	(1,003,006)
<u>(2,661)</u>	<u>(618,867)</u>	<u>(1,003,006)</u>
34,631		44,890
1,755		2,918
<u>\$ 36,386</u>	<u>\$ 0</u>	<u>\$ 47,808</u>

City of Port Huron

**TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE**  
June 30, 2003

EXHIBIT G-2

	Special Revenue Funds				Totals
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,309,741	\$ 226,751	\$ 121,052	\$	\$ 2,657,544
Receivables	6,986		477		7,463
Total Assets	<u>\$ 2,316,727</u>	<u>\$ 226,751</u>	<u>\$ 121,529</u>	<u>\$ 0</u>	<u>\$ 2,665,007</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accrued payroll	\$ 1,400	\$	\$	\$	\$ 1,400
Contracts payable		1,680			1,680
Total Liabilities	<u>1,400</u>	<u>1,680</u>			<u>3,080</u>
<b>Fund balances:</b>					
<b>Unreserved:</b>					
Designated for subsequent years' expenditures	1,800,000				1,800,000
Undesignated	515,327	225,071	121,529		861,927
Total Fund Balances	<u>2,315,327</u>	<u>225,071</u>	<u>121,529</u>		<u>2,661,927</u>
Total Liabilities and Fund Balances	<u>\$ 2,316,727</u>	<u>\$ 226,751</u>	<u>\$ 121,529</u>	<u>\$ 0</u>	<u>\$ 2,665,007</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, 2003

EXHIBIT G-3

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
<b>Revenues:</b>					
Taxes	\$ 1,436,298	\$ 584,516	\$ 520,955	\$ 196,331	\$ 2,738,100
Investment income	25,242				25,242
<b>Total Revenues</b>	<u>1,461,540</u>	<u>584,516</u>	<u>520,955</u>	<u>196,331</u>	<u>2,763,342</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Taxes disbursed - not captured	1,429,777	584,516	520,955		2,535,248
General support services	11,988	730	165		12,883
Capital outlay	28,929	23,544		31,826	84,299
<b>Total Expenditures</b>	<u>1,470,694</u>	<u>608,790</u>	<u>521,120</u>	<u>31,826</u>	<u>2,632,430</u>
Revenues over (under) Expenditures	(9,154)	(24,274)	(165)	164,505	130,912
<b>Other financing sources (uses):</b>					
Transfers out - primary government				(164,505)	(164,505)
Net Change in Fund Balances	(9,154)	(24,274)	(165)		(33,593)
Fund balances at beginning of year	2,324,481	249,345	121,694		2,695,520
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,315,327</u>	<u>\$ 225,071</u>	<u>\$ 121,529</u>	<u>\$ 0</u>	<u>\$ 2,661,927</u>

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>
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
2002-2003	3,033,866	11,905,176	6,028,658	62,125	2,660,764

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>
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
2002-2003	20,218,554	517,234	2,489,073	7,010,811	1,119,517	251,427

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	\$ 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
2,535,248	1,683,265	3,800,785	0	31,709,887

<u>Investment Income</u>	<u>Rents</u>	<u>Sale of Property and Other</u>	<u>Administrative Charges</u>	<u>Total</u>
\$ 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
622,423	184,291	388,188	1,292,306	34,093,824

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>
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	9,834,934	9,101,980	92.55	576,579 (151,326)	98.41	157,359	1.60
2001-2002	10,439,950	9,670,106	92.63	596,541 (132,011)	98.34	37,584	.36
2002-2003	10,861,483	10,218,162	94.08	566,204 (11,760)	99.29	65,169	.60

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
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
2002-2003	11.2696		1.9880	2.8173	16.0749	.6354

Year	COUNTY					COLLEGE
	St. Clair County	Intermediate School	Special Education	Vocational Education	Total	Operating and Debt
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
2002-2003	7.1048	.1949	2.3228	.9291	10.5516	1.8891

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2002-2003	18.0000*	2.0000	20.0000	6.0000	37.1510	55.1510

\*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>
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
2003-2004	552,520,247	111,710,650	664,230,897

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>
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
2003-2004	671,875,100	111,710,650	783,585,750

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>
\$ 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
16,358,850	25,562,900		41,921,750	706,152,647

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>
\$ 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
16,358,850	25,562,900		41,921,750	825,507,500

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 \$645,117,483 and the abated taxable valuation of \$48,834,400 as of December 31, 2001 were used as the basis for determining the fiscal 2002-2003 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, 2003

<u>Taxpayer</u>	<u>2003 Ad Valorem Taxable Valuation</u>	<u>2003 Industrial Facilities Taxable Value</u>	<u>2003 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>
Domtar	\$ 19,334,202	\$ 4,060,200	\$ 23,394,402	3.31%
Mueller Brass Company	10,119,332	10,373,200	20,492,532	2.90
DTE (Detroit Edison)	12,697,811		12,697,811	1.80
Curtis Paper (formerly Crown Vantage)	9,102,909	756,650	9,859,559	1.40
Acheson Industries	9,834,517		9,834,517	1.39
Lear Corporation	6,247,800	1,018,500	7,266,300	1.03
Royal Oak Industries	432,000	6,459,950	6,891,950	.98
Textron Auto/Davidson Trim/ Dove Street Ind.	3,181,022	3,657,350	6,838,372	.97
Petri Inc.	2,623,372	3,227,800	5,851,172	.83
LDM Technologies	4,182,360	1,513,350	5,695,710	.81
SEMCO Energy Company	5,138,352		5,138,352	.73
Blue Water Fiber Limited	4,904,331		4,904,331	.69
Acheson Ventures/Acheson Foundation	4,825,449		4,825,449	.68
Port Huron Molded Products/BW Plastics	3,864,500	796,600	4,661,100	.66
Innkeepers Management LLC (Edison Inn)	3,606,702		3,606,702	.51
Parkview Property Management	3,351,332		3,351,332	.47
Black River Inv./Black River Mfg.	2,334,094	968,200	3,302,294	.47
Huron Inc.	1,907,600	1,326,300	3,233,900	.46
Times Herald Company	2,957,720		2,957,720	.42
Pine Grove Plaza Limited	<u>2,927,391</u>		<u>2,927,391</u>	<u>.41</u>
	<u>\$ 113,572,796</u>	<u>\$ 34,158,100</u>	<u>\$ 147,730,896</u>	<u>20.92%</u>

City of Port Huron

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2003

STATE EQUALIZED VALUATION AT DECEMBER 31, 2002 \$ 783,585,750

	Actual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin Totals
General obligation debt	\$ 58,304,535			
Portion issued under order	<u>47,999,194</u>			
Balance	<u>\$ 10,305,341</u>	10%	<u>\$ 78,358,575</u>	<u>\$ 68,054,040</u>
Emergency bonds	None	3/8	<u>\$ 2,938,447</u>	<u>\$ 2,938,447</u>
Special assessment bonds	None	12	<u>\$ 94,030,290</u>	<u>\$ 94,030,290</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 (\$783,585,750), 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, 2002 of \$664,230,897 will be used as a basis for determining the fiscal 2003-2004 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>
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
2002-2003	32,338	755,634,450	67,238,037	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>
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
2002-2003	67,238,037	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>
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
2002-2003	0	0	0	31,709,887	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, 2003

DIRECT BONDED DEBT:

Water Supply System Revenue Bonds (Limited Tax General Obligation)	\$ 8,933,502
Wastewater General Obligation Limited Tax Bonds	17,148,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	30,851,191
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	<u>10,305,341</u>
Total Direct Bonded Debt	67,238,037

Less self-supporting general obligation bonds

Water Supply System Revenue Bonds (Limited Tax General Obligation)	\$ 8,933,502	
Wastewater General Obligation Limited Tax Bonds	17,148,003	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	30,851,191	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	<u>10,305,341</u>	<u>67,238,037</u>

Net Direct Bonded Debt 0

OVERLAPPING BONDED DEBT:

13.18% of St. Clair County Intermediate School District debt	354,542	
13.28% of St. Clair County Community College debt	312,744	
12.48% of St. Clair County debt	1,260,480	
40.57% of Port Huron Area School District debt	<u>12,891,929</u>	
Overlapping Bonded Debt		<u>14,819,695</u>

NET DIRECT AND OVERLAPPING BONDED DEBT \$ 14,819,695

	<u>Per Capita Bonded Debt</u>	<u>Ratio of Bonded Debt to State Equalized Value</u>
Net Direct Bonded Debt	\$ .00	.00%
Net Direct and Overlapping Bonded Debt	\$ 458.27	1.96%

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>
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	*
2002-2003	1,608,937,700	6,919,660	*

\* 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>	
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
2002-2003	4,766,682	3,297,304	1,469,378	690,206	674,717	1,364,923	1.08

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, 2004	Year 2001
May, 2005	Year 2002

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 deemed 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 5, 2002		20,604
	Number of voters voting in General election		
	November 5, 2002		8,294
	Percentage of registered voters voted		40.3%
	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%
<u>Fiscal Year Begins:</u>	July 1		
<u>Number of City Employees:</u>	341 regular, 180 seasonal, summer and fall programs		
<u>Fire Protection:</u>	3 stations, 51 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		533 spaces
	1 seasonal attended lot		464 spaces
	permit only spaces in metered lots		121 spaces
	1 seasonal unattended lot		73 spaces
<u>Building Construction:</u>			
	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
	2002-2003	663 permits	\$ 6,919,660 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:	12,653
	City-regular	3,259
	Port Huron Township	85
	Fort Gratiot - regular	4,432
	Fort Gratiot - Water District No. FG	1,550
	Kimball Township	20,000,000 gallons per day
	Average capacity	30,000,000 gallons per day
	Maximum daily capacity	40,000,000 gallons per day
	Maximum hourly capacity	8,100,000 gallons per day
	Average pumpage per day	170.4 miles
	Watermains	
	Hydrants:	1,269
	City maintained	129
	Private	
<u>Wastewater Plant:</u>	Customers:	56,900
	Equivalent connected population	20,000,000 gallons per day
	Average daily capacity	33,000,000 gallons per day
	Maximum daily capacity	9,840,000 gallons per day
	Average daily flow	
<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	8,883
	1880	13,543
	1890	19,158
	1900	18,863
	1910	25,944
	1920	31,361
	1930	32,759
	1940	35,725
	1950	36,084
	1960	35,794
	1970	33,934
	1980	33,694
	1990	32,338
	2000	
<u>Marina:</u>	112 seasonal boat wells	
	397 transient boat wells	

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>
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
2002-2003	0	0

# SINGLE AUDIT SECTION

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## 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, 2003 and have issued our report thereon dated October 10, 2003. 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 10, 2003

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, 2003 and have issued our report thereon dated October 10, 2003. 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 City 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 10, 2003

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, 2003. 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, 2003.

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 City 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 10, 2003

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

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003**

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants:	14.218			
Program year 1997		B-97-MC-26-0038	\$ 1,130,000	\$ 7,140
Program year 2000		B-00-MC-26-0038	1,122,000	23,992
Program year 2001		B-01-MC-26-0038	1,160,000	753,963
Program year 2002		B-02-MC-26-0038	1,165,000	359,856
Program year 2003		B-03-MC-26-0038	1,037,000	-
Total Community Development Block Grants				<u>1,144,951</u>
Home Investment Partnership Program:				
Program year 1998	14.239	M-98-MC-260217	406,000	62,947
Program year 1999		M-99-MC-260217	438,000	79,874
Program year 2000		M-00-MC-260217	438,000	69,694
Program year 2001		M-01-MC-260217	489,000	160,183
Program year 2002		M-02-MC-260217	486,000	88,435
Program year 2003		M-03-MC-260217	301,874	-
Total Home Investment Partnership Program				<u>461,133</u>
Section 8 New Construction and Substantial Rehabilitation	14.182	MI-28-8023-005	475,626	<u>475,626</u>
Total U.S. Department of Housing and Urban Development				<u>2,081,710</u>
U.S. Department of Justice - Bureau of Justice Assistance Law Enforcement Block Grant:				
Program year 2001	16.592	2001-LB-BX-2384	51,114	41,486
Program year 2002		2002-LB-BX-2570	42,928	<u>21,819</u>
Total U.S. Department of Justice				<u>63,305</u>
U.S. Department of Transportation Federal Highway Administration - Passed through the Michigan Department of Transportation - Congestion Mitigation and Air Quality Grant	20.205	CM0177(026) 53614	184,417	98,374
U.S. Federal Emergency Management Agency - Passed through Michigan Department of State Police, Emergency Management Division - Hazard Mitigation Grant	83.548	FEMA-1346-DR-MI	245,860	149,480
U.S. Environmental Protection Agency: Surveys, Studies, Investigations, and Special Purpose Grants - Program year 2001	66.606	XP005480-02	3,257,300	720,550

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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2003**

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entry Project/Grant Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency (Continued):				
Passed through Michigan Department of Environmental Quality:				
Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-02			\$ 5,230,000	\$ 8,350
Project number 5006-03			9,470,000	31,390
Project number 5006-04			8,120,000	362,660
Project number 5006-05			640,000	41,681
Project number 5006-06			3,650,000	367,515
Project number 5006-07			310,000	311,635
Project number 5006-08			1,670,000	19,894
Project number 5117-01			10,220,000	<u>797,736</u>
Total Capitalization Grants for State Revolving Funds				1,940,861 *
Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7088-01			8,945,000	2,297,389
Project number 7105-01			1,800,000	61,061
Project number 7110-01			3,930,000	1,261,153
Project number 7113-01			1,805,000	<u>538,061</u>
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>4,157,664</u> *
Total passed through Michigan Department of Environmental Quality				<u>6,098,525</u>
Total U.S. Environmental Protection Agency				<u>6,819,075</u>
Total federal awards				<u>\$ 9,211,944</u>

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

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

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**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003**

**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 of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Port Huron Neighborhood Housing Corporation Home Investment Partnership Programs	14.239	<u>\$ 122,793</u>

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

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2003**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?       Yes       No
- Reportable condition(s) identified that are not considered to be material weaknesses?       Yes       None reported

Noncompliance material to financial statements noted?       Yes       No

**Federal Awards**

Internal control over major program(s):

- Material weakness(es) identified?       Yes       No
- Reportable condition(s) identified that are not considered to be material weaknesses?       Yes       None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants
14.239	Home Investment Partnership Program
14.182	Section 8 New Construction and Substantial Rehabilitation
66.606	Surveys, Studies, Investigations, and Special Purpose Grants

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

Auditee qualified as low-risk auditee?       Yes       No

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

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**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2003**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None