

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

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For the Fiscal Year Ended June 30, 2007

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**CITY COUNCIL**

Alan D. Cutcher - Mayor

James M. Fisher

Tim McCulloch

David Haynes

B. Mark Neal

Sally A. Jacobs

Laurie Sample-Wynn

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KARL S. TOMION - City Manager

---

**DEPARTMENT OF FINANCE**

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

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

M. A. Dempsey - Treasurer - Water Office Supervisor

R. S. Fernandez - Assessor

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

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November 15, 2007

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, 2007. 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, 2007. 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, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent 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, 2007, 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 60,000.

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 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. This comparison is presented in the combining and individual fund subsection of this report, which starts on page 84, for governmental funds with appropriated annual budgets other than the general fund and the major special revenue funds.

### 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. Currently the Blue Water Bridge is the second busiest Ontario commercial crossing and the fourth busiest overall Ontario crossing. Based upon recently available statistics, on an average day, approximately 6,000 commercial and 9,000 passenger vehicles travel across the twin spans. Total annual bridge traffic is 5.5 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 and court 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 McMorran Place, a theater and arena complex. The Port Huron Museum currently has four major facilities; the Carnegie Center; the retired Coast Guard lightship, the Huron; the retired Coast Guard cutter, the Bramble; the Thomas Edison Depot Museum and a variety of other maritime attractions. The City is also expected to acquire the historic Fort Gratiot Lighthouse, the oldest Great Lakes lighthouse, and the surrounding buildings and park area from the federal government, which has recently completed a new Coast Guard facility in the City.

A local investor and philanthropist has created an investment venture which has acquired over seventy 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. On September 24, 2007, City Council adopted a budget amendment for the fiscal year ending June 30, 2008, and reviewed a comprehensive financial plan for the next five to ten years, both to address CSO funding. As a part of the plan, water and sewer revenues and expenses were projected for each of the five years through the fiscal year ending June 30, 2012. City service levels have been adjusted to provide additional resources to fund the CSO infrastructure projects.

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, 2001, 2004 and 2007. 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. The Fire Department was reaccredited in 2007. Port Huron remains the only municipality in Michigan to have both an accredited police department and fire department.

In 2005, Port Huron was named a winner of the "All America City" award by the National Civic League. Only 10 cities nation-wide are selected to be honored with this designation. The All America City award recognizes civic excellence and is bestowed upon communities in which citizens, government, businesses and nonprofit organizations demonstrate successful resolution of community challenges and issues. Port Huron was recognized, in part, because of the variety of partnerships working together to make a dramatic difference in our neighborhoods, downtown and in projects that have benefited our young people.

In 2004, the City of Port Huron was recognized by the State of Michigan as a Cool City. The Cool City pilot program is designed to help communities across the State create vibrant, attractive places for people to live, work and play. As a part of the program, the State recognized the partnership efforts of the City, the Downtown Development Authority, the local Community Foundation and other Foundations and interested groups to develop an arts incubator building by awarding a catalyst grant to rehabilitate the building which will provide a creative center for the visual and performing arts. The arts incubator building, Studio 1219, celebrated its second anniversary in the fall of 2007, marking two years of successful operations, including two retail operations that relocated to their own storefronts.

In 2005, the City of Port Huron received the Thomas Edison Business Award. The annual award is administered by the Port Huron Hospital Foundation and is based on the Human Resources criteria from the Malcolm Baldrige National Quality Award Program and the Michigan Quality Leadership Award. The Port Huron Hospital Foundation Business and Professional Committee developed a program to annually recognize businesses that create an exceptional work environment for their employees and encourage individual work and life balance. The City's personnel department was honored for its many efforts to recognize employees as the City's most valuable asset, a direct link to the community and an integral part of the City's success. The City of Port Huron was selected for a national second place award presented by the U.S. Environmental Protection Agency's (EPA) 2004 National Clean Water Act Recognition Award in the Combined Sewer Overflow (CSO) Control Program category. The Michigan Department of Environmental Quality (MDEQ) nominated the City for the

outstanding implementation of the CSO program. The MDEQ nomination stated that the City's CSO program is being implemented in an efficient and effective matter and should be recognized nationally. Only two cities were recognized for this honor. The Michigan Water Environment Association recognized the City's Utilities Manager as the 2006 recipient of the Public Utility Management Professional of the Year Award.

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 (renewed by the citizens in May, 2004 for another ten years).
- Continued operation of the City's industrial park to facilitate additional manufacturing sites and employment opportunities.
- Construction of industrial speculative buildings enabling the City to respond to an immediate need of a manufacturing operator through a lease/purchase commitment, when necessary. During the fiscal year ended June 30, 2006, the City purchased two existing buildings located in the industrial park. One building was leased to a new business. The second building was resold during the current year to an existing manufacturer in the industrial park needing to expand to another facility.
- The completion of the development of River Centre which includes nineteen condominiums along the banks of the Black River, newly constructed medical offices and surgical facilities (with a third addition in 2006) and a new administrative and financial services building for a local credit union which opened in February, 2007.

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. However, 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, 2006, the date of the most recent actuarial report, in funding 84.6 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 29 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 255 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principals (GAAP) do not currently 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, 2007, the average twelve month interest rate was 4.87% compared to an average treasury rate of approximately 4.83% for the same period. The City also took advantage of other available bank investments, where the average twelve month rate for the banks was 4.90%. Investment income was \$1,657,250 for the governmental funds. The Enterprise and Internal Service Funds had investment income of \$873,039 and \$615,296, 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 \$250,000. Property damage insurance is provided through third party coverage.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Huron for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the thirty-second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Karl S. Tomion  
City Manager



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, 2006

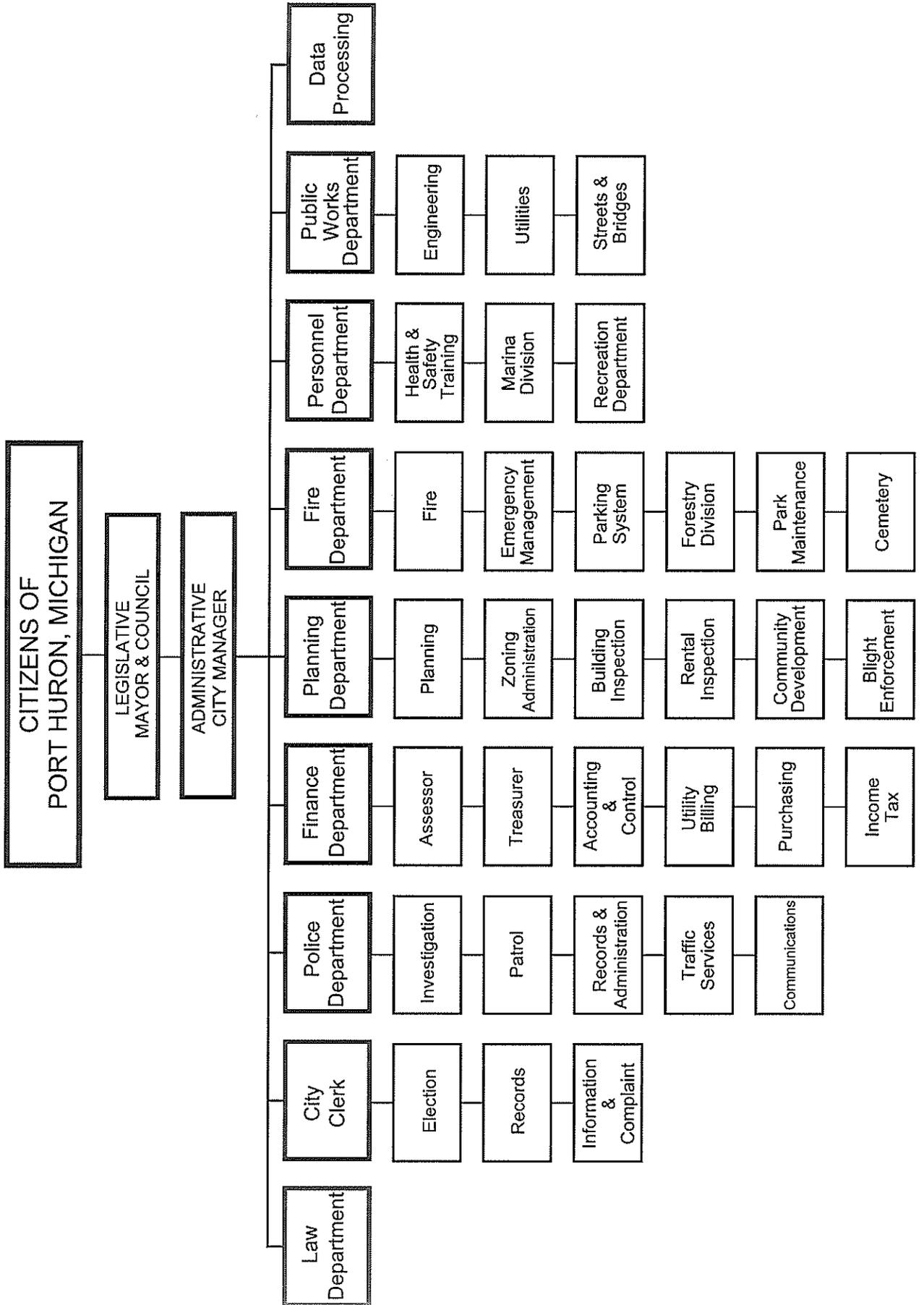
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# ORGANIZATIONAL CHART PORT HURON CITY GOVERNMENT



# **FINANCIAL SECTION**



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## 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Port Huron, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. The partial prior year summarized comparative information has been derived from the City's June 30, 2006 financial statements and, in our report dated September 29, 2006 we expressed unqualified opinions on the respective 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The financial statements include partial prior year summarized comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2006, from which such partial summarized information was derived.

The management's discussion and analysis and retirement system schedule of funding progress, as listed in the table of contents, are not required parts 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.

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 and discretely presented governmental component units section, as identified in the table of contents, are not required parts of the basic financial statements but are presented for the purpose of additional analysis. The combining and individual fund statements and schedules section and discretely presented governmental component units section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

November 15, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 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 \$155,276,883 (net assets). Of this amount, \$42,465,278 (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 \$3,929,602. This increase is primarily the result of increased net investments in infrastructure and of accumulating funds within the internal service funds to provide for post-employment healthcare costs.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$19,217,440, a decrease of \$12,194 in comparison with the prior year. Approximately 70 percent of this total amount, \$13,488,444, 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 \$4,093,971, or 17.9 percent of total general fund expenditures and transfers.
- The City of Port Huron's total debt increased by \$1,725,919 (1.7 percent) during the current fiscal year. The key factors in this increase were the continuing separation of combined sewers and the related infrastructure improvements.

**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, Local Development Finance Authority and Brownfield Redevelopment 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.

#### FIDUCIARY FUNDS

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

The basic fiduciary fund financial statements can be found on pages 52 and 53 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 76 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 78 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 79 through 108 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 \$155,276,883 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net assets (67.7 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 43,408,849	\$ 40,985,925	\$ 19,810,327	\$ 22,968,999	\$ 63,219,176	\$ 63,954,924
Capital assets	<u>39,143,574</u>	<u>37,917,205</u>	<u>169,632,260</u>	<u>164,736,554</u>	<u>208,775,834</u>	<u>202,653,759</u>
Total assets	<u>82,552,423</u>	<u>78,903,130</u>	<u>189,442,587</u>	<u>187,705,553</u>	<u>271,995,010</u>	<u>266,608,683</u>
Noncurrent and deferred liabilities	5,745,584	6,351,023	103,809,666	101,690,238	109,555,250	108,041,261
Other liabilities	<u>5,464,387</u>	<u>5,308,558</u>	<u>1,698,490</u>	<u>1,911,583</u>	<u>7,162,877</u>	<u>7,220,141</u>
Total liabilities	<u>11,209,971</u>	<u>11,659,581</u>	<u>105,508,156</u>	<u>103,601,821</u>	<u>116,718,127</u>	<u>115,261,402</u>
Net assets:						
Invested in capital assets, net of related debt	39,143,574	37,917,205	65,911,126	62,988,238	105,054,700	100,905,443
Restricted	7,756,905	8,395,407		1,135,607	7,756,905	9,531,014
Unrestricted	<u>24,441,973</u>	<u>20,930,937</u>	<u>18,023,305</u>	<u>19,979,887</u>	<u>42,465,278</u>	<u>40,910,824</u>
Total net assets	<u>\$ 71,342,452</u>	<u>\$ 67,243,549</u>	<u>\$ 83,934,431</u>	<u>\$ 84,103,732</u>	<u>\$155,276,883</u>	<u>\$151,347,281</u>

An additional portion of the City of Port Huron's net assets (5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$42,465,278) 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. The situation held true for the prior fiscal year (except for the marina fund, which had negative unrestricted net assets).

The City of Port Huron's net assets increased by \$3,929,602 during the current fiscal year. This increase primarily represents increased net investment in infrastructure and accumulating funds within the internal service funds to provide for post-employment health care costs.

CITY OF PORT HURON'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,464,092	\$ 4,382,384	\$ 15,889,448	\$ 15,701,570	\$ 19,353,540	\$ 20,083,954
Operating grants and contributions	4,113,900	3,816,261	2,401,331	1,687,353	6,515,231	5,503,614
Capital grants and contributions	2,207,793	2,286,181	1,247,135	1,185,048	3,454,928	3,471,229
General revenues:						
Property taxes	12,214,363	11,863,700			12,214,363	11,863,700
Income taxes	6,404,789	6,142,537			6,404,789	6,142,537
State shared revenue	3,979,187	4,101,722			3,979,187	4,101,722
Gain on sale of capital assets	18,176	4,074	362,734		380,910	4,074
Investment income	2,272,546	1,209,797	873,039	851,667	3,145,585	2,061,464
Other	391,798	306,531	5,070	10,000	396,868	316,531
Total revenues	<u>35,066,644</u>	<u>34,113,187</u>	<u>20,778,757</u>	<u>19,435,638</u>	<u>55,845,401</u>	<u>53,548,825</u>
Expenses:						
General government	3,294,266	4,352,715			3,294,266	4,352,715
Public safety	12,775,838	12,870,592			12,775,838	12,870,592
Public works	8,822,339	8,033,049			8,822,339	8,033,049
Health and welfare	17,851	18,171			17,851	18,171
Community and economic development	2,396,732	2,111,966			2,396,732	2,111,966
Recreation, parks and culture	2,628,408	2,922,958			2,628,408	2,922,958
Water			6,296,545	6,143,152	6,296,545	6,143,152
Wastewater			13,269,918	12,852,702	13,269,918	12,852,702
Land purchase			193,013	833,578	193,013	833,578
Parking			185,541	202,593	185,541	202,593
Senior citizens			889,992	866,645	889,992	866,645
Marina			813,049	1,004,366	813,049	1,004,366
Total expenses	<u>29,935,434</u>	<u>30,309,451</u>	<u>21,648,058</u>	<u>21,903,036</u>	<u>51,583,492</u>	<u>52,212,487</u>
Increase (decrease) in net assets before transfers	5,131,210	3,803,736	(869,301)	(2,467,398)	4,261,909	1,336,338
Special item – custodial capital transfer	(332,307)				(332,307)	
Transfers	<u>(700,000)</u>	<u>(250,000)</u>	<u>700,000</u>	<u>250,000</u>		
Increase (decrease) in net assets	4,098,903	3,553,736	(169,301)	(2,217,398)	3,929,602	1,336,338
Net assets - beginning of year	<u>67,243,549</u>	<u>63,689,813</u>	<u>84,103,732</u>	<u>86,321,130</u>	<u>151,347,281</u>	<u>150,010,943</u>
Net assets - end of year	<u>\$71,342,452</u>	<u>\$67,243,549</u>	<u>\$83,934,431</u>	<u>\$84,103,732</u>	<u>\$155,276,883</u>	<u>\$151,347,281</u>

## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Port Huron's net assets by \$4,098,903, thereby offsetting a decline of \$169,301 in the net assets related to business-type activities. A summary of the changes follows:

- Property taxes increased by \$350,663 (3.0 percent) during the year, primarily the result of new investment and increases in taxable value up to the annual state limitation (3.3 percent).
- Income tax revenues increased by \$262,252 (4.3 percent), due to reductions in the personal exemption amount and to increases in local economic activity.
- State revenue sharing payments decreased by \$122,535 primarily due to state budget balancing efforts.
- Operating grants and contributions increased by \$297,639, primarily due to an increase in development grant activity.
- Capital grants and contributions decreased by \$78,388, primarily due to a decrease in grants available to purchase public safety equipment.
- Investment income increased by \$1,062,749, primarily due to improvements in investment rates and in the net increase in the fair value of investments in the Cemetery Perpetual Care Fund.

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

## BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the City of Port Huron's net assets by \$169,301. Key elements affecting business-type activities are as follows:

- Charges for services increased by \$187,878 (1.2 percent) during the year. The increase was primarily due to rate adjustments.
- Operating grants and contributions increased \$713,978 during the year. Most of this increase was the result of higher payments from component units.
- Capital grants and contributions increased \$62,087 during the year, a change of 5.2%. The increase was primarily the result of infrastructure assets donated to the City and grants received to improve wastewater infrastructure.
- Increases in operating expenses closely paralleled inflation approved budgetary amounts and growth in demand for services.
- Increases in operating expenses for Water and Wastewater are also due to increased debt service as a result of the continuing separation of combined sewers and the related infrastructure improvements.

## 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 \$19,217,440, a decrease of \$12,194 in comparison with the prior year. Of this amount, 70.2 percent (\$13,488,444) 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 (\$5,500,407), or 2) for a variety of other restricted purposes (\$228,589).

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 \$4,093,971, while total fund balance reached \$4,099,104. 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 17.91 percent of total general fund expenditures, while total fund balance represents 17.93 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by \$197,520 during the current fiscal year. Key factors in the change in fund balance are as follows:

- Income tax revenue increased by 4.3% as a result of reductions in the personal exemption amount and to increases in local economic activity. Current year property tax revenues increased by 3.4%, slightly higher than the State of Michigan annual limitation of 3.3%. Other property tax related revenue, primarily delinquent taxes, penalties and interest, decreased by \$27,804. Overall tax revenue increased by \$498,837.
- State shared revenues declined by \$38,205 as a result of the current State economic conditions.
- Grants decreased by \$342,365 primarily due to grants received in the prior year for fire and other public safety equipment.
- Total revenues increased by \$497,082 or 2.2%. The overall revenue increase is primarily due to increases in local economic activity.
- General government expenditures increased by \$194,565, primarily due to scheduled maintenance and repairs to the Municipal Office Center.
- Public safety expenditures decreased by \$81,708, primarily due to reductions in grant expenditures and to changes in personnel scheduling in the Fire Department.
- Recreation, parks and culture decreased by \$140,789 primarily due to changes in work assignments in parks and forestry.
- In the aggregate, general fund expenditures decreased by \$232,000 or 1.0% primarily as a result of reducing total personnel and controlling costs. The decreased costs allowed a transfer to the Wastewater Fund to mitigate rate increases.

The City of Port Huron maintains three special revenue funds (Major Streets, Local Streets and Municipal Streets) that account for the maintenance and construction of the City's street system. The Major Streets and Local Streets Funds have been established to account for the various state shared and other revenues relating to the repairs and maintenance of major streets and state trunklines and local streets, respectively. The Municipal Streets Fund has been established to account for property taxes levied for street construction and major maintenance and the Blue Water Area Transportation Commission and for various other revenues related to construction activities. Funds are transferred to the Major and Local Streets Funds as are necessary for construction activities.

At the end of the current fiscal year, the combined unreserved fund balances of the three funds was \$7,081,190, a decrease of \$513,590 during the fiscal year, as a result of the budgeted use of fund balance for engineering costs related to the rebuilding of the 7<sup>th</sup> Street Bridge. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements increased by 2.9% due to investment and valuation increases.
- State shared revenues declined by \$20,731 as a result of the current State economic conditions.
- Public works expenses increased by 8.4% primarily as a result of increased street maintenance costs.

The Municipal Streets Fund unreserved fund balance of \$6,659,109 has a portion designated for subsequent years' expenditures (\$1,678,082) primarily as a result of the planned rebuilding of the 7<sup>th</sup> Street bascule bridge. The remaining unreserved fund balance is expected to be used for continuing infrastructure projects.

#### 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 \$5,279,874, unrestricted net assets for the Wastewater Fund were \$3,229,076 and unrestricted net assets for the Land Purchase Fund were \$8,311,025. The total change in net assets for the Water, Wastewater Funds and Land Purchase Fund was \$(296,987), \$(110,639) and \$(593,292), respectively, with the losses primarily due to depreciation and, for Land Purchase, transfers out. Unrestricted net assets for the Water and Wastewater Funds decreased by \$87,794 and \$3,120,324. Unrestricted net assets for the Land Purchase Fund increased by \$412,771. The decreases for the Water and Wastewater Funds were primarily the result of capital asset acquisitions and debt repayments. The increase for the Land Purchase Fund was primarily the result of the sale of an industrial building. 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 minimal, primarily related to the revenue increases discussed above and to provide minor budgeting adjustments

However, revenues were higher than the budgetary estimates and expenditures were less than budgetary estimates, which allowed for a post year end transfer to the Wastewater Fund of \$700,000. Prior year end transfers have resulted in \$1,400,000 available at June 30, 2007, for future capital purchases and significant maintenance and repair items. There was also an increase in the General Fund unreserved 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, 2007, amounts to \$208,775,834 (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 \$6,122,075 (a 3.2 percent increase for governmental activities and a 3.0 percent increase for business-type activities).

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

- A variety of sewer separation and infrastructure improvements continued; construction in progress as of the end of the current fiscal year was approximately \$2.4 million for streets and \$3.9 and \$8.9 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 4,260,209	\$ 4,260,209	\$ 5,586,973	\$ 5,586,973	\$ 9,847,182	\$ 9,847,182
Construction in progress	2,431,328	1,549,885	12,802,992	14,045,217	15,234,320	15,595,102
Land improvements	9,332,495	9,902,241	854,297	859,022	10,186,792	10,761,263
Buildings	10,378,699	10,377,847	39,448,557	40,006,873	49,827,256	50,384,720
Machinery and equipment	8,882,341	8,224,688	13,830,385	13,872,988	22,712,726	22,097,676
Vehicles	2,794,803	3,351,985			2,794,803	3,351,985
Infrastructure	<u>46,112,239</u>	<u>44,343,818</u>	<u>161,010,876</u>	<u>148,865,302</u>	<u>207,123,115</u>	<u>193,209,120</u>
Total	\$ 84,192,114	\$ 82,010,673	\$ 233,534,080	\$ 223,236,375	\$ 317,726,194	\$ 305,247,048
Less accumulated depreciation	<u>45,048,540</u>	<u>44,093,468</u>	<u>63,901,820</u>	<u>58,499,821</u>	<u>108,950,360</u>	<u>102,593,289</u>
Total	<u>\$ 39,143,574</u>	<u>\$ 37,917,205</u>	<u>\$ 169,632,260</u>	<u>\$ 164,736,554</u>	<u>\$ 208,775,834</u>	<u>\$ 202,653,759</u>

Additional information on the City of Port Huron's capital assets can be found in note F on pages 67 and 68 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 \$103,721,134. Of this amount \$93,376,241 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$	\$	\$ 93,376,241	\$ 91,240,606	\$ 93,376,241	\$ 91,240,606
Revenue bonds			10,344,893	10,754,609	10,344,893	10,754,609
Total			<u>\$ 103,721,134</u>	<u>\$ 101,995,215</u>	<u>\$ 103,721,134</u>	<u>\$ 101,995,215</u>

The City of Port Huron's total debt increased by \$1,725,919 (1.7 percent) during the current fiscal year. The key factor in this increase was the continuing combined sewer separation and infrastructure improvement projects.

In the fall of 2005 the City of Port Huron received an increase in its bond rating from Fitch for general obligation debt from an "A" rating to an "A+" rating. The "A+" rating was reaffirmed during 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Currently, 10 percent of assessed valuation is \$91,798,940. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$69,320,320. Debt issued as a result of an order, which would include \$70,897,621 of the City of Port Huron's outstanding general obligation debt listed above, is excluded from the debt limitation calculation.

Additional information on the City's long-term debt can be found in note H on pages 68 through 72 of this report.

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

- As of September 30, 2007, the unemployment rate for the City of Port Huron was 12.0 percent, an increase from a rate of 9.9 percent the year before. This compares to the county's average unemployment rate of 8.5 percent, the state's average unemployment rate of 7.5 percent and the national average rate of 4.5 percent.
- The occupancy rate of the government's central business district has decreased over the past year partially due to the largest retail location remaining closed. The new office building that was completed and occupied during a prior year as the cornerstone of the Desmond Landing project located on the St. Clair River in the southern downtown area has seen expanded use as its fourth floor has been occupied.
- 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 2007/2008 fiscal year.

During the current fiscal year, unreserved fund balance in the Municipal Street Fund decreased to \$6.7 million. The City of Port Huron has appropriated \$1.7 million of this amount for spending in the 2007/2008 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 June, 2007, as the City has qualified for significant grant funds. 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 2007/2008 budget year, which will affect both residential and industrial consumers. The rate increases were necessary as a result of operating cost increases and to finance debt service on continuing infrastructure projects.

## REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Port Huron'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 McMorrin Boulevard, Port Huron, Michigan 48060.

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## City of Port Huron

## STATEMENT OF NET ASSETS

June 30, 2007

EXHIBIT A

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 26,969,241	\$ 14,653,707	\$ 41,622,948	\$ 1,986,873
Investments	9,154,142		9,154,142	
Receivables (net of allowances for uncollectibles)	4,638,392	3,618,211	8,256,603	29,146
Due from other governmental units	2,279,621	356,591	2,636,212	
Inventories	362,320	81,808	444,128	8,875
Prepaid and deferred items	5,133	1,100,010	1,105,143	7,726
Restricted assets (cash and cash equivalents)				265,487
Capital assets:				
Non-depreciable (land and construction in progress)	6,691,537	18,389,965	25,081,502	25,000
Depreciable property and equipment (net of accumulated depreciation)	32,452,037	151,242,295	183,694,332	2,498,270
<b>Total Assets</b>	<b>82,552,423</b>	<b>189,442,587</b>	<b>271,995,010</b>	<b>4,821,377</b>
LIABILITIES				
Liabilities:				
Accounts payable	680,269	159,148	839,417	538,614
Accrued payroll	952,862	115,460	1,068,322	111,426
Contracts payable	2,503,928	390,175	2,894,103	
Taxes collected in advance	314,808		314,808	
Accrued interest payable		819,206	819,206	
Other liabilities	59,185	214,501	273,686	44,582
Claims and judgements payable	953,335		953,335	
Unearned revenue	2,977,271	88,532	3,065,803	265,487
Noncurrent liabilities:				
Due within one year	410,795	5,572,937	5,983,732	
Due in more than one year	2,357,518	98,148,197	100,505,715	
<b>Total Liabilities</b>	<b>11,209,971</b>	<b>105,508,156</b>	<b>116,718,127</b>	<b>960,109</b>
NET ASSETS				
Invested in capital assets, net of related debt	39,143,574	65,911,126	105,054,700	2,523,270
Restricted for street improvements	275,130		275,130	
Restricted for law enforcement	649,171		649,171	
Restricted for rubbish and garbage collection	1,332,197		1,332,197	
Restricted for nonexpendable endowments	5,500,407		5,500,407	
Unrestricted	24,441,973	18,023,305	42,465,278	1,337,998
<b>Net Assets</b>	<b>\$ 71,342,452</b>	<b>\$ 83,934,431</b>	<b>\$ 155,276,883</b>	<b>\$ 3,861,268</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, 2007

EXHIBIT A-1

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,294,266	\$ 1,636,600	\$	\$
Public safety	12,775,838	673,556	89,077	532,389
Public works	8,822,339	246,799	2,570,537	1,547,572
Health and welfare	17,851			
Community and economic development	2,396,732	723,750	1,454,286	
Recreation, parks and culture	2,628,408	183,387		127,832
<b>Total governmental activities</b>	<b>29,935,434</b>	<b>3,464,092</b>	<b>4,113,900</b>	<b>2,207,793</b>
Business-type activities:				
Water	6,296,545	5,601,863		107,153
Wastewater	13,269,918	8,942,423		1,139,982
Land purchase	193,013	307,432	1,893,862	
Parking	185,541	188,225		
Senior citizens	889,992	377,665	439,507	
Marina	813,049	471,840	67,962	
<b>Total business-type activities</b>	<b>21,648,058</b>	<b>15,889,448</b>	<b>2,401,331</b>	<b>1,247,135</b>
<b>Total primary government</b>	<b>\$ 51,583,492</b>	<b>\$ 19,353,540</b>	<b>\$ 6,515,231</b>	<b>\$ 3,454,928</b>
Component units:				
Downtown development	\$ 1,564,257	\$	\$	\$
Tax increment finance	2,878,823			
Local development finance	235,471			
Brownfield redevelopment	379,123			
McMorran	2,503,600	1,723,608	335,000	308,443
<b>Total component units</b>	<b>\$ 7,561,274</b>	<b>\$ 1,723,608</b>	<b>\$ 335,000</b>	<b>\$ 308,443</b>
General revenues:				
Property taxes				
Income tax				
Unrestricted state-shared revenues				
Unrestricted investment income				
Gain on sale of capital assets				
Unrestricted cable fees and other income				
Special item - custodial capital transfer				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net assets				
Net assets at beginning of year				
<b>NET ASSETS AT END OF YEAR</b>				

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (1,657,666)	\$	\$ (1,657,666)	\$
(11,480,816)		(11,480,816)	
(4,457,431)		(4,457,431)	
(17,851)		(17,851)	
(218,696)		(218,696)	
(2,317,189)		(2,317,189)	
<u>(20,149,649)</u>		<u>(20,149,649)</u>	
	(587,529)	(587,529)	
	(3,187,513)	(3,187,513)	
	2,008,281	2,008,281	
	2,684	2,684	
	(72,820)	(72,820)	
	(273,247)	(273,247)	
	<u>(2,110,144)</u>	<u>(2,110,144)</u>	
\$ (20,149,649)	\$ (2,110,144)	\$ (22,259,793)	\$ 0
\$	\$	\$	\$ (1,564,257)
			(2,878,823)
			(235,471)
			(379,123)
			(136,549)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,194,223)</u>
\$ 12,214,363	\$	\$ 12,214,363	\$ 4,575,554
6,404,789		6,404,789	
3,979,187		3,979,187	4,011
2,272,546	873,039	3,145,585	6,509
18,176	362,734	380,910	
391,798	5,070	396,868	545,332
(332,307)		(332,307)	
(700,000)	700,000		
<u>24,248,552</u>	<u>1,940,843</u>	<u>26,189,395</u>	<u>5,131,406</u>
4,098,903	(169,301)	3,929,602	(62,817)
<u>67,243,549</u>	<u>84,103,732</u>	<u>151,347,281</u>	<u>3,924,085</u>
\$ 71,342,452	\$ 83,934,431	\$ 155,276,883	\$ 3,861,268

City of Port Huron

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

June 30, 2007

EXHIBIT A-2

ASSETS	General	Major Streets	Local Streets	Municipal Streets
Assets:				
Cash and cash equivalents	\$ 1,082,708	\$ 192,159	\$ 114,434	\$ 6,937,896
Investments	2,000,000			2,000,000
Receivables (net of allowances for uncollectibles)	1,414,091			12,516
Due from other governmental units	707,702	183,314	43,108	
Due from other funds				
Inventories				223,456
Prepaid and deferred items	5,133			
Total Assets	<u>\$ 5,209,634</u>	<u>\$ 375,473</u>	<u>\$ 157,542</u>	<u>\$ 9,173,868</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 468,320	\$ 2,230	\$ 418	\$ 4,854
Accrued payroll	341,138	15,204	4,497	12,906
Contracts payable	79,900	88,585		2,234,717
Taxes collected in advance	221,172			38,826
Due to other funds				
Unearned revenue				
Other liabilities				
Total Liabilities	<u>1,110,530</u>	<u>106,019</u>	<u>4,915</u>	<u>2,291,303</u>
Fund balances:				
Reserved for inventories				223,456
Reserved for prepaid items	5,133			
Reserved for endowments				
Unreserved:				
Designated for subsequent years' expenditures:				
Special Revenue Funds		2,113	18,900	1,678,082
Undesignated:				
General Fund	4,093,971			
Special Revenue Funds		267,341	133,727	4,981,027
Permanent Funds				
Total Fund Balances	<u>4,099,104</u>	<u>269,454</u>	<u>152,627</u>	<u>6,882,565</u>
Total Liabilities And Fund Balances	<u>\$ 5,209,634</u>	<u>\$ 375,473</u>	<u>\$ 157,542</u>	<u>\$ 9,173,868</u>

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

Other Nonmajor Governmental Funds	Total Governmental Funds	
	June 30, 2007	June 30, 2006
\$ 2,726,022	\$ 11,053,219	\$ 8,846,975
5,154,142	9,154,142	11,070,502
3,022,497	4,449,104	4,461,817
274,797	1,208,921	1,429,852
122,749	122,749	210,367
	223,456	201,587
	5,133	5,728
<u>\$ 11,300,207</u>	<u>\$ 26,216,724</u>	<u>\$ 26,226,828</u>
\$ 155,129	\$ 630,951	\$ 653,684
17,697	391,442	411,067
99,676	2,502,878	2,393,598
54,810	314,808	144,680
122,749	122,749	210,367
2,977,271	2,977,271	3,130,028
59,185	59,185	53,770
<u>3,486,517</u>	<u>6,999,284</u>	<u>6,997,194</u>
	223,456	201,587
	5,133	5,728
5,500,407	5,500,407	5,191,744
126,381	1,825,476	3,314,821
	4,093,971	3,895,856
2,186,902	7,568,997	6,499,126
		120,772
<u>7,813,690</u>	<u>19,217,440</u>	<u>19,229,634</u>
<u>\$ 11,300,207</u>	<u>\$ 26,216,724</u>	<u>\$ 26,226,828</u>

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City of Port Huron

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

June 30, 2007

EXHIBIT A-3

Total fund balances for governmental funds	\$ 19,217,440
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	37,269,057
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	919,420
Internal Service Funds are included as part of governmental activities	<u>13,936,535</u>
Net assets of governmental activities	<u>\$ 71,342,452</u>

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

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	\$ 14,691,337	\$	\$
Licenses and permits	736,935		
Grants	118,329	1,036,147	
State shared revenues	4,057,053	2,009,109	564,696
Charges for services	604,229		
Fines and forfeits	211,878		
Investment income	588,283		
Rents	251,090		
Sale of property	6,943		
Other income	75,000		
Administrative charges	1,720,005		
Total Revenues	<u>23,061,082</u>	<u>3,045,256</u>	<u>564,696</u>
Expenditures:			
Current:			
General government	3,885,773		
Public safety	13,260,316		
Public works	1,608,249	1,699,412	975,482
Senior citizens	17,851		
Recreation, parks and culture	2,776,161		
General support services	404,841		
Capital outlay	3,071	2,885,294	203,523
Total Expenditures	<u>21,956,262</u>	<u>4,584,706</u>	<u>1,179,005</u>
Revenues over (under) Expenditures	<u>1,104,820</u>	<u>(1,539,450)</u>	<u>(614,309)</u>
Other financing sources (uses):			
Transfers in		1,975,000	612,317
Transfers out	(907,300)	(437,317)	
	<u>(907,300)</u>	<u>1,537,683</u>	<u>612,317</u>
Special item:			
Custodial capital transfer			
Net Change in Fund Balances	197,520	(1,767)	(1,992)
Fund balances at beginning of year	3,901,584	271,221	154,619
FUND BALANCES AT END OF YEAR	<u>\$ 4,099,104</u>	<u>\$ 269,454</u>	<u>\$ 152,627</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, 2007	June 30, 2006
\$ 1,892,879	\$ 2,034,936	\$ 18,619,152	\$ 18,006,237
		736,935	764,635
	1,957,423	3,111,899	3,418,137
		6,630,858	6,689,794
	812,090	1,416,319	1,533,599
		211,878	203,515
321,142	747,825	1,657,250	822,544
		251,090	240,776
		6,943	1,044
		75,000	
		1,720,005	1,616,251
<u>2,214,021</u>	<u>5,552,274</u>	<u>34,437,329</u>	<u>33,296,532</u>
		3,885,773	3,691,208
	268,638	13,528,954	13,750,871
103,788	2,542,769	6,929,700	6,517,340
		17,851	18,171
		2,776,161	2,916,950
448,195	437,130	1,290,166	1,365,483
	1,896,723	4,988,611	4,156,366
<u>551,983</u>	<u>5,145,260</u>	<u>33,417,216</u>	<u>32,416,389</u>
<u>1,662,038</u>	<u>407,014</u>	<u>1,020,113</u>	<u>880,143</u>
	471,057	3,058,374	2,004,731
(2,150,000)	(263,757)	(3,758,374)	(2,254,731)
<u>(2,150,000)</u>	<u>207,300</u>	<u>(700,000)</u>	<u>(250,000)</u>
	(332,307)	(332,307)	
(487,962)	282,007	(12,194)	630,143
<u>7,370,527</u>	<u>7,531,683</u>	<u>19,229,634</u>	<u>18,599,491</u>
<u>\$ 6,882,565</u>	<u>\$ 7,813,690</u>	<u>\$ 19,217,440</u>	<u>\$ 19,229,634</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, 2007

EXHIBIT A-5

Net changes in fund balances - total governmental funds	\$ (12,194)
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:	
Capital outlay expenditures	4,065,833
Depreciation expense	(3,153,194)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection	(81,134)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds	511,425
Internal Service Funds are included as part of governmental activities	<u>2,768,167</u>
Change in net assets of governmental activities	<u>\$ 4,098,903</u>

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

## City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2006 Actual
Revenues:					
Taxes:					
Real property taxes	\$ 6,830,000	\$ 6,830,000	\$ 6,839,265	\$ 9,265	\$ 6,541,188
Personal property taxes	1,240,000	1,240,000	1,242,784	2,784	1,276,472
Income tax	6,350,000	6,400,000	6,404,789	4,789	6,142,537
Other	255,000	255,000	204,499	(50,501)	232,303
	<u>14,675,000</u>	<u>14,725,000</u>	<u>14,691,337</u>	<u>(33,663)</u>	<u>14,192,500</u>
Business licenses and permits:					
Cable television	285,000	285,000	298,337	13,337	287,423
Other	18,000	18,000	18,461	461	19,108
	<u>303,000</u>	<u>303,000</u>	<u>316,798</u>	<u>13,798</u>	<u>306,531</u>
Nonbusiness licenses and permits:					
Building	200,000	250,000	249,132	(868)	271,142
Electrical	50,000	60,000	55,154	(4,846)	73,276
Heating	60,000	70,000	66,538	(3,462)	66,803
Plumbing	30,000	40,000	41,728	1,728	39,916
Other	5,000	5,000	7,585	2,585	6,967
	<u>345,000</u>	<u>425,000</u>	<u>420,137</u>	<u>(4,863)</u>	<u>458,104</u>
Grants		90,000	118,329	28,329	460,694
State shared revenues	4,178,000	4,078,000	4,057,053	(20,947)	4,095,258
Charges for services:					
Recreation fees	159,000	159,000	183,387	24,387	123,254
Blue Water Bridge reimbursement	200,000	200,000	200,000		200,000
County parks millage	122,000	122,000	127,832	5,832	122,626
Other	114,500	114,500	93,010	(21,490)	98,005
	<u>595,500</u>	<u>595,500</u>	<u>604,229</u>	<u>8,729</u>	<u>543,885</u>
Fines and forfeits:					
Parking violations	100,000	100,000	98,761	(1,239)	86,140
Ordinance fines	115,000	115,000	113,117	(1,883)	117,375
	<u>215,000</u>	<u>215,000</u>	<u>211,878</u>	<u>(3,122)</u>	<u>203,515</u>
Investment income	450,000	575,000	588,283	13,283	445,442
Rents	215,000	240,000	251,090	11,090	240,776
Sale of property and equipment	3,000	23,000	6,943	(16,057)	1,044
Other income	80,000	40,000	75,000	35,000	

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City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2006 Actual
<b>Charges to other funds:</b>					
Garbage and rubbish collection fund	\$ 101,235	\$ 101,235	\$ 101,235	\$	\$ 88,644
Marina fund	56,021	56,021	56,021		51,227
Senior citizen housing fund	63,816	63,816	63,816		58,837
Parking fund	19,831	19,831	19,831		17,475
Water fund	574,167	574,167	574,167		575,898
Wastewater fund	578,665	578,665	578,665		517,224
Central stores fund	15,040	15,040	15,040		15,756
Data processing fund	95,282	95,282	95,282		93,459
Motor vehicle fund	215,948	215,948	215,948		197,731
	<u>1,720,005</u>	<u>1,720,005</u>	<u>1,720,005</u>		<u>1,616,251</u>
<b>Total Revenues</b>	<b>22,779,505</b>	<b>23,029,505</b>	<b>23,061,082</b>	<b>31,577</b>	<b>22,564,000</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	110,228	110,228	92,757	17,471	91,682
City manager	315,866	346,866	346,632	234	570,166
Elections	84,737	85,737	85,520	217	61,549
Finance and accounting	661,417	656,417	656,188	229	597,068
Income tax	311,007	306,007	298,561	7,446	278,775
Assessor	421,180	426,180	420,717	5,463	386,363
Legal counsel	304,878	284,878	271,267	13,611	262,592
Clerk	246,533	246,533	245,560	973	237,246
Personnel	318,121	313,121	303,149	9,972	303,430
Purchasing	41,516	41,516	41,189	327	37,855
Board of review	2,450	2,450	2,322	128	2,341
Treasurer	209,619	204,619	202,413	2,206	187,628
Municipal office center	582,920	891,920	891,609	311	640,094
Promotional	23,600	28,600	27,889	711	34,419
	<u>3,634,072</u>	<u>3,945,072</u>	<u>3,885,773</u>	<u>59,299</u>	<u>3,691,208</u>
<b>Public safety:</b>					
Police administration	1,049,814	1,049,814	1,011,501	38,313	943,337
Detectives	938,029	969,029	968,236	793	1,046,388
Patrol	5,216,882	4,941,882	4,940,745	1,137	5,022,490
Communications	783,305	794,305	793,526	779	726,268
Fire	5,466,563	5,481,563	5,481,288	275	5,369,093
Fire - Equipment grant		66,000	65,020	980	234,448
	<u>13,454,593</u>	<u>13,302,593</u>	<u>13,260,316</u>	<u>42,277</u>	<u>13,342,024</u>
<b>Public works:</b>					
Inspection	377,150	337,150	334,720	2,430	361,690
Emergency management	23,216	18,216	17,130	1,086	9,191
Public works administration	208,976	208,976	206,874	2,102	198,430
Engineering	413,125	228,125	223,614	4,511	264,360
Street lighting	712,429	702,429	698,308	4,121	695,115
Blight	118,595	128,595	127,603	992	125,702
	<u>1,853,491</u>	<u>1,623,491</u>	<u>1,608,249</u>	<u>15,242</u>	<u>1,654,488</u>
<b>Senior citizens:</b>					
Discounts for senior citizens	7,000	7,000	3,348	3,652	3,163
Senior citizens transportation	15,148	15,148	14,503	645	15,008
	<u>22,148</u>	<u>22,148</u>	<u>17,851</u>	<u>4,297</u>	<u>18,171</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, 2007

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2006 Actual
<b>Recreation, parks and culture:</b>					
Parks and forestry	\$ 1,274,869	\$ 1,159,869	\$ 1,156,092	\$ 3,777	\$ 1,345,431
Recreation	663,646	638,646	635,643	3,003	646,331
20th and Court pool	105,565	105,565	101,315	4,250	104,428
Sanborn pool	122,643	133,643	133,337	306	122,926
Lighthouse park	66,392	51,392	50,830	562	48,480
Lakeside park	76,992	66,992	62,829	4,163	69,630
Palmer park recreation center	122,019	125,019	124,047	972	112,780
Lightship	12,581	29,581	29,421	160	10,203
McMorran complex	335,000	335,000	335,000		335,000
Library	8,000	8,000	8,000		8,000
Museum	119,536	140,536	139,647	889	112,241
Fine arts					1,500
	<u>2,907,243</u>	<u>2,794,243</u>	<u>2,776,161</u>	<u>18,082</u>	<u>2,916,950</u>
<b>General support services:</b>					
Planning	237,723	269,723	269,290	433	213,004
Telephone service	36,276	26,276	24,006	2,270	34,915
Contingencies	50,000				
Insurance, health and safety	332,659	112,659	110,938	1,721	238,476
Taxes written off	15,000	5,000	449	4,551	717
Demolitions	15,000	5,000	158	4,842	
Other - DDA	12,000	12,000		12,000	
	<u>698,658</u>	<u>430,658</u>	<u>404,841</u>	<u>25,817</u>	<u>487,112</u>
Capital outlay	152,000	4,000	3,071	929	78,309
Total Expenditures	<u>22,722,205</u>	<u>22,122,205</u>	<u>21,956,262</u>	<u>165,943</u>	<u>22,188,262</u>
Revenues over (under) Expenditures	<u>57,300</u>	<u>907,300</u>	<u>1,104,820</u>	<u>197,520</u>	<u>375,738</u>
<b>Other financing sources (uses):</b>					
Transfers out:					
Special revenue funds:					
Cemetery Operating	(54,000)	(204,000)	(204,000)		(45,000)
Beautification Commission	(3,300)	(3,300)	(3,300)		(8,300)
Enterprise funds:					
Land purchase					(250,000)
Wastewater		(700,000)	(700,000)		
	<u>(57,300)</u>	<u>(907,300)</u>	<u>(907,300)</u>		<u>(303,300)</u>
Net Change in Fund Balance			197,520	197,520	72,438
Fund balance at beginning of year	<u>3,901,584</u>	<u>3,901,584</u>	<u>3,901,584</u>		<u>3,829,146</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,901,584</u>	<u>\$ 3,901,584</u>	<u>\$ 4,099,104</u>	<u>\$ 197,520</u>	<u>\$ 3,901,584</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.

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City of Port Huron

**MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2007

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2006 Actual
<b>MAJOR STREETS:</b>					
Revenues:					
Grants	\$ 1,300,000	\$ 1,300,000	\$ 1,036,147	\$ (263,853)	\$ 836,753
State shared revenues	2,145,322	2,145,322	2,009,109	(136,213)	2,022,216
Total Revenues	<u>3,445,322</u>	<u>3,445,322</u>	<u>3,045,256</u>	<u>(400,066)</u>	<u>2,858,969</u>
Expenditures:					
Current:					
Public works	2,060,820	2,060,820	1,699,412	361,408	1,628,361
Capital outlay	3,835,000	3,835,000	2,885,294	949,706	1,404,175
Total Expenditures	<u>5,895,820</u>	<u>5,895,820</u>	<u>4,584,706</u>	<u>1,311,114</u>	<u>3,032,536</u>
Revenues over (under) Expenditures	<u>(2,450,498)</u>	<u>(2,450,498)</u>	<u>(1,539,450)</u>	<u>911,048</u>	<u>(173,567)</u>
Other financing sources (uses):					
Transfers in	2,900,000	2,900,000	1,975,000	(925,000)	600,000
Transfers out	(470,000)	(470,000)	(437,317)	32,683	(443,264)
	<u>2,430,000</u>	<u>2,430,000</u>	<u>1,537,683</u>	<u>(892,317)</u>	<u>156,736</u>
Net Change in Fund Balances	<u>(20,498)</u>	<u>(20,498)</u>	<u>(1,767)</u>	<u>18,731</u>	<u>(16,831)</u>
Fund balance at beginning of year	<u>271,221</u>	<u>271,221</u>	<u>271,221</u>		<u>288,052</u>
FUND BALANCE AT END OF YEAR	<u>\$ 250,723</u>	<u>\$ 250,723</u>	<u>\$ 269,454</u>	<u>\$ 18,731</u>	<u>\$ 271,221</u>
<b>LOCAL STREETS:</b>					
Revenues:					
State shared revenues	\$ 565,000	\$ 565,000	\$ 564,696	\$ (304)	\$ 572,320
Total Revenues	<u>565,000</u>	<u>565,000</u>	<u>564,696</u>	<u>(304)</u>	<u>572,320</u>
Expenditures:					
Current:					
Public works	1,084,329	1,084,329	975,482	108,847	867,182
Capital outlay	1,625,000	1,625,000	203,523	1,421,477	775,021
Total Expenditures	<u>2,709,329</u>	<u>2,709,329</u>	<u>1,179,005</u>	<u>1,530,324</u>	<u>1,642,203</u>
Revenues over (under) Expenditures	<u>(2,144,329)</u>	<u>(2,144,329)</u>	<u>(614,309)</u>	<u>1,530,020</u>	<u>(1,069,883)</u>
Other financing sources:					
Transfers in	2,120,000	2,120,000	612,317	(1,507,683)	(1,093,264)
Net Change in Fund Balances	<u>(24,329)</u>	<u>(24,329)</u>	<u>(1,992)</u>	<u>22,337</u>	<u>23,381</u>
Fund balance at beginning of year	<u>154,619</u>	<u>154,619</u>	<u>154,619</u>		<u>131,238</u>
FUND BALANCE AT END OF YEAR	<u>\$ 130,290</u>	<u>\$ 130,290</u>	<u>\$ 152,627</u>	<u>\$ 22,337</u>	<u>\$ 154,619</u>

(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, 2007

EXHIBIT A-7  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2006 Actual
<b>MUNICIPAL STREETS:</b>					
Revenues:					
Taxes - Streets	\$ 1,430,000	\$ 1,430,000	\$ 1,444,684	\$ 14,684	\$ 1,401,182
Taxes - BWATC	440,000	440,000	448,195	8,195	438,891
Investment income	75,000	75,000	321,142	246,142	256,117
Total Revenues	<u>1,945,000</u>	<u>1,945,000</u>	<u>2,214,021</u>	<u>269,021</u>	<u>2,096,190</u>
Expenditures:					
Current:					
Public works	117,189	107,189	103,788	3,401	68,831
General support services - BWATC	440,000	450,000	448,195	1,805	438,891
Capital Outlay	3,650	3,650		3,650	
Total Expenditures	<u>560,839</u>	<u>560,839</u>	<u>551,983</u>	<u>8,856</u>	<u>507,722</u>
Revenues over (under) Expenditures	1,384,161	1,384,161	1,662,038	277,877	1,588,468
Other financing sources (uses):					
Transfers out	<u>(4,550,000)</u>	<u>(4,550,000)</u>	<u>(2,150,000)</u>	<u>2,400,000</u>	<u>(1,250,000)</u>
Net Change in Fund Balances	(3,165,839)	(3,165,839)	(487,962)	2,677,877	338,468
Fund balance at beginning of year	<u>7,370,527</u>	<u>7,370,527</u>	<u>7,370,527</u>		<u>7,032,059</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,204,688</u>	<u>\$ 4,204,688</u>	<u>\$ 6,882,565</u>	<u>\$ 2,677,877</u>	<u>\$ 7,370,527</u>

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

## PROPRIETARY FUNDS - STATEMENT OF NET ASSETS

June 30, 2007

EXHIBIT A-8

ASSETS	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Current assets:			
Cash and cash equivalents	\$ 4,187,503	\$ 915,751	\$ 8,341,485
Restricted cash and cash equivalents			
Accounts receivable (net of allowances for uncollectibles)	1,473,328	2,113,570	1,607
Due from other governmental units		288,629	
Due from other funds			
Inventories	17,507	26,736	
Prepaid items			
<b>Total Current Assets</b>	<b>5,678,338</b>	<b>3,344,686</b>	<b>8,343,092</b>
Noncurrent assets:			
Restricted cash and cash equivalents			
Capital assets:			
Land	799,823	631,745	1,775,512
Land improvements			
Buildings	4,918,187	25,666,106	2,876,984
Systems	47,728,810	113,282,066	
Machinery and equipment		11,263,897	
Vehicles			
Construction in progress	3,921,024	8,881,968	
	57,367,844	159,725,782	4,652,496
Less accumulated depreciation	12,121,189	44,071,251	607,955
<b>Total Capital Assets</b>	<b>45,246,655</b>	<b>115,654,531</b>	<b>4,044,541</b>
Other noncurrent assets:			
Bond issuance costs (net of amortization)	446,756	585,974	
<b>Total Noncurrent Assets</b>	<b>45,693,411</b>	<b>116,240,505</b>	<b>4,044,541</b>
<b>Total Assets</b>	<b>51,371,749</b>	<b>119,585,191</b>	<b>12,387,633</b>
LIABILITIES			
Current liabilities:			
Accounts payable	62,871	39,664	17
Accrued payroll	49,943	57,438	240
Claims and judgements payable			
Contracts payable	325,980	30,953	
Due to other funds			
Accrued interest payable	245,677	573,529	
Accrued interest payable from restricted assets			
Unearned revenue			
Other liabilities	160,749		31,810
Current portion of long-term debt	1,814,644	3,758,293	
Current portion of long-term debt payable from restricted assets			
Compensated absences payable (current portion)			
<b>Total Current Liabilities</b>	<b>2,659,864</b>	<b>4,459,877</b>	<b>32,067</b>
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)	31,008,869	67,139,328	
Compensated absences payable (exclusive of current portion)			
<b>Total Noncurrent Liabilities</b>	<b>31,008,869</b>	<b>67,139,328</b>	
<b>Total Liabilities</b>	<b>33,668,733</b>	<b>71,599,205</b>	<b>32,067</b>
NET ASSETS			
Invested in capital assets, net of related debt	12,423,142	44,756,910	4,044,541
Restricted for revenue bond redemption and reserve account			
Unrestricted (deficit)	5,279,874	3,229,076	8,311,025
<b>Total Net Assets</b>	<b>\$ 17,703,016</b>	<b>\$ 47,985,986</b>	<b>\$ 12,355,566</b>

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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
\$ 1,208,968	\$ 14,653,707	\$ 17,145,758 476,235	\$ 15,916,022	\$ 13,611,772
29,706	3,618,211	3,438,186	189,288	202,642
67,962	356,591		151,280	
		629,047		
37,565	81,808	80,901	138,864	154,496
67,280	67,280	69,952		
<u>1,411,481</u>	<u>18,777,597</u>	<u>21,840,079</u>	<u>16,395,454</u>	<u>13,968,910</u>
		906,271		
2,379,893	5,586,973	5,586,973		
854,297	854,297	859,022	1,347,382	1,370,559
5,987,280	39,448,557	40,006,873		
	161,010,876	148,865,302		
2,566,488	13,830,385	13,872,988	628,658	722,444
			2,019,540	2,515,224
	12,802,992	14,045,217		
<u>11,787,958</u>	<u>233,534,080</u>	<u>223,236,375</u>	<u>3,995,580</u>	<u>4,608,227</u>
<u>7,101,425</u>	<u>63,901,820</u>	<u>58,499,821</u>	<u>2,121,063</u>	<u>2,536,015</u>
<u>4,686,533</u>	<u>169,632,260</u>	<u>164,736,554</u>	<u>1,874,517</u>	<u>2,072,212</u>
	1,032,730	851,696		
<u>4,686,533</u>	<u>170,664,990</u>	<u>166,494,521</u>	<u>1,874,517</u>	<u>2,072,212</u>
<u>6,098,014</u>	<u>189,442,587</u>	<u>188,334,600</u>	<u>18,269,971</u>	<u>16,041,122</u>
56,596	159,148	184,608	49,318	42,158
7,839	115,460	112,125	561,420	519,653
			953,335	1,089,948
33,242	390,175	236,118	1,050	
		629,047		
	819,206	715,537		
		76,235		
88,532	88,532	95,023		
21,942	214,501	186,960		
	5,572,937	4,724,061		
		400,000		
			410,795	495,615
<u>208,151</u>	<u>7,359,959</u>	<u>7,359,714</u>	<u>1,975,918</u>	<u>2,147,374</u>
	98,148,197	96,871,154		
			2,357,518	2,725,380
	98,148,197	96,871,154	2,357,518	2,725,380
<u>208,151</u>	<u>105,508,156</u>	<u>104,230,868</u>	<u>4,333,436</u>	<u>4,872,754</u>
4,686,533	65,911,126	62,988,238	1,874,517	2,072,212
		1,135,607		
1,203,330	18,023,305	19,979,887	12,062,018	9,096,156
<u>\$ 5,889,863</u>	<u>\$ 83,934,431</u>	<u>\$ 84,103,732</u>	<u>\$ 13,936,535</u>	<u>\$ 11,168,368</u>

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 5,601,863	\$ 8,942,423	\$
Rents			307,432
Total Operating Revenues	<u>5,601,863</u>	<u>8,942,423</u>	<u>307,432</u>
Operating expenses:			
Personal services	2,008,562	3,121,585	13,076
Supplies and materials	338,116	611,455	60
Contractual services	1,496,309	3,471,344	101,159
Depreciation	1,449,894	3,812,848	78,718
Total Operating Expenses	<u>5,292,881</u>	<u>11,017,232</u>	<u>193,013</u>
Operating Income (Loss)	<u>308,982</u>	<u>(2,074,809)</u>	<u>114,419</u>
Nonoperating revenues (expenses):			
Investment income	290,542	176,874	405,623
Interest expense	(1,003,664)	(2,252,686)	
Operating grants and contributions			1,893,862
Gain on sale of property and equipment			362,734
Capital assistance - component units			
Other income			5,070
	<u>(713,122)</u>	<u>(2,075,812)</u>	<u>2,667,289</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(404,140)</u>	<u>(4,150,621)</u>	<u>2,781,708</u>
Capital contributions:			
Grants and contributions received		1,048,822	
Infrastructure improvements donated	107,153	91,160	
	<u>107,153</u>	<u>1,139,982</u>	
Income (Loss) Before Transfers	<u>(296,987)</u>	<u>(3,010,639)</u>	<u>2,781,708</u>
Transfers in (out):			
Transfer in		2,900,000	
Transfer out			(3,375,000)
		<u>2,900,000</u>	<u>(3,375,000)</u>
Change in Net Assets	<u>(296,987)</u>	<u>(110,639)</u>	<u>(593,292)</u>
Net assets at beginning of year	18,000,003	48,096,625	12,948,858
NET ASSETS AT END OF YEAR	<u>\$ 17,703,016</u>	<u>\$ 47,985,986</u>	<u>\$ 12,355,566</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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
\$ 411,947	\$ 14,956,233	\$ 14,817,209	\$ 15,410,119	\$ 14,713,065
625,783	933,215	884,361		
<u>1,037,730</u>	<u>15,889,448</u>	<u>15,701,570</u>	<u>15,410,119</u>	<u>14,713,065</u>
280,060	5,423,283	5,441,529	10,403,206	10,103,100
248,286	1,197,917	1,262,916	455,017	459,423
1,072,841	6,141,653	6,503,615	1,946,887	2,055,932
287,395	5,628,855	5,373,237	463,371	479,247
<u>1,888,582</u>	<u>18,391,708</u>	<u>18,581,297</u>	<u>13,268,481</u>	<u>13,097,702</u>
<u>(850,852)</u>	<u>(2,502,260)</u>	<u>(2,879,727)</u>	<u>2,141,638</u>	<u>1,615,363</u>
	873,039	851,667	615,296	387,253
	(3,256,350)	(3,227,511)		
507,469	2,401,331	1,687,353		
	362,734		11,233	3,030
	5,070	(94,228)		
<u>507,469</u>	<u>385,824</u>	<u>10,000</u>	<u>626,529</u>	<u>390,283</u>
		<u>(772,719)</u>		
<u>(343,383)</u>	<u>(2,116,436)</u>	<u>(3,652,446)</u>	<u>2,768,167</u>	<u>2,005,646</u>
	1,048,822	1,185,048		
	198,313			
	<u>1,247,135</u>	<u>1,185,048</u>		
<u>(343,383)</u>	<u>(869,301)</u>	<u>(2,467,398)</u>	<u>2,768,167</u>	<u>2,005,646</u>
1,175,000	4,075,000	2,525,000		
	(3,375,000)	(2,275,000)		
<u>1,175,000</u>	<u>700,000</u>	<u>250,000</u>		
831,617	(169,301)	(2,217,398)	2,768,167	2,005,646
5,058,246	84,103,732	86,321,130	11,168,368	9,162,722
<u>\$ 5,889,863</u>	<u>\$ 83,934,431</u>	<u>\$ 84,103,732</u>	<u>\$ 13,936,535</u>	<u>\$ 11,168,368</u>

City of Port Huron

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2007

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	\$ 5,530,633	\$ 8,851,400	\$ 326,343
Payments to suppliers for goods and services	(1,201,613)	(3,480,274)	(112,375)
Payments to employees for services	(2,005,364)	(3,119,993)	(13,264)
Payments connected with interfund services	(574,167)	(578,665)	
Net cash provided by (used in) operating activities	<u>1,749,489</u>	<u>1,672,468</u>	<u>200,704</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions received			1,893,862
Capital assistance - component units			
Other income			5,070
Transfers in		2,900,000	
Transfers out			(3,375,000)
Advances from other funds			
Net cash provided by (used in) noncapital financing activities		<u>2,900,000</u>	<u>(1,476,068)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(4,286,926)	(6,486,008)	(29,066)
Proceeds from issuance of long-term debt	10,284,173	8,482,073	
Principal payments on long-term debt	(8,261,397)	(8,778,930)	
Interest paid	(966,978)	(2,261,938)	
Bond issuance costs	(142,749)	(108,118)	
Proceeds from sale of property and equipment			1,319,145
Capital contributions		760,193	
Net cash provided by (used in) capital and related financing activities	<u>(3,373,877)</u>	<u>(8,392,728)</u>	<u>1,290,079</u>
Cash flows from investing activities:			
Investment income	290,542	176,874	405,623
Advances to other funds			629,047
Net cash provided by (used in) investing activities	<u>290,542</u>	<u>176,874</u>	<u>1,034,670</u>
Net increase (decrease) in cash and cash equivalents	(1,333,846)	(3,643,386)	1,049,385
Cash and cash equivalents at beginning of year	<u>5,521,349</u>	<u>4,559,137</u>	<u>7,292,100</u>
Cash and cash equivalents at end of year	<u>\$ 4,187,503</u>	<u>\$ 915,751</u>	<u>\$ 8,341,485</u>
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 4,187,503	\$ 915,751	\$ 8,341,485
Restricted assets - cash and cash equivalents			
Total balance sheet classification	<u>\$ 4,187,503</u>	<u>\$ 915,751</u>	<u>\$ 8,341,485</u>

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Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
\$ 1,022,097	\$ 15,730,473	\$ 15,544,918	\$ 15,272,193	\$ 15,026,550
(1,253,025)	(6,047,287)	(6,430,685)	(2,051,792)	(2,337,413)
(281,327)	(5,419,948)	(5,621,837)	(10,950,734)	(9,722,397)
(139,668)	(1,292,500)	(1,220,661)	(326,270)	(306,946)
(651,923)	2,970,738	2,271,735	1,943,397	2,659,794
439,507	2,333,369	1,687,353		
	5,070	(94,228)		
1,175,000	4,075,000	10,000		
(629,047)	(3,375,000)	2,525,000		
	(629,047)	(2,275,000)		
985,460	2,409,392	223,793		
		2,076,918		
(280,247)	(11,082,247)	(15,236,996)	(265,676)	(561,972)
	18,766,246	14,395,075		
	(17,040,327)	(4,419,172)		
	(3,228,916)	(3,146,647)		
	(250,867)	(164,736)		
	1,319,145		11,233	3,030
	760,193	1,185,048		
(280,247)	(10,756,773)	(7,387,428)	(254,443)	(558,942)
	873,039	851,667	615,296	387,253
	629,047	(223,874)		
	1,502,086	627,793	615,296	387,253
53,290	(3,874,557)	(2,410,901)	2,304,250	2,488,105
1,155,678	18,528,264	20,939,165	13,611,772	11,123,667
\$ 1,208,968	\$ 14,653,707	\$ 18,528,264	\$ 15,916,022	\$ 13,611,772
\$ 1,208,968	\$ 14,653,707	\$ 17,145,758	\$ 15,916,022	\$ 13,611,772
		1,382,506		
\$ 1,208,968	\$ 14,653,707	\$ 18,528,264	\$ 15,916,022	\$ 13,611,772

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2007

EXHIBIT A-10  
(Continued)

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 308,982	\$ (2,074,809)	\$ 114,419
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,449,894	3,812,848	78,718
Amortization of bond issuance costs	30,026	39,807	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	(78,928)	(91,023)	557
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventory	(1,361)	1,014	
Decrease (increase) in prepaid expenses			
Increase (decrease) in accounts payable	29,980	(16,961)	(6,827)
Increase (decrease) in accrued payroll	3,198	1,592	(188)
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable			(4,329)
Increase (decrease) in compensated absences payable			
Increase (decrease) in unearned revenue			
Increase (decrease) in other liabilities	7,698		18,354
Total Adjustments	<u>1,440,507</u>	<u>3,747,277</u>	<u>86,285</u>
Net cash provided by (used in) operating activities	\$ <u>1,749,489</u>	\$ <u>1,672,468</u>	\$ <u>200,704</u>

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2007, infrastructure improvements with an estimated value of \$107,153 and \$91,160 were constructed and funded by the Community Development Block Grant Fund and subsequently donated to the Water and Wastewater Funds, respectively.

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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
\$ (850,852)	\$ (2,502,260)	\$ (2,879,727)	\$ 2,141,638	\$ 1,615,363
287,395	5,628,855 69,833	5,373,237 52,629	463,371	479,247
(10,631)	(180,025)	(140,335)	13,354	313,485
(560)	(907)	(3,051)	(151,280)	
2,672	2,672	(11,295)	15,632	(32,978)
(31,652)	(25,460)	81,245	7,160	(96,026)
(1,267)	3,335	(180,308)	41,767	191,419
(42,026)	(46,355)	(4,343)	(136,613)	119,120
			1,050	
(6,491)	(6,491)	5,445	(452,682)	70,164
1,489	27,541	(21,762)		
198,929	5,472,998	5,151,462	(198,241)	1,044,431
\$ (651,923)	\$ 2,970,738	\$ 2,271,735	\$ 1,943,397	\$ 2,659,794

City of Port Huron

**FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2007

EXHIBIT A-11

	Private Purpose Trust Funds	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 29,745	\$ 700,592
<b>LIABILITIES</b>		
Liabilities:		
Due to other governmental units		\$ 29,713
Taxes collected in advance		670,879
Total Liabilities		\$ 700,592
<b>NET ASSETS</b>		
Net assets held in trust	\$ 29,745	

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, 2007

EXHIBIT A-12

	<u>Private Purpose Trust Funds</u>	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Additions:		
Investment income	\$ 1,410	\$ 1,097
Deductions:		
Supplies and materials	900	900
Contractual services	3,295	20
Total Deductions	<u>4,195</u>	<u>920</u>
Change in Net Assets	(2,785)	177
Net assets at beginning of year	<u>32,530</u>	<u>32,353</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 29,745</u></u>	<u><u>\$ 32,530</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, 2007

EXHIBIT A-13

ASSETS	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	McMorran	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 370,724	\$ 1,164,088	\$	\$ 376,663	\$ 75,398	\$ 1,986,873
Receivables (net of allowances for uncollectibles)	4,482			4,164	20,500	29,146
Inventories					8,875	8,875
Prepaid and deferred items					7,726	7,726
Restricted assets (cash and cash equivalents)					265,487	265,487
Capital assets (net of accumulated depreciation)					2,523,270	2,523,270
Total Assets	<u>375,206</u>	<u>1,164,088</u>		<u>380,827</u>	<u>2,901,256</u>	<u>4,821,377</u>
<b>LIABILITIES</b>						
<b>Liabilities:</b>						
Accounts payable	90	54		376,185	162,285	538,614
Accrued payroll					111,426	111,426
Other liabilities					44,582	44,582
Unearned revenue					265,487	265,487
Total Liabilities	<u>90</u>	<u>54</u>		<u>376,185</u>	<u>583,780</u>	<u>960,109</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt					2,523,270	2,523,270
Unrestricted (deficit)	375,116	1,164,034		4,642	(205,794)	1,337,998
Net Assets	<u>\$ 375,116</u>	<u>\$ 1,164,034</u>	<u>\$ 0</u>	<u>\$ 4,642</u>	<u>\$ 2,317,476</u>	<u>\$ 3,861,268</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, 2007

EXHIBIT A-14

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development:				
Governmental activities:				
Community and economic development	\$ 1,564,257	\$	\$	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	251,916			
Taxes disbursed - not captured	2,626,907			
Total tax increment finance	2,878,823			
Local Development Finance:				
Governmental activities:				
Community and economic development	235,471			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	379,123			
McMorran:				
Business-type activities:				
McMorran	2,503,600	1,723,608	335,000	308,443
Total component units	\$ 7,561,274	\$ 1,723,608	\$ 335,000	\$ 308,443

General revenues:  
 Property taxes  
 Unrestricted state-shared revenues  
 Unrestricted investment income  
 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

Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	McMorran	Total
\$ (1,564,257)	\$	\$	\$	\$	\$ (1,564,257)
	(251,916)				(251,916)
	(2,626,907)				(2,626,907)
	(2,878,823)				(2,878,823)
		(235,471)			(235,471)
			(379,123)		(379,123)
				(136,549)	(136,549)
(1,564,257)	(2,878,823)	(235,471)	(379,123)	(136,549)	(5,194,223)
1,170,252	2,786,496	235,471	383,335		4,575,554
4,011					4,011
544,932				6,509	6,509
				400	545,332
1,719,195	2,786,496	235,471	383,335	6,909	5,131,406
154,938	(92,327)		4,212	(129,640)	(62,817)
220,178	1,256,361		430	2,447,116	3,924,085
\$ 375,116	\$ 1,164,034	\$ 0	\$ 4,642	\$ 2,317,476	\$ 3,861,268

**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2007

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, 2007 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, 2007, 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, 2007, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2007, the DDA manages five plans, the TIFA manages four (three of which no longer capture taxes) 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, 2006, the date of its latest audited financial statements, is as follows:

Total Assets	\$ 13,026,679
Total Liabilities	<u>375,261</u>
Total Net Assets	<u>\$ 12,651,418</u>
Invested in Capital Assets	10,734,601
Unrestricted	<u>1,916,817</u>
Total Net Assets	<u>\$ 12,651,418</u>
Total Operating Revenues	\$ 5,286,850
Total Operating Expenses	(5,515,314)
Total Nonoperating Expenses	(366,808)
Total Capital Contributions	<u>490,828</u>
Change in Net Assets	<u>\$ (104,444)</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. Agency funds have no measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City reports deferred revenue in the governmental funds when a potential revenue does not meet the "available" criteria for recognition in the current period. Generally such unavailable revenues are not significant. Deferred or unearned revenues also arise when resources are received by the City before they are earned, 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 (except governmental reimbursement grants and contracts) to be available if they are collected within thirty-five days of the end of the current fiscal period. Governmental reimbursement grant and contract revenues are considered to be available if they are collected within seventy-five days of the end of the 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 construction and 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 vehicles and other equipment, data processing services and payment of insurance and payroll related fringe benefits provided to other departments or agencies of the City 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. Agency funds generally are used to account for assets (taxes collected) that the City holds on behalf of others as their agent.

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 capital 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, 2007 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. 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.

## CAPITAL ASSETS

Capital 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. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital 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 capital 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 capital assets, as applicable.

Depreciation of capital 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

All matured and vested compensated absences are recorded and paid in the Insurance and Fringe Benefit Fund, an Internal Service Fund. All liabilities as incurred are paid to the Internal Service Fund by the applicable governmental or proprietary funds. At June 30, 2007 the total accrued liability (\$2,768,313) for vested vacation and vested sick leave benefits was recorded in the Insurance and Fringe Benefit 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 (Permanent Fund) 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 City Council has designated a portion of the fund balance in certain funds to be used for subsequent years' expenditures. The City had no fund deficits as defined under State statute; however, the McMorran Auditorium Authority, a component unit, had negative unrestricted net assets as of June 30, 2007.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as a provision for uninsured losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### INTERFUND TRANSACTIONS

Interfund services provided and used 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, 2007, the City Council approved a transfer of \$700,000 from the General Fund to the Wastewater 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, 2007, building department revenues and expenditures totaled \$420,137 and \$506,601 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$2,600,174 and \$3,859,442 respectively.

## NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1943, as amended, authorizes investments in any bonds, securities and other investments within the limitations prescribed by Public Act 20. For mutual funds, this authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

The Cemetery Perpetual Care Fund is authorized by Public Act 157 of 1976 to invest or reinvest in real or personal property deemed advisable by the governing board, including mortgages, stocks, bonds, debentures, and other securities of profit or nonprofit corporations, shares in or obligations of associations, partnerships, individuals, and obligations of any government, or subdivision, or instrumentality thereof, retain property contributed by a donor to an institutional fund for as long as the governing board deems advisable, include all or any part of an institutional fund in a pooled or common fund maintained by the institution and invest all or any part of an institutional fund in any other pooled or common fund available for investment, including shares or interest in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts, or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other investments in accordance with the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

### CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City's deposit balance of \$45,616,517 had \$45,106,517 of bank deposits (certificates of deposit, pooled accounts, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### CUSTODIAN CREDIT RISK OF INVESTMENTS

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodian credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

### INTEREST RATE RISK

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The City's policy minimizes interest rate risk by structuring the investment portfolio so that securities

mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the City's cash requirements. It is the City's policy to hold such securities until maturity.

At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investments:		
Cemetery Perpetual Care Fund		
Corporate Bonds	\$ 2,906,346	8.0 years
U.S. Government Agency Notes	<u>1,574</u>	10.4 years
	<u>2,907,920</u>	
Other items reported as investments in the Statement of Net Assets:		
General Fund		
Certificates of Deposit	2,000,000	
Municipal Streets Fund		
Certificates of Deposit	2,000,000	
Cemetery Perpetual Care Fund		
Equities	<u>2,246,222</u>	
Total other items	<u>6,246,222</u>	
	<u>\$ 9,154,142</u>	

#### CREDIT RISK

Endowment funds are authorized by Public Act 157 of 1976 to invest, in part, in mortgages, stocks, bonds, debentures and other securities. The City does not have a policy for credit risk. The City uses the Moody's rating agency to rate its investments. As of June 30, 2007 the credit ratings of debt securities (other than the U.S. government) for the Cemetery Perpetual Care Fund are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 383,524	AAA
Corporate bonds	1,108,735	AA
Corporate bonds	590,953	A
Corporate bonds	38,500	BBB
Corporate bonds	574,009	BB
Corporate bonds	<u>210,625</u>	B
Total	<u>\$ 2,906,346</u>	

#### CONCENTRATION OF CREDIT RISK

The City places no limit on the amount it may invest in any one issue. More than five percent of the Cemetery Perpetual Care Fund's investments are in the following corporate bonds:

	<u>Fair Value</u>	<u>Fund %</u>	<u>City Investment</u>
GMAC - 7% 10-15-11	\$ 186,437	3.62%	2.04%
GMAC - 6.75% 6-15-17	137,427	2.66	1.50
General Motors Corp. (GM) - 7.4% 9-1-25	<u>210,625</u>	<u>4.09</u>	<u>2.30</u>
Total GM and related	<u>\$ 534,489</u>	<u>10.37%</u>	<u>5.84%</u>

**NOTE D--RECEIVABLES**

Receivables at June 30, 2007 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	\$1,286,912	\$	\$ 1,286,912	\$	\$ 1,286,912	\$
Interest receivable		34,621	34,621		34,621	
Property taxes	78,724	33,646	112,370		112,370	
Accounts	<u>56,705</u>	<u>2,970,246</u>	<u>3,026,951</u>	<u>189,288</u>	<u>3,216,239</u>	<u>3,694,211</u>
Gross Receivables	1,422,341	3,038,513	4,460,854	189,288	4,650,142	3,694,211
Less allowances for uncollectibles	<u>8,250</u>	<u>3,500</u>	<u>11,750</u>		<u>11,750</u>	<u>76,000</u>
Net total receivables	<u>\$1,414,091</u>	<u>\$ 3,035,013</u>	<u>\$ 4,449,104</u>	<u>\$ 189,288</u>	<u>\$ 4,638,392</u>	<u>\$ 3,618,211</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>Amount</u>
Governmental Funds - Nonmajor special revenue funds:		
Rubbish and Garbage Collection	Community Development Block Grant	\$ 84,460
	Neighborhood Rehabilitation	<u>38,289</u>
		<u>\$ 122,749</u>

**NOTE F--CAPITAL ASSETS**

The components of property and equipment at June 30, 2007 for the primary government's governmental activities are summarized as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Property and equipment not being depreciated:				
Land	\$ 4,260,209	\$	\$	\$ 4,260,209
Construction in progress	<u>1,549,885</u>	<u>2,297,485</u>	<u>1,416,042</u>	<u>2,431,328</u>
Total property and equipment not being depreciated	<u>5,810,094</u>	<u>2,297,485</u>	<u>1,416,042</u>	<u>6,691,537</u>
Property and equipment being depreciated:				
Land improvements	9,902,241	55,542	625,288	9,332,495
Buildings	10,377,847	852		10,378,699
Streets, bridges and sidewalks	44,343,818	2,723,057	954,636	46,112,239
Machinery and equipment	8,224,688	989,672	332,019	8,882,341
Vehicles	<u>3,351,985</u>	<u>192,368</u>	<u>749,550</u>	<u>2,794,803</u>
Total property and equipment being depreciated	<u>76,200,579</u>	<u>3,961,491</u>	<u>2,661,493</u>	<u>77,500,577</u>
Less accumulated depreciation:				
Land improvements	8,372,931	129,328	625,288	7,876,971
Buildings	7,143,159	233,641		7,376,800
Streets, bridges and sidewalks	20,553,919	2,323,794	954,636	21,923,077
Machinery and equipment	6,193,774	562,046	332,019	6,423,801
Vehicles	<u>1,829,685</u>	<u>367,756</u>	<u>749,550</u>	<u>1,447,891</u>
Total accumulated depreciation	<u>44,093,468</u>	<u>3,616,565</u>	<u>2,661,493</u>	<u>45,048,540</u>
Net property and equipment being depreciated	<u>32,107,111</u>	<u>344,926</u>		<u>32,452,037</u>
Net governmental property and equipment	<u>\$ 37,917,205</u>	<u>\$ 2,642,411</u>	<u>\$ 1,416,042</u>	<u>\$ 39,143,574</u>

The components of property and equipment at June 30, 2007 for the primary government's business-type activities are summarized as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Property and equipment not being depreciated:				
Land	\$ 5,586,973	\$	\$	\$ 5,586,973
Construction in progress	<u>14,045,217</u>	<u>7,878,900</u>	<u>9,121,125</u>	<u>12,802,992</u>
Total property and equipment not being depreciated	<u>19,632,190</u>	<u>7,878,900</u>	<u>9,121,125</u>	<u>18,389,965</u>
Property and equipment being depreciated:				
Land improvements	859,022		4,725	854,297
Buildings	40,006,873	422,651	980,967	39,448,557
Systems	148,865,302	12,253,507	107,933	161,010,876
Machinery and equipment	<u>13,872,988</u>	<u>47,039</u>	<u>89,642</u>	<u>13,830,385</u>
Total property and equipment being depreciated	<u>203,604,185</u>	<u>12,723,197</u>	<u>1,183,267</u>	<u>215,144,115</u>
Less accumulated depreciation:				
Land improvements	731,759	28,434	4,725	755,468
Buildings	17,920,288	1,106,536	24,556	19,002,268
Systems	28,154,845	4,215,421	107,933	32,262,333
Machinery and equipment	<u>11,692,929</u>	<u>278,464</u>	<u>89,642</u>	<u>11,881,751</u>
Total accumulated depreciation	<u>58,499,821</u>	<u>5,628,855</u>	<u>226,856</u>	<u>63,901,820</u>
Net property and equipment being depreciated	<u>145,104,364</u>	<u>7,094,342</u>	<u>956,411</u>	<u>151,242,295</u>
Net business-type property and equipment	<u>\$ 164,736,554</u>	<u>\$14,973,242</u>	<u>\$10,077,536</u>	<u>\$169,632,260</u>

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

Governmental activities:	
General government	\$ 752,228
Public safety	423,154
Public works	2,349,624
Recreation, parks and culture	<u>91,559</u>
Total governmental activities	<u>\$ 3,616,565</u>
Business-type activities	
Water	\$ 1,449,894
Wastewater	3,812,848
Land purchase	78,718
Parking	338
Senior citizens	190,726
Marina	<u>96,331</u>
Total business-type activities	<u>\$ 5,628,855</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 Municipal Streets	<u>\$ 1,975,000</u>
Transfers to Local Streets from:	
Major Streets	\$ 437,317
Municipal Streets	<u>175,000</u>
Total	<u>\$ 612,317</u>
Transfer to Wastewater from Land Purchase	<u>\$ 2,200,000</u>
Transfers to nonmajor governmental funds from:	
General Fund (Cemetery - \$204,000; Beautification - \$3,300)	\$ 207,300
Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)	<u>263,757</u>
Total	<u>\$ 471,057</u>
Transfer to nonmajor Enterprise Fund (Marina Fund) from Land Purchase	<u>\$ 1,175,000</u>
Transfer to Wastewater from General Fund	<u>\$ 700,000</u>

#### NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>* Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type activities:					
Water Fund:					
4.0% to 5.0% 2006 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$190,268 and unamortized deferred charge on refunding of \$313,587; amount of issue - \$6,890,000	\$	\$ 6,766,681	\$	\$ 6,766,681	\$ 10,513

	Balance July 1, 2006	* Additions	(Reductions)	Balance June 30, 2007	Due Within One Year
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$62,800; amount of issue - \$3,000,000	\$ 2,866,725	\$	\$ (118,925)	\$ 2,747,800	\$ 123,925
3.40% to 5.25% 1999C Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized discount of \$19,588; amount of issue - \$10,000,000	7,887,884		(7,057,472)	830,412	390,206
2.125% to 2.5% Drinking Water Revolving Fund (DWRF) Water Supply System General Obligation Limited Tax Bonds:					
Series 7088-01	7,045,520		(385,000)	6,660,520	395,000
Series 7105-01	1,469,742	(24,406)	(75,000)	1,370,336	65,000
Series 7110-01	2,944,019	15,957	(165,000)	2,794,976	170,000
Series 7113-01	1,585,000		(75,000)	1,510,000	80,000
Series 7119-01		885,864		885,864	85,000
Series 7132-01	456,073	(4,843)	(20,000)	431,230	20,000
Series 7147-01	1,884,198	15,735	(95,000)	1,804,933	100,000
Series 7150-01	500,000	(18,496)	(20,000)	461,504	20,000
Series 7167-01	1,441,440	334,301	(80,000)	1,695,741	85,000
Series 7168-01	1,712,115	21,462	(85,000)	1,648,577	90,000
Series 7169-01	382,591	4,941	(15,000)	372,532	15,000
Series 7185-01	223,481	628,720		852,201	55,000
Series 7186-01	234,307	386,497	(40,000)	580,804	45,000
Series 7187-01	167,642	406,869	(30,000)	544,511	30,000
Series 7188-01		615,367		615,367	35,000
Series 7220-01		249,524		249,524	
Total Water Fund	<u>30,800,737</u>	<u>10,284,173</u>	<u>(8,261,397)</u>	<u>32,823,513</u>	<u>1,814,644</u>
Wastewater Fund:					
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$104,976 and unamortized deferred charge on refunding of \$256,227; amount of issue - \$5,500,000		5,348,749		5,348,749	13,369
3.5% to 4.2% 2005B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$92,106; amount of issue - \$6,500,000	6,402,783		(169,889)	6,232,894	169,883
2.6% to 4.6% 2003B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$63,344; amount of issue - \$5,500,000	5,032,697		(196,041)	4,836,656	196,041
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$80,000; amount of issue - \$10,000,000	9,115,000		(320,000)	8,795,000	345,000
4.875% to 5.25% 1999A Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$12,000; amount of issue - \$8,000,000	6,341,000		(5,603,000)	738,000	369,000

	Balance July 1, 2006	* Additions	(Reductions)	Balance June 30, 2007	Due Within One Year
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	\$ 3,708,192	\$	\$ (225,000)	\$ 3,483,192	\$ 230,000
Series 5006-02	3,403,359		(230,000)	3,173,359	235,000
Series 5006-03	7,520,000		(420,000)	7,100,000	430,000
Series 5006-04	6,140,634		(350,000)	5,790,634	360,000
Series 5006-05	472,134		(30,000)	442,134	30,000
Series 5006-06	2,721,257	(3,481)	(155,000)	2,562,776	160,000
Series 5006-07	2,910,000		(140,000)	2,770,000	145,000
Series 5006-08	1,365,856	925	(70,000)	1,296,781	60,000
Series 5006-09	3,071,920	25,729	(155,000)	2,942,649	160,000
Series 5006-10	1,120,000		(50,000)	1,070,000	50,000
Series 5006-11	1,516,652	524,706	(110,000)	1,931,358	110,000
Series 5006-12	539,096	1,058,570		1,597,666	125,000
Series 5006-13	453,312	583,638	(70,000)	966,950	70,000
Series 5006-14	370,999	721,418	(55,000)	1,037,417	60,000
Series 5006-15		221,406		221,406	
Series 5177-01	<u>8,989,587</u>	<u>413</u>	<u>(430,000)</u>	<u>8,560,000</u>	<u>440,000</u>
Total Wastewater Fund	<u>71,194,478</u>	<u>8,482,073</u>	<u>(8,778,930)</u>	<u>70,897,621</u>	<u>3,758,293</u>
Total business-type activities	101,995,215	18,766,246	(17,040,327)	103,721,134	5,572,937
Governmental activities:					
Compensated absences payable	<u>3,220,995</u>	<u>156,846</u>	<u>(609,528)</u>	<u>2,768,313</u>	<u>410,795</u>
Total	<u>\$105,216,210</u>	<u>\$ 18,923,092</u>	<u>\$(17,649,855)</u>	<u>\$106,489,447</u>	<u>\$ 5,983,732</u>

\* Bracketed amounts in the additions column represent loan advances subsequently repaid following review of eligible expenditures prior to finalization of the loan amortization schedule.

On September 27, 2006, the City issued \$6,890,000 of 2006 Water Supply System Revenue (Limited Tax General Obligation) Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$6,775,000 of 1999C Water Supply System Revenue Bonds (Limited Tax General Obligation). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$313,587. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$323,062 and resulted in an economic gain of \$225,917.

Also on September 27, 2006, the City issued \$5,500,000 of 2006 Wastewater General Obligation Limited Tax Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,325,000 of 1999A Wastewater General Obligation Limited Tax Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$256,227. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$224,693 and resulted in an economic gain of \$172,136.

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, 2007, the City's debt limit amounted to \$91,798,940 and indebtedness subject to the limitation totaled \$22,478,620 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$69,320,320.

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 the reserve for bond and interest redemption is maintained 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, 2007, 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, 2007, 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	SRF	5006-01	\$ 5,288,192*	\$ 5,288,192	Indian Creek 2B
March 30, 2000	SRF	5006-02	5,230,000	4,478,359	Indian Creek 3 10 <sup>th</sup> Avenue
June 29, 2000	SRF	5006-03	9,470,000	9,470,000	Indian Creek 4 Peavey Area
March 29, 2001	SRF	5006-04	8,120,000	7,460,634	Beard Area-Industrial Park 16 <sup>th</sup> Street Pump Station 10 <sup>th</sup> Street Pump Station
September 28, 2001	SRF	5006-05	640,000	572,134	Indian Creek 2C 7 <sup>th</sup> and 9 <sup>th</sup> Area
December 20, 2001	DWRF	7088-01	8,945,000	8,505,520	Military/Electric Area Rural Area
March 28, 2002	SRF	5006-06	3,650,000	3,157,776	Indian Creek 2C 7 <sup>th</sup> and 9 <sup>th</sup> Area
March 28, 2002	DWRF	7110-01	3,930,000	3,434,976	Military/Electric Area Rural Area
September 26, 2002	SRF	5177-01	10,220,000*	10,220,000	11 <sup>th</sup> Avenue Area
September 26, 2002	SRF	5006-07	3,310,000	3,310,000	Palmer Court Area
September 26, 2002	DWRF	7113-01	1,805,000	1,805,000	11 <sup>th</sup> Avenue Area
March 27, 2003	SRF	5006-08	1,496,781*	1,496,781	Palmer Court Area
March 27, 2003	DWRF	7105-01	1,585,336*	1,585,336	Solids Handling Project
March 25, 2004	SRF	5006-09	3,770,000	3,252,649	4 <sup>th</sup> Street Area
March 25, 2004	DWRF	7147-01	2,315,000	1,994,933	4 <sup>th</sup> Street Area
June 24, 2004	DWRF	7132-01	501,230*	501,230	Tunnel Street Area
December 16, 2004	SRF	5006-10	1,170,000*	1,170,000	Tunnel Street Area
March 31, 2005	DWRF	7150-01	501,504*	501,504	16 <sup>th</sup> Avenue Area 1
March 31, 2005	SRF	5006-11	2,535,000	2,041,358	16 <sup>th</sup> Avenue Area 1
March 31, 2005	DWRF	7167-01	2,015,000	1,775,741	16 <sup>th</sup> Avenue Area 2
March 31, 2005	DWRF	7168-01	2,105,000	1,818,577	16 <sup>th</sup> Avenue Area 2
June 23, 2005	DWRF	7169-01	407,532*	407,532	Military Street
March 30, 2006	SRF	5006-12	2,955,000	1,597,666	Woodstock Area 2
March 30, 2006	DWRF	7185-01	1,355,000	852,201	Woodstock Area 2
March 30, 2006	SRF	5006-13	1,655,000	1,036,950	16 <sup>th</sup> Avenue Area 3
March 30, 2006	DWRF	7186-01	1,025,000	620,804	16 <sup>th</sup> Avenue Area 3
March 30, 2006	SRF	5006-14	1,325,000	1,092,417	Erie South Area
March 30, 2006	DWRF	7187-01	705,000	574,511	Erie South Area
June 22, 2006	DWRF	7188-01	825,000	615,367	Merchant Area
					Merchant Area
					Woodstock Area 3, Canal

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount or Final Amount *</u>	<u>Advances</u>	<u>Projects</u>
September 21, 2006	DWRF	7119-01	\$ 2,040,000	\$ 885,864	Filter Backwash
March 29, 2007	SRF	5006-15	3,040,000	221,406	Vanness Area
March 29, 2007	DWRF	7220-01	<u>1,950,000</u>	<u>249,524</u>	Vanness Area
Total			<u>\$ 95,885,575</u>	<u>\$81,994,942</u>	

The SRF and DWRF loans marked with an asterisk (\*) are considered administratively complete by the Michigan Department of Environmental Quality (DEQ) and final amortization schedules have been issued by the Michigan Municipal Bond Authority (MMBA).

Recorded in the Enterprise Funds are general obligation bonds amounting to \$103,721,134 at June 30, 2007 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, 2007 are as follows:

	<u>Business-Type Activities (Enterprise Funds)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,572,937	\$ 3,171,753	\$ 8,744,690
2009	5,972,934	3,011,852	8,984,786
2010	6,185,134	2,824,579	9,009,713
2011	6,218,728	2,649,108	8,867,836
2012	6,343,252	2,468,717	8,811,969
2013-2017	34,919,504	9,359,772	44,279,276
2018-2022	32,941,094	3,730,732	36,671,826
2023-2025	<u>5,567,551</u>	<u>270,340</u>	<u>5,837,891</u>
	<u>\$ 103,721,134</u>	<u>\$ 27,486,853</u>	<u>\$ 131,207,987</u>

#### NOTE I--RESTRICTED ASSET ACCOUNTS

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

	<u>Primary Government- Water</u>	<u>Primary Government- Wastewater</u>	<u>Total Primary Government</u>	<u>Component Unit McMorran</u>
Bond construction account	\$ None	\$ None	\$ None	\$
State grant account				242,888
Seeing Stars account				22,599
	<u>\$ None</u>	<u>\$ None</u>	<u>\$ None</u>	<u>\$ 265,487</u>

In accordance with bond covenants, bond proceeds received in the Water and Wastewater Funds are restricted for designated improvements to the respective systems and held in bond construction accounts. As of June 30, 2007, there were no unexpended bond proceeds. 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 (\$19,832,776) 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, 2007 are summarized as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2007</u>
Commitment from Component Units:				
Downtown Development - On behalf of				
payments from primary government:				
General Fund	\$ 551,166	\$	\$	\$ 551,166
Land Purchase Fund	<u>15,563,713</u>	<u>                    </u>	<u>(1,540,469)</u>	<u>14,023,244</u>
Total Downtown Development	<u>16,114,879</u>	<u>                    </u>	<u>(1,540,469)</u>	<u>14,574,410</u>
Tax Increment Finance - On behalf of				
payments from primary government:				
General Fund	163,863			163,863
Land Purchase Fund	<u>2,350,843</u>	<u>                    </u>	<u>(159,189)</u>	<u>2,191,654</u>
Total Tax Increment Finance	<u>2,514,706</u>	<u>                    </u>	<u>(159,189)</u>	<u>2,355,517</u>
Local Development Finance - On behalf				
of payments from primary government:				
General Fund	391,297			391,297
Land Purchase Fund	<u>3,812,082</u>	<u>                    </u>	<u>(194,204)</u>	<u>3,617,878</u>
Total Local Development Finance	<u>4,203,379</u>	<u>                    </u>	<u>(194,204)</u>	<u>4,009,175</u>
Total Commitment from Component Units	<u>\$ 22,832,964</u>	<u>\$</u>	<u>\$ (1,893,862)</u>	<u>\$ 20,939,102</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, 2007, the developer had incurred approximately \$15 million in costs. Reimbursement will be limited to the approved plans, as amended, currently \$9.8 million.

#### 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 255 retirees, these costs total \$2,302,528. 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,

2007. However, the Governmental Accounting Standards Board (GASB) recently issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The statement, which is effective for the year ending June 30, 2009, will require the City to recognize the cost of providing retiree healthcare coverage during the employee's working career, rather than when the premiums are paid. The City has set aside funds in the Fringe Benefit Fund to partially offset such liability.

**NOTE M--EMPLOYEE RETIREMENT SYSTEMS**

**DESCRIPTION OF PLAN AND PLAN ASSETS**

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS). All of the City's full-time employees, including all full-time employees of the component units, participate in the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance and nonduty-connected death to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25%, 2.50% or 2.75% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the year ended December 31, 2006.

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

**FUNDING POLICY**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and by personnel policy for non-represented employees. The required employee contributions to MERS are based on their annual salary (from 0.0% to 6.71% depending on the employee's classification and bargaining unit). The City is required to contribute at an actuarially determined amount; the amount was \$2,238,704 for the year ended June 30, 2007 and is expected to be \$2,450,000 and \$2,650,000 for the years ending June 30, 2008, and 2009, respectively, based upon projected wages.

**ANNUAL PENSION COST**

During the fiscal year ended June 30, 2007 contributions totaling \$2,410,709 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The City contributed \$2,238,704 and employees contributed \$172,005. Gross payroll subject to MERS for the year ended June 30, 2007, was \$17,938,786. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 29 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Such assumptions incorporate an estimate for long-term inflation of 3.0% to 4.0%. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. Unfunded actuarial accrued liability is amortized by a level percent of payroll contributions on an open amortization period over a twenty-nine year period, if applicable. Over-funding is amortized over a ten year open period.

**THREE YEAR TREND INFORMATION**

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 1,891,407	100%	\$ 0
2006	2,155,501	100	0
2007	2,410,709	100	0

**NOTE N--DEFERRED COMPENSATION PLAN**

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

**NOTE O--RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property damage, contractors equipment, data processing, health care and employee dishonesty. The City participates in the Michigan Municipal Risk Management Authority program for general, auto, professional, public officials and errors and omissions liabilities. The City also participates in a third party administered retained risk program for workers compensation with reinsurance coverage provided for claims in excess of \$250,000. The City is uninsured for acts of god and environmental cleanup losses.

The component units of the City, including the Henry McMorran Memorial Auditorium Authority, are also included.

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

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

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

	Year ended <u>June 30, 2007</u>	Year ended <u>June 30, 2006</u>
Estimated liability, beginning of year	\$ 1,089,948	\$ 970,828
Estimated claims incurred including changes in estimates	59,885	289,168
Claim payments	<u>(196,498)</u>	<u>(170,048)</u>
Estimated liability, end of year	<u>\$ 953,335</u>	<u>\$ 1,089,948</u>

**NOTE P--COMMITMENTS**

The City has entered into various construction contracts. Such contracts include sewer separation contracts necessary for the elimination of combined sewer overflows (CSO's), street resurfacing contracts including improvements of water distribution and wastewater collection systems and site improvement contracts necessary for the construction of infrastructure related to redevelopment. Several of such contracts were in progress but not completed as of June 30, 2007. The total contractual commitments outstanding as of June 30, 2007, aggregated approximately \$5,670,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

**NOTE Q--ENDOWMENT FUND TRANSFER**

On January 22, 2007, the City Council approved the transfer of the Henry McMorran Memorial Auditorium Trust Fund to the Community Foundation of St. Clair County, subject to the terms of the original trust receipt for the endowment fund dated July 19, 1971. On March 14, 2007 the Henry McMorran Memorial Auditorium Authority board also approved the transfer. An agreement with the Community Foundation was entered into April 10, 2007. The transfer of the endowed principal balance and all accumulated income are shown as Special Item – Custodial Capital Transfer. The result is the elimination of the fund balance at June 30, 2007.

**NOTE R--UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board has recently released Statement Number 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The new pronouncement provides guidance for local units of government in recognizing pollution remediation expenses and obligations to address current or potential detrimental effects of existing pollution. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

**NOTE S--SUBSEQUENT EVENT**

On October 22, 2007, the City Council approved the issuance and sale of General Obligation Limited Tax (LTGO) Bonds in order to refund Wastewater Fund LTGO Bonds, Series 2002. The City of Port Huron is expected to sell Wastewater Fund LTGO Refunding Bonds, Series 2007 in the amount of \$7.3 million when market conditions are appropriate.

# 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, 2007

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>
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
2003	95,492	104,161	8,669	91.7	16,183	53.6
2004	97,583	111,867	14,284	87.2	17,521	81.5
2005	99,666	115,704	16,038	86.1	17,210	93.2
2006	103,053	121,765	18,712	84.6	17,466	107.1

# 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 certification 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 grants 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.

Neighborhood Rehabilitation Fund - This fund accounts for federal, state and other grants and private contributions to rehabilitate neighborhood 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. Administration of the endowment fund was transferred to the Community Foundation of St. Clair County during the fiscal year.

City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2007

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets:						
Cash and cash equivalents	\$ 26,165	\$ 638,267	\$ 1,379,605	\$ 169,410	\$	\$ 150
Investments						
Receivables	24,271		17,630		2,945,975	
Due from other governmental units		45,062				91,607
Due from other funds			122,749			
<b>Total Assets</b>	<b>\$ 50,436</b>	<b>\$ 683,329</b>	<b>\$ 1,519,984</b>	<b>\$ 169,410</b>	<b>\$ 2,945,975</b>	<b>\$ 91,757</b>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,319	\$ 18,453	\$ 128,865	\$ 3,063	\$	\$ 3,419
Accrued payroll			4,112	6,388		3,878
Contracts payable						
Taxes collected in advance			54,810			
Due to other funds						84,460
Unearned revenue		15,705			2,945,975	
Other liabilities						
<b>Total Liabilities</b>	<b>3,319</b>	<b>34,158</b>	<b>187,787</b>	<b>9,451</b>	<b>2,945,975</b>	<b>91,757</b>
Fund balances:						
Reserved for endowments						
Unreserved:						
Designated for subsequent years' expenditures			97,586			
Undesignated	47,117	649,171	1,234,611	159,959		
<b>Total Fund Balances</b>	<b>47,117</b>	<b>649,171</b>	<b>1,332,197</b>	<b>159,959</b>		
<b>Total Liabilities and Fund Balances</b>	<b>\$ 50,436</b>	<b>\$ 683,329</b>	<b>\$ 1,519,984</b>	<b>\$ 169,410</b>	<b>\$ 2,945,975</b>	<b>\$ 91,757</b>

Home	Revenue Funds			Permanent Funds		Totals	
	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	Auditorium	June 30, 2007	June 30, 2006
\$ 3,815	\$	\$ 131,485	\$ 6,296	\$ 370,829	\$	\$ 2,726,022	\$ 2,301,173
				5,154,142		5,154,142	5,070,502
				34,621		3,022,497	3,028,725
95,861	42,267					274,797	268,016
						122,749	210,367
<u>\$ 99,676</u>	<u>\$ 42,267</u>	<u>\$ 131,485</u>	<u>\$ 6,296</u>	<u>\$ 5,559,592</u>	<u>\$ 0</u>	<u>\$ 11,300,207</u>	<u>\$ 10,878,783</u>
\$	\$	\$ 1,131	\$ 198	\$	\$	\$ 155,129	\$ 59,152
						17,697	17,537
99,676						99,676	
						54,810	25,143
	38,289					122,749	210,367
	3,978	11,613				2,977,271	2,981,131
				59,185		59,185	53,770
<u>99,676</u>	<u>42,267</u>	<u>12,744</u>	<u>198</u>	<u>59,185</u>		<u>3,486,517</u>	<u>3,347,100</u>
				5,500,407		5,500,407	5,191,744
		26,795	2,000			126,381	104,155
		91,946	4,098			2,186,902	2,235,784
		118,741	6,098	5,500,407		7,813,690	7,531,683
<u>\$ 99,676</u>	<u>\$ 42,267</u>	<u>\$ 131,485</u>	<u>\$ 6,296</u>	<u>\$ 5,559,592</u>	<u>\$ 0</u>	<u>\$ 11,300,207</u>	<u>\$ 10,878,783</u>

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	\$	\$	\$ 2,034,936	\$	\$	\$
Grants		503,137				1,068,828
Charges for services	190,156	261,678		138,159		101,357
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	\$ 190,156	\$ 764,815	\$ 2,034,936	\$ 138,159	\$	\$ 1,170,185
Expenditures:						
Current:						
Public safety	\$	\$ 268,638	\$	\$	\$	\$
Public works			2,010,241	503,895		
General support services	204,458					162,937
Capital outlay		534,402		19,800		1,007,248
Total Expenditures	204,458	803,040	2,010,241	523,695		1,170,185
Revenue over (under) Expenditures	(14,302)	(38,225)	24,695	(385,536)		
Other financing sources (uses):						
Transfers in				467,757		
Transfers out				467,757		
Special item:						
Custodial capital transfer						
Net Change in Fund Balances	(14,302)	(38,225)	24,695	82,221		
Fund balances at beginning of year	61,419	687,396	1,307,502	77,738		
FUND BALANCES AT END OF YEAR	\$ 47,117	\$ 649,171	\$ 1,332,197	\$ 159,959	\$ 0	\$ 0

Revenue Funds				Permanent Funds		Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	Auditorium	June 30, 2007	June 30, 2006
\$ 239,679	\$ 145,779	\$	\$	\$	\$	\$ 2,034,936	\$ 1,973,664
12,100		70,456	2,054	36,130		1,957,423	2,120,690
				263,757	11,535	812,090	989,714
				472,533		275,292	273,010
				772,420	11,535	472,533	(152,025)
<u>\$ 251,779</u>	<u>\$ 145,779</u>	<u>\$ 70,456</u>	<u>\$ 2,054</u>	<u>\$ 772,420</u>	<u>\$ 11,535</u>	<u>\$ 5,552,274</u>	<u>\$ 5,205,053</u>
\$	\$	\$	\$	\$	\$	\$ 268,638	\$ 408,847
35,085	27,200	28,633	7,450			2,542,769	2,298,478
216,694	118,579					437,130	439,480
<u>251,779</u>	<u>145,779</u>	<u>28,633</u>	<u>7,450</u>			<u>1,896,723</u>	<u>1,898,861</u>
		41,823	(5,396)	772,420	11,535	407,014	159,387
			3,300			471,057	311,467
				(263,757)		(263,757)	(258,167)
			3,300	(263,757)		207,300	53,300
					(332,307)	(332,307)	
		41,823	(2,096)	508,663	(320,772)	282,007	212,687
		76,918	8,194	4,991,744	320,772	7,531,683	7,318,996
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,741</u>	<u>\$ 6,098</u>	<u>\$ 5,500,407</u>	<u>\$ 0</u>	<u>\$ 7,813,690</u>	<u>\$ 7,531,683</u>

City of Port Huron

NONMAJOR SPECIAL REVENUE FUNDS - SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
Year Ended June 30, 2007

EXHIBIT C-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RENTAL CERTIFICATION:</b>				
Revenues:				
Charges for services	\$ 182,917	\$ 182,917	\$ 190,156	\$ 7,239
Expenditures:				
Current:				
General support services	207,334	207,334	204,458	2,876
Revenues over (under) Expenditures	(24,417)	(24,417)	(14,302)	10,115
Fund balance at beginning of year	61,419	61,419	61,419	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 37,002</b>	<b>\$ 37,002</b>	<b>\$ 47,117</b>	<b>\$ 10,115</b>
<b>LAW ENFORCEMENT:</b>				
Revenues:				
Grants	\$ 200,000	\$ 650,000	\$ 503,137	\$ (146,863)
Charges for services	285,100	285,100	261,678	(23,422)
Total Revenues	485,100	935,100	764,815	(170,285)
Expenditures:				
Current:				
Public safety	165,076	315,076	268,638	46,438
Capital outlay	320,024	720,024	534,402	185,622
Total Expenditures	485,100	1,035,100	803,040	232,060
Revenues over (under) Expenditures		(100,000)	(38,225)	61,775
Fund balance at beginning of year	687,396	687,396	687,396	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 687,396</b>	<b>\$ 587,396</b>	<b>\$ 649,171</b>	<b>\$ 61,775</b>
<b>RUBBISH AND GARBAGE COLLECTION:</b>				
Revenues:				
Taxes	\$ 2,030,000	\$ 2,030,000	\$ 2,034,936	\$ 4,936
Expenditures:				
Current:				
Public works	2,011,328	2,011,328	2,010,241	1,087
Capital outlay	18,672	18,672		18,672
Total Expenditures	2,030,000	2,030,000	2,010,241	19,759
Revenues over (under) Expenditures			24,695	24,695
Fund balance at beginning of year	1,307,502	1,307,502	1,307,502	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,307,502</b>	<b>\$ 1,307,502</b>	<b>\$ 1,332,197</b>	<b>\$ 24,695</b>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT C-2  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>CEMETERY:</b>				
Revenues:				
Charges for services	\$ 143,600	\$ 143,600	\$ 138,159	\$ (5,441)
Expenditures:				
Current:				
Public works	547,194	582,600	503,895	78,705
Capital outlay	3,000	25,000	19,800	5,200
Total Expenditures	<u>550,194</u>	<u>607,600</u>	<u>523,695</u>	<u>83,905</u>
Revenues over (under) Expenditures	(406,594)	(464,000)	(385,536)	78,464
Other financing sources (uses):				
Transfers in	314,000	464,000	467,757	3,757
Net Change in Fund Balance	(92,594)		82,221	82,221
Fund balance at beginning of year	<u>77,738</u>	<u>77,738</u>	<u>77,738</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ (14,856)</b></u>	<u><b>\$ 77,738</b></u>	<u><b>\$ 159,959</b></u>	<u><b>\$ 82,221</b></u>
<b>LOAN REVOLVING:</b>				
Revenues over Expenditures	\$	\$	\$	\$
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT:</b>				
Revenues:				
Grants	\$ 879,334	\$ 1,379,334	\$ 1,068,828	\$ (310,506)
Charges for services			101,357	101,357
Total Revenues	<u>879,334</u>	<u>1,379,334</u>	<u>1,170,185</u>	<u>(209,149)</u>
Expenditures:				
Current:				
General support services	177,866	177,866	162,937	14,929
Capital outlay	701,468	1,201,468	1,007,248	194,220
Total Expenditures	<u>879,334</u>	<u>1,379,334</u>	<u>1,170,185</u>	<u>209,149</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 0</b></u>

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City of Port Huron

**NONMAJOR SPECIAL REVENUE FUNDS - SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2007

EXHIBIT C-2  
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
HOME:				
Revenues:				
Grants	\$ 272,286	\$ 360,141	\$ 239,679	\$ (120,462)
Charges for services		10,000	12,100	2,100
Total Revenues	<u>272,286</u>	<u>370,141</u>	<u>251,779</u>	<u>(118,362)</u>
Expenditures:				
Current:				
General support services	27,229	37,229	35,085	2,144
Capital outlay	245,057	332,912	216,694	116,218
Total Expenditures	<u>272,286</u>	<u>370,141</u>	<u>251,779</u>	<u>118,362</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NEIGHBORHOOD REHABILITATION:				
Revenues:				
Grants	\$ 347,200	\$ 347,200	\$ 145,779	\$ (201,421)
Expenditures:				
Current:				
General support services	27,200	27,200	27,200	
Capital outlay	320,000	320,000	118,579	201,421
Total Expenditures	<u>347,200</u>	<u>347,200</u>	<u>145,779</u>	<u>201,421</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
STREETSCAPE MAINTENANCE:				
Revenues:				
Charges for services	\$ 70,000	\$ 70,000	\$ 70,456	\$ 456
Expenditures:				
Current:				
Public works	70,000	70,000	28,633	41,367
Revenues over Expenditures			41,823	41,823
Fund balance at beginning of year	76,918	76,918	76,918	
FUND BALANCE AT END OF YEAR	<u>\$ 76,918</u>	<u>\$ 76,918</u>	<u>\$ 118,741</u>	<u>\$ 41,823</u>

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City of Port Huron

**NONMAJOR SPECIAL REVENUE FUNDS - SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2007

EXHIBIT C-2  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>BEAUTIFICATION COMMISSION:</b>				
Revenues:				
Charges for services	\$ 2,000	\$ 2,000	\$ 2,054	\$ 54
Expenditures:				
Current:				
General support services	7,300	10,300	7,450	2,850
Revenues over (under) Expenditures	(5,300)	(8,300)	(5,396)	2,904
Other financing sources:				
Transfers in	3,300	3,300	3,300	
Net Change in Fund Balance	(2,000)	(5,000)	(2,096)	2,904
Fund balance at beginning of year	8,194	8,194	8,194	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 6,194</b>	<b>\$ 3,194</b>	<b>\$ 6,098</b>	<b>\$ 2,904</b>

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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, 2007

EXHIBIT D

ASSETS	Parking	Senior Citizens	Marina
Current assets:			
Cash and cash equivalents	\$ 234,421	\$ 720,762	\$ 253,785
Accounts receivable (net of allowances for uncollectibles)		24,642	5,064
Due from other governmental units			67,962
Inventories			37,565
Prepaid expenses			67,280
Total Current Assets	<u>234,421</u>	<u>745,404</u>	<u>431,656</u>
Capital assets:			
Land	861,665		1,518,228
Land improvements	263,033		591,264
Buildings		5,330,461	656,819
Equipment	3,370	29,697	2,533,421
	<u>1,128,068</u>	<u>5,360,158</u>	<u>5,299,732</u>
Less accumulated depreciation	265,774	3,785,185	3,050,466
Total Capital Assets	<u>862,294</u>	<u>1,574,973</u>	<u>2,249,266</u>
Total Assets	<u>1,096,715</u>	<u>2,320,377</u>	<u>2,680,922</u>
LIABILITIES			
Current liabilities:			
Accounts payable	938	31,487	24,171
Accrued payroll	1,962		5,877
Contracts payable		3,659	29,583
Due to other funds			
Unearned revenue			88,532
Other liabilities		21,942	
Total Current Liabilities	<u>2,900</u>	<u>57,088</u>	<u>148,163</u>
NET ASSETS			
Invested in capital assets	862,294	1,574,973	2,249,266
Unrestricted (deficit)	231,521	688,316	283,493
Total Net Assets	<u>\$ 1,093,815</u>	<u>\$ 2,263,289</u>	<u>\$ 2,532,759</u>

Totals

June 30, 2007	June 30, 2006
\$ 1,208,968	\$ 1,155,678
29,706	19,075
67,962	
37,565	37,005
67,280	69,952
1,411,481	1,281,710
2,379,893	2,379,893
854,297	859,022
5,987,280	5,707,033
2,566,488	2,628,314
11,787,958	11,574,262
7,101,425	6,880,581
4,686,533	4,693,681
6,098,014	5,975,391
56,596	88,248
7,839	9,106
33,242	75,268
	629,047
88,532	95,023
21,942	20,453
208,151	917,145
4,686,533	4,693,681
1,203,330	364,565
\$ 5,889,863	\$ 5,058,246

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT D-1

	<u>Parking</u>	<u>Senior Citizens</u>	<u>Marina</u>
Operating revenues:			
Charges for services	\$ 188,225	\$	\$ 223,722
Rents		377,665	248,118
Total Operating Revenues	<u>188,225</u>	<u>377,665</u>	<u>471,840</u>
Operating expenses:			
Personal services	94,129	3,529	182,402
Supplies and materials	21,839	15,526	210,921
Contractual services	69,235	680,211	323,395
Depreciation	338	190,726	96,331
Total Operating Expenses	<u>185,541</u>	<u>889,992</u>	<u>813,049</u>
Operating Income (Loss)	2,684	(512,327)	(341,209)
Nonoperating revenues (expenses):			
Operating grants		439,507	67,962
Income (Loss) Before Operating Transfers	<u>2,684</u>	<u>(72,820)</u>	<u>(273,247)</u>
Transfers in (out):			
Transfer in			1,175,000
Change in Net Assets	<u>2,684</u>	<u>(72,820)</u>	<u>901,753</u>
Net assets at beginning of year	<u>1,091,131</u>	<u>2,336,109</u>	<u>1,631,006</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,093,815</u>	<u>\$ 2,263,289</u>	<u>\$ 2,532,759</u>

Totals

June 30, 2007	June 30, 2006
\$ 411,947	\$ 491,787
625,783	632,761
1,037,730	1,124,548
280,060	338,055
248,286	343,334
1,072,841	1,078,346
287,395	313,869
1,888,582	2,073,604
(850,852)	(949,056)
507,469	456,525
(343,383)	(492,531)
1,175,000	75,000
831,617	(417,531)
5,058,246	5,475,777
\$ 5,889,863	\$ 5,058,246

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT  
OF CASH FLOWS

Year Ended June 30, 2007

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 188,827	\$ 369,922	\$ 463,348
Payments to suppliers for goods and services	(73,104)	(662,185)	(517,736)
Payments to employees for services	(94,039)	(3,529)	(183,759)
Payments connected with interfund services	(19,831)	(63,816)	(56,021)
Net cash provided by (used in) operating activities	<u>1,853</u>	<u>(359,608)</u>	<u>(294,168)</u>
Cash flows from noncapital financing activities:			
Operating grants received		439,507	
Transfers in			1,175,000
Advances from other funds			(629,047)
Net cash provided by (used in) noncapital financing activities		<u>439,507</u>	<u>545,953</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(280,247)	
Net cash provided by (used in) capital and related financing activities		<u>(280,247)</u>	
Net increase (decrease) in cash and cash equivalents	1,853	(200,348)	251,785
Cash and cash equivalents at beginning of year	232,568	921,110	2,000
Cash and cash equivalents at end of year	<u>\$ 234,421</u>	<u>\$ 720,762</u>	<u>\$ 253,785</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 2,684	\$ (512,327)	\$ (341,209)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	338	190,726	96,331
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables	602	(9,232)	(2,001)
Decrease (increase) in inventory			(560)
Decrease (increase) in prepaid expenses			2,672
Increase (decrease) in accounts payable	(1,861)	7,920	(37,711)
Increase (decrease) in accrued payroll	90		(1,357)
Increase (decrease) in contracts payable		(38,184)	(3,842)
Increase (decrease) in unearned revenue			(6,491)
Increase (decrease) in other liabilities		1,489	
Total Adjustments	<u>(831)</u>	<u>152,719</u>	<u>47,041</u>
Net cash provided by (used in) operating activities	<u>\$ 1,853</u>	<u>\$ (359,608)</u>	<u>\$ (294,168)</u>

Totals

June 30, 2007	June 30, 2006
\$ 1,022,097	\$ 1,122,114
(1,253,025)	(1,211,912)
(281,327)	(362,068)
(139,668)	(127,539)
<u>(651,923)</u>	<u>(579,405)</u>
439,507	456,525
545,953	75,000
<u>(629,047)</u>	<u>223,874</u>
985,460	755,399
<u>(280,247)</u>	<u>(65,571)</u>
<u>(280,247)</u>	<u>(65,571)</u>
53,290	110,423
<u>1,155,678</u>	<u>1,045,255</u>
\$ <u>1,208,968</u>	\$ <u>1,155,678</u>
\$ <u>(850,852)</u>	\$ <u>(949,056)</u>
287,395	313,869
(10,631)	(5,495)
(560)	(5,379)
2,672	(11,295)
(31,652)	66,610
(1,267)	(24,013)
(42,026)	32,293
(6,491)	5,445
1,489	(2,384)
<u>198,929</u>	<u>369,651</u>
\$ <u>(651,923)</u>	\$ <u>(579,405)</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, 2007

EXHIBIT E

ASSETS	Governmental Activities		
	Central Stores	Motor Vehicle	Data Processing
<b>Current assets:</b>			
Cash and cash equivalents	\$ 81,582	\$ 1,902,484	\$ 124,296
Accounts receivable			3,457
Due from other governmental units			
Inventories	38,857	77,891	22,116
Total Current Assets	<u>120,439</u>	<u>1,980,375</u>	<u>149,869</u>
<b>Capital assets:</b>			
Land improvements		1,347,382	
Machinery and equipment	29,483	273,455	325,720
Vehicles		2,019,540	
	29,483	3,640,377	325,720
Less accumulated depreciation	15,625	1,841,727	263,711
Total Capital Assets	<u>13,858</u>	<u>1,798,650</u>	<u>62,009</u>
Total Assets	<u>134,297</u>	<u>3,779,025</u>	<u>211,878</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	3,909	34,157	
Accrued payroll		12,590	9,374
Claims and judgements payable			
Contracts payable		1,050	
Compensated absences payable (current portion)			
Total Current Liabilities	<u>3,909</u>	<u>47,797</u>	<u>9,374</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable (exclusive of current portion)			
Total Liabilities	<u>3,909</u>	<u>47,797</u>	<u>9,374</u>
<b>NET ASSETS</b>			
Invested in capital assets	13,858	1,798,650	62,009
Unrestricted	116,530	1,932,578	140,495
Total Net Assets	<u>\$ 130,388</u>	<u>\$ 3,731,228</u>	<u>\$ 202,504</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2007	June 30, 2006
\$ 13,807,660	\$ 15,916,022	\$ 13,611,772
185,831	189,288	202,642
151,280	151,280	
	138,864	154,496
<u>14,144,771</u>	<u>16,395,454</u>	<u>13,968,910</u>
	1,347,382	1,370,559
	628,658	722,444
	<u>2,019,540</u>	<u>2,515,224</u>
	3,995,580	4,608,227
	<u>2,121,063</u>	<u>2,536,015</u>
	<u>1,874,517</u>	<u>2,072,212</u>
<u>14,144,771</u>	<u>18,269,971</u>	<u>16,041,122</u>
11,252	49,318	42,158
539,456	561,420	519,653
953,335	953,335	1,089,948
	1,050	
410,795	410,795	495,615
<u>1,914,838</u>	<u>1,975,918</u>	<u>2,147,374</u>
2,357,518	2,357,518	2,725,380
<u>4,272,356</u>	<u>4,333,436</u>	<u>4,872,754</u>
	1,874,517	2,072,212
9,872,415	12,062,018	9,096,156
<u>\$ 9,872,415</u>	<u>\$ 13,936,535</u>	<u>\$ 11,168,368</u>

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 135,305	\$ 2,945,556	\$ 1,002,027
Operating expenses:			
Personal services	11,670	781,043	639,085
Supplies and materials	27,086	352,435	75,062
Contractual services	81,760	806,428	211,238
Depreciation	4,703	400,248	58,420
Total Operating Expenses	<u>125,219</u>	<u>2,340,154</u>	<u>983,805</u>
Operating Income (Loss)	<u>10,086</u>	<u>605,402</u>	<u>18,222</u>
Nonoperating revenues:			
Investment income			
Gain on sale of property and equipment		11,233	
Total Nonoperating Revenues		<u>11,233</u>	
Change in Net Assets	10,086	616,635	18,222
Net assets at beginning of year	<u>120,302</u>	<u>3,114,593</u>	<u>184,282</u>
NET ASSETS AT END OF YEAR	<u>\$ 130,388</u>	<u>\$ 3,731,228</u>	<u>\$ 202,504</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2007	June 30, 2006
\$ 11,327,231	\$ 15,410,119	\$ 14,713,065
8,971,408	10,403,206	10,103,100
434	455,017	459,423
847,461	1,946,887	2,055,932
	463,371	479,247
<u>9,819,303</u>	<u>13,268,481</u>	<u>13,097,702</u>
<u>1,507,928</u>	<u>2,141,638</u>	<u>1,615,363</u>
615,296	615,296	387,253
	11,233	3,030
<u>615,296</u>	<u>626,529</u>	<u>390,283</u>
2,123,224	2,768,167	2,005,646
7,749,191	11,168,368	9,162,722
<u>\$ 9,872,415</u>	<u>\$ 13,936,535</u>	<u>\$ 11,168,368</u>

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows from operating activities:			
Receipts from customers	\$ 135,305	\$ 2,945,556	\$ 1,006,507
Payments to suppliers for goods and services	(97,253)	(914,632)	(193,635)
Payments to employees for services	(11,670)	(782,013)	(640,216)
Payments connected with interfund services	(15,040)	(215,948)	(95,282)
Net cash provided by (used in) operating activities	<u>11,342</u>	<u>1,032,963</u>	<u>77,374</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,860)	(249,559)	(13,257)
Proceeds from sale of equipment		11,233	
Net cash provided by (used in) capital and related financial activities	<u>(2,860)</u>	<u>(238,326)</u>	<u>(13,257)</u>
Cash flows from investing activities:			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	8,482	794,637	64,117
Cash and cash equivalents at beginning of year	73,100	1,107,847	60,179
Cash and cash equivalents at end of year	<u>\$ 81,582</u>	<u>\$ 1,902,484</u>	<u>\$ 124,296</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	<u>\$ 10,086</u>	<u>\$ 605,402</u>	<u>\$ 18,222</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,703	400,248	58,420
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			4,480
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	1,006	8,109	6,517
Increase (decrease) in accounts payable	(4,453)	19,124	(9,134)
Increase (decrease) in accrued payroll		(970)	(1,131)
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable		1,050	
Increase (decrease) in compensated absences payable			
Total adjustments	<u>1,256</u>	<u>427,561</u>	<u>59,152</u>
Net cash provided by (used in) operating activities	<u>\$ 11,342</u>	<u>\$ 1,032,963</u>	<u>\$ 77,374</u>

Insurance and Fringe Benefit	Totals	
	June 30, 2007	June 30, 2006
\$ 11,184,825	\$ 15,272,193	\$ 15,026,550
(846,272)	(2,051,792)	(2,337,413)
(9,516,835)	(10,950,734)	(9,722,397)
	(326,270)	(306,946)
<u>821,718</u>	<u>1,943,397</u>	<u>2,659,794</u>
	(265,676)	(561,972)
	11,233	3,030
	(254,443)	(558,942)
615,296	615,296	387,253
<u>615,296</u>	<u>615,296</u>	<u>387,253</u>
1,437,014	2,304,250	2,488,105
<u>12,370,646</u>	<u>13,611,772</u>	<u>11,123,667</u>
\$ <u>13,807,660</u>	\$ <u>15,916,022</u>	\$ <u>13,611,772</u>
\$ 1,507,928	\$ 2,141,638	\$ 1,615,363
	463,371	479,247
8,874	13,354	313,485
(151,280)	(151,280)	
	15,632	(32,978)
1,623	7,160	(96,026)
43,868	41,767	191,419
(136,613)	(136,613)	119,120
	1,050	
(452,682)	(452,682)	70,164
<u>(686,210)</u>	<u>(198,241)</u>	<u>1,044,431</u>
\$ <u>821,718</u>	\$ <u>1,943,397</u>	\$ <u>2,659,794</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 the E.W. Kiefer Fund and the Senior Citizens Fund 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. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

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.

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

City of Port Huron

FIDUCIARY FUNDS - COMBINING STATEMENT OF NET ASSETS  
June 30, 2007

EXHIBIT F

	Trust Funds		Totals	
	E. W. Kiefer	Senior Citizens	June 30, 2007	June 30, 2006
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$ 29,745	\$ 29,745	\$ 32,530
<b>LIABILITIES</b>				
Other liabilities				
<b>NET ASSETS</b>				
Net assets held in trust	<u>\$ 0</u>	<u>\$ 29,745</u>	<u>\$ 29,745</u>	<u>\$ 32,530</u>

City of Port Huron

**FIDUCIARY FUNDS - COMBINING**  
**STATEMENT OF CHANGES IN NET ASSETS**  
 Year Ended June 30, 2007

EXHIBIT F-1

	E. W. Kiefer	Senior Citizens	Totals	
			June 30, 2007	June 30, 2006
<b>Additions:</b>				
Investment income	\$ 7	\$ 1,403	\$ 1,410	\$ 1,097
<b>Deductions:</b>				
Supplies and materials		900	900	900
Contractual services	3,295		3,295	20
Total Deductions	3,295	900	4,195	920
Change in Net Assets	(3,288)	503	(2,785)	177
Net assets at beginning of year	3,288	29,242	32,530	32,353
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 29,745</b>	<b>\$ 29,745</b>	<b>\$ 32,530</b>

City of Port Huron

**AGENCY FUND - STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**  
Year Ended June 30, 2007

EXHIBIT F-2

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 262,677</u>	<u>\$ 36,706,145</u>	<u>\$ 36,268,230</u>	<u>\$ 700,592</u>
<b>LIABILITIES</b>				
Due to other governmental units	<u>\$ 59,631</u>	<u>\$ 21,865,406</u>	<u>\$ 21,895,324</u>	<u>\$ 29,713</u>
Taxes collected in advance	<u>203,046</u>	<u>670,879</u>	<u>203,046</u>	<u>670,879</u>
Total Liabilities	<u>\$ 262,677</u>	<u>\$ 22,536,285</u>	<u>\$ 22,098,370</u>	<u>\$ 700,592</u>

# FINANCIAL STATEMENTS

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## DISCRETELY PRESENTED GOVERNMENTAL 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 specific revenue fund.

**Local Development Finance Authority** - The financing of public facilities and general infrastructure needs for specific project districts through the collection of property tax revenues restricted for these purposes is accomplished through this Authority. The operating activities of the Authority are accounted for as a governmental - type fund with the single plan reported as a special revenue fund.

**Brownfield Redevelopment Authority** - The Authority is used to finance remediation, removal and redevelopment of formerly contaminated properties for beneficial uses. The Authority is authorized to collect property tax revenues restricted for these purposes. The operating activities of the Authority are accounted for as a governmental - type fund with the single plan reported as a special revenue fund.

City of Port Huron

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS -  
TAX INCREMENT AUTHORITIES - COMBINING BALANCE SHEET SCHEDULE**  
June 30, 2007

EXHIBIT G

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 370,724	\$ 1,164,088	\$	\$ 376,663	\$ 1,911,475
Receivables	4,482			4,164	8,646
Total Assets	<u>\$ 375,206</u>	<u>\$ 1,164,088</u>	<u>\$ 0</u>	<u>\$ 380,827</u>	<u>\$ 1,920,121</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 90	\$ 54	\$	\$ 376,185	\$ 376,329
Total Liabilities	<u>90</u>	<u>54</u>		<u>376,185</u>	<u>376,329</u>
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	356,000	255,000			611,000
Undesignated	19,116	909,034		4,642	932,792
Total Fund Balances	<u>375,116</u>	<u>1,164,034</u>		<u>4,642</u>	<u>1,543,792</u>
Total Liabilities and Fund Balances	<u>\$ 375,206</u>	<u>\$ 1,164,088</u>	<u>\$ 0</u>	<u>\$ 380,827</u>	<u>\$ 1,920,121</u>

City of Port Huron

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS - TAX INCREMENT AUTHORITIES-  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2007 EXHIBIT G-1

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
<b>Revenues:</b>					
Taxes	\$ 1,170,252	\$ 2,786,496	\$ 235,471	\$ 383,335	\$ 4,575,554
State shared revenues	4,011				4,011
Other revenue	544,932				544,932
<b>Total Revenues</b>	<u>1,719,195</u>	<u>2,786,496</u>	<u>235,471</u>	<u>383,335</u>	<u>5,124,497</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Taxes disbursed - not captured		2,626,907			2,626,907
General support services	17,940	86,565	41,267	379,123	524,895
Capital outlay	5,848	6,162			12,010
<b>Total Expenditures</b>	<u>23,788</u>	<u>2,719,634</u>	<u>41,267</u>	<u>379,123</u>	<u>3,163,812</u>
<b>Revenues over (under) Expenditures</b>	<u>1,695,407</u>	<u>66,862</u>	<u>194,204</u>	<u>4,212</u>	<u>1,960,685</u>
<b>Other financing sources (uses):</b>					
<b>Transfers in:</b>					
Primary government					
<b>Transfers out:</b>					
Primary government	(1,540,469)	(159,189)	(194,204)		(1,893,862)
	<u>(1,540,469)</u>	<u>(159,189)</u>	<u>(194,204)</u>		<u>(1,893,862)</u>
<b>Net Change in Fund Balances</b>	154,938	(92,327)		4,212	66,823
<b>Fund balances at beginning of year</b>	220,178	1,256,361		430	1,476,969
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 375,116</u>	<u>\$ 1,164,034</u>	<u>\$ 0</u>	<u>\$ 4,642</u>	<u>\$ 1,543,792</u>

City of Port Huron

**DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE**

June 30, 2007

EXHIBIT G-2

	<u>Operating</u>	<u>Harrington Hotel</u>	<u>Bank</u>	<u>Special Revenue Edison Redevelopment Area</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 113,711	\$ 100,047	\$ 156,876	\$ 90
Receivables	847			
Total Assets	<u>\$ 114,558</u>	<u>\$ 100,047</u>	<u>\$ 156,876</u>	<u>\$ 90</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 90
Total Liabilities				<u>90</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	100,000	100,000	156,000	
Undesignated	14,558	47	876	
Total Fund Balances	<u>114,558</u>	<u>100,047</u>	<u>156,876</u>	
Total Liabilities and Fund Balances	<u>\$ 114,558</u>	<u>\$ 100,047</u>	<u>\$ 156,876</u>	<u>\$ 90</u>

Funds

Mainstreet	Water Street	Totals
\$ 3,635	\$	\$ 370,724 4,482
<u>\$ 3,635</u>	<u>\$ 0</u>	<u>\$ 375,206</u>
\$	\$	\$ 90
<u></u>	<u></u>	<u>90</u>
3,635		356,000
<u>3,635</u>	<u></u>	<u>19,116</u>
<u>3,635</u>	<u></u>	<u>375,116</u>
<u>\$ 3,635</u>	<u>\$ 0</u>	<u>\$ 375,206</u>

City of Port Huron

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

Year Ended June 30, 2007

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 92,531	\$ 28,197	\$ 42,250	\$ 530,164
State shared revenues	4,011			
Other revenue	4,800			
Total Revenues	<u>101,342</u>	<u>28,197</u>	<u>42,250</u>	<u>530,164</u>
Expenditures:				
Current:				
General support services	17,909			
Capital outlay				4,727
Total Expenditures	<u>17,909</u>	<u>          </u>	<u>          </u>	<u>4,727</u>
Revenues over (under) Expenditures	<u>83,433</u>	<u>28,197</u>	<u>42,250</u>	<u>525,437</u>
Other financing sources (uses):				
Transfers in:				
Primary government				
Transfers out:				
Primary government				(525,437)
				<u>(525,437)</u>
Net Change in Fund Balances	83,433	28,197	42,250	
Fund balances at beginning of year	<u>31,125</u>	<u>71,850</u>	<u>114,626</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 114,558</u>	<u>\$ 100,047</u>	<u>\$ 156,876</u>	<u>\$ 0</u>

Mainstreet	Water Street	Totals
\$ 47,326	\$ 429,784	\$ 1,170,252
		4,011
	540,132	544,932
<u>47,326</u>	<u>969,916</u>	<u>1,719,195</u>
31		17,940
250	871	5,848
<u>281</u>	<u>871</u>	<u>23,788</u>
<u>47,045</u>	<u>969,045</u>	<u>1,695,407</u>
(45,987)	(969,045)	(1,540,469)
<u>(45,987)</u>	<u>(969,045)</u>	<u>(1,540,469)</u>
1,058		154,938
<u>2,577</u>		<u>220,178</u>
<u>\$ 3,635</u>	<u>\$ 0</u>	<u>\$ 375,116</u>

## TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2007

EXHIBIT G-4

	Special Revenue Funds				Totals
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 857,306	\$ 185,730	\$ 121,052	\$	\$ 1,164,088
Total Assets	<u>\$ 857,306</u>	<u>\$ 185,730</u>	<u>\$ 121,052</u>	<u>\$ 0</u>	<u>\$ 1,164,088</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$	\$ 54	\$	\$	\$ 54
Total Liabilities		<u>54</u>			<u>54</u>
<b>Fund balances:</b>					
<b>Unreserved:</b>					
Designated for subsequent years' expenditures	230,000	25,000			255,000
Undesignated	627,306	160,676	121,052		909,034
Total Fund Balances	<u>857,306</u>	<u>185,676</u>	<u>121,052</u>		<u>1,164,034</u>
Total Liabilities and Fund Balances	<u>\$ 857,306</u>	<u>\$ 185,730</u>	<u>\$ 121,052</u>	<u>\$ 0</u>	<u>\$ 1,164,088</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, 2007

EXHIBIT G-5

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
Revenues:					
Taxes	\$ 1,507,667	\$ 529,645	\$ 589,595	\$ 159,589	\$ 2,786,496
Expenditures:					
Current:					
Taxes disbursed - not captured	1,507,667	529,645	589,595		2,626,907
General support services	86,565				86,565
Capital outlay		5,762		400	6,162
Total Expenditures	<u>1,594,232</u>	<u>535,407</u>	<u>589,595</u>	<u>400</u>	<u>2,719,634</u>
Revenues over (under)					
Expenditures	(86,565)	(5,762)		159,189	66,862
Other financing sources (uses):					
Transfers out - primary government				(159,189)	(159,189)
Net Change in Fund Balances	(86,565)	(5,762)			(92,327)
Fund balances at beginning of year	<u>943,871</u>	<u>191,438</u>	<u>121,052</u>		<u>1,256,361</u>
FUND BALANCES AT END OF YEAR	<u>\$ 857,306</u>	<u>\$ 185,676</u>	<u>\$ 121,052</u>	<u>\$ 0</u>	<u>\$ 1,164,034</u>

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# STATISTICAL SECTION

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

**Financial Trends** - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

- Net Assets by Component
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

**Revenue Capacity** - These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

- Taxable, Assessed and Equalized and Estimated Actual Valuation of Property
- Principal Property Taxpayers
- Direct and Overlapping Property Tax Rates
- Property Tax Levies and Collections
- Tax Information

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Direct and Overlapping Debt
- Computation of Legal Debt Margin
- Legal Debt Margin
- Revenue Bond Coverage

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

- Demographic and Economic Statistics
- Principal Employers

**Operation Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

- Full-time Equivalent Government Employees
- Operating Indicators
- Capital Asset Statistics
- Public Works Projects - Completed Projects
- Public Works Projects - Current Year Projects

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and the records of the City of Port Huron.

City of Port Huron

NET ASSETS BY COMPONENT  
Last Five Fiscal Years

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>
<b>Governmental Activities:</b>			
Invested in capital assets, net of related debt	\$ 35,485,109	\$ 36,615,040	\$ 36,890,140
Restricted	6,351,281	7,393,013	8,045,437
Unrestricted	17,062,698	17,712,746	18,754,236
Total Net Assets	<u>58,899,088</u>	<u>61,720,799</u>	<u>63,689,813</u>
<b>Business Type Activities:</b>			
Invested in capital assets, net of related debt	68,361,930	62,588,215	63,399,007
Restricted	1,136,532	1,134,111	1,148,328
Unrestricted	19,706,169	24,194,007	21,773,795
Total Net Assets	<u>89,204,631</u>	<u>87,916,333</u>	<u>86,321,130</u>
<b>Total Primary Government:</b>			
Invested in capital assets, net of related debt	103,847,039	99,203,255	100,289,147
Restricted	7,487,813	8,527,124	9,193,765
Unrestricted	36,768,867	41,906,753	40,528,031
<b>TOTAL NET ASSETS</b>	<u>\$ 148,103,719</u>	<u>\$ 149,637,132</u>	<u>\$ 150,010,943</u>

<u>June 30, 2006</u>	<u>June 30, 2007</u>
\$ 37,917,205	\$ 39,143,574
8,395,407	7,756,905
20,930,937	24,441,973
<u>67,243,549</u>	<u>71,342,452</u>
62,988,238	65,911,126
1,135,607	
19,979,887	18,023,305
<u>84,103,732</u>	<u>83,934,431</u>
100,905,443	105,054,700
9,531,014	7,756,905
40,910,824	42,465,278
<u>\$ 151,347,281</u>	<u>\$ 155,276,883</u>

City of Port Huron

CHANGES IN NET ASSETS  
Last Five Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
<b>Expenses:</b>			
<b>Governmental activities:</b>			
General government	\$ 4,077,747	\$ 4,145,608	\$ 4,337,928
Public safety	11,838,334	12,111,816	12,370,766
Public works	7,675,927	7,517,051	8,089,009
Health and welfare	62,125	13,717	13,895
Community and economic development	2,305,879	2,706,277	2,524,509
Recreation, parks and culture	2,669,962	2,560,247	2,758,417
Total Governmental Activities Expenses	<u>28,629,974</u>	<u>29,054,716</u>	<u>30,094,524</u>
<b>Business-type activities:</b>			
Water	5,039,293	5,565,328	5,592,090
Wastewater	10,753,669	11,254,069	11,504,952
Land purchase	1,202,243	524,826	453,972
Parking	164,866	164,456	191,747
Senior citizens	698,169	726,037	749,544
Marina	833,789	896,597	942,724
Total Business-Type Activities Expenses	<u>18,692,029</u>	<u>19,131,313</u>	<u>19,435,029</u>
Total Primary Government Expenses	<u>47,322,003</u>	<u>48,186,029</u>	<u>49,529,553</u>
<b>Program Revenues:</b>			
<b>Governmental activities:</b>			
<b>Charges for services:</b>			
General government	1,884,026	1,965,093	2,173,930
Public safety	640,868	591,887	565,830
Public works	228,617	267,017	240,756
Community and economic development	438,047	545,298	611,872
Recreation, parks and culture	99,163	116,133	168,378
<b>Operating grants and contributions:</b>			
Public safety	18,051	83,514	151,174
Public works	2,519,350	2,708,865	2,684,859
Community and economic development	1,617,573	1,995,861	1,597,341
<b>Capital grants and contributions:</b>			
Public safety	71,578	122,275	485,064
Public works	1,240,875	2,400,034	934,408
Recreation, parks and culture	130,058	109,276	116,837
Total Governmental Activities Program Revenues	<u>\$ 8,888,206</u>	<u>\$ 10,905,253</u>	<u>\$ 9,730,449</u>

(Continued on next page)

Year Ended June 30, 2006	Year Ended June 30, 2007
\$ 4,352,715	\$ 3,294,266
12,870,592	12,775,838
8,033,049	8,822,339
18,171	17,851
2,111,966	2,396,732
2,922,958	2,628,408
<u>30,309,451</u>	<u>29,935,434</u>
6,143,152	6,296,545
12,852,702	13,269,918
833,578	193,013
202,593	185,541
866,645	889,992
1,004,366	813,049
<u>21,903,036</u>	<u>21,648,058</u>
<u>52,212,487</u>	<u>51,583,492</u>
2,407,797	1,636,600
825,494	673,556
263,250	246,799
762,589	723,750
123,254	183,387
63,337	89,077
2,586,679	2,570,537
1,166,245	1,454,286
1,323,802	532,389
836,753	1,547,572
125,626	127,832
<u>\$ 10,484,826</u>	<u>\$ 9,785,785</u>

City of Port Huron

CHANGES IN NET ASSETS  
Last Five Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
Business-type activities:			
Charges for services:			
Water	\$ 4,704,166	\$ 4,859,803	\$ 5,237,462
Wastewater	7,962,142	7,854,913	8,415,350
Land purchase	227,598	263,316	211,643
Parking	195,697	206,962	215,617
Senior citizens	314,687	328,272	368,805
Marina	462,180	576,132	604,697
Operating grants and contributions:			
Land purchase	1,276,947	1,218,769	1,059,947
Senior citizens	475,626	467,910	450,619
Marina			
Capital grants and contributions:			
Water	149,480	53,760	217
Wastewater	1,398,124	1,126,701	250,816
Land purchase		114,385	39,705
Marina	20,962		
Total Business-Type Activities Program Revenues	<u>17,187,609</u>	<u>17,070,923</u>	<u>16,854,878</u>
Total Primary Government Program Revenues	<u>26,075,815</u>	<u>27,976,176</u>	<u>26,585,327</u>
Net (expense)/revenue:			
Governmental activities	(19,741,768)	(18,149,463)	(20,364,075)
Business-type activities	(1,504,420)	(2,060,390)	(2,580,151)
Total Primary Government Net Expense	<u>(21,246,188)</u>	<u>(20,209,853)</u>	<u>(22,944,226)</u>
General revenues and other changes in net assets:			
Governmental activities:			
Property taxes	10,524,978	10,841,995	11,453,590
Income tax	5,551,093	5,555,182	5,955,633
Unrestricted state-shared revenues	4,674,395	4,220,535	4,134,528
Unrestricted investment income	705,669	581,626	953,716
Gain on sale of capital assets	77,703	3,642	27,691
Unrestricted cable fees and other income	283,992	308,194	307,931
Special item - custodial capital transfer			
Transfers		(540,000)	(500,000)
Total Governmental Activities	<u>21,817,830</u>	<u>20,971,174</u>	<u>22,333,089</u>
Business-type activities:			
Unrestricted investment income	379,296	232,092	431,755
Gain on sale of capital assets	1,388,014		2,689
Other income	1,000		50,504
Transfers		540,000	500,000
Total Business-Type Activities	<u>1,768,310</u>	<u>772,092</u>	<u>984,948</u>
Total Primary Government	<u>23,586,140</u>	<u>21,743,266</u>	<u>23,318,037</u>
Change in net assets:			
Governmental activities	2,076,062	2,821,711	1,969,014
Business-type activities	263,890	(1,288,298)	(1,595,203)
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,339,952</u>	<u>\$ 1,533,413</u>	<u>\$ 373,811</u>

<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2007</u>
\$ 5,542,397	\$ 5,601,863
8,783,025	8,942,423
251,600	307,432
187,623	188,225
375,771	377,665
561,154	471,840
1,230,828	1,893,862
456,525	439,507
	67,962
	107,153
779,138	1,139,982
405,910	
<u>18,573,971</u>	<u>19,537,914</u>
<u>29,058,797</u>	<u>29,323,699</u>
(19,824,625)	(20,149,649)
(3,329,065)	(2,110,144)
<u>(23,153,690)</u>	<u>(22,259,793)</u>
11,863,700	12,214,363
6,142,537	6,404,789
4,101,722	3,979,187
1,209,797	2,272,546
4,074	18,176
306,531	391,798
	(332,307)
(250,000)	(700,000)
<u>23,378,361</u>	<u>24,248,552</u>
851,667	873,039
	362,734
10,000	5,070
250,000	700,000
<u>1,111,667</u>	<u>1,940,843</u>
<u>24,490,028</u>	<u>26,189,395</u>
3,553,736	4,098,903
(2,217,398)	(169,301)
<u>\$ 1,336,338</u>	<u>\$ 3,929,602</u>

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Five Fiscal Years

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>
General fund:			
Reserved	\$ 6,165	\$ 4,227	\$ 5,866
Unreserved	3,241,893	3,631,421	3,823,280
Total General Fund	<u>3,248,058</u>	<u>3,635,648</u>	<u>3,829,146</u>
All other governmental funds:			
Reserved	5,181,238	5,294,601	5,423,208
Unreserved, reported in:			
Special revenue funds	7,612,986	8,609,145	9,225,452
Permanent funds	117,904	119,519	121,685
Total All Other Governmental Funds	<u>12,912,128</u>	<u>14,023,265</u>	<u>14,770,345</u>
TOTAL ALL GOVERNMENTAL FUNDS	<u>\$ 16,160,186</u>	<u>\$ 17,658,913</u>	<u>\$ 18,599,491</u>

<u>June 30, 2006</u>	<u>June 30, 2007</u>
\$ 5,728	\$ 5,133
3,895,856	4,093,971
<u>3,901,584</u>	<u>4,099,104</u>
5,393,331	5,723,863
9,813,947	9,394,473
120,772	
<u>15,328,050</u>	<u>15,118,336</u>
<u>\$ 19,229,634</u>	<u>\$ 19,217,440</u>

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Five Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
<b>Revenues:</b>			
<b>Taxes:</b>			
Property taxes:			
General fund	\$ 7,146,695	\$ 7,367,483	\$ 7,782,286
Municipal streets fund:			
Streets millage	1,231,961	1,271,297	1,350,942
BWATC millage	400,469	401,666	417,181
Rubbish and garbage collection fund	1,745,853	1,801,549	1,903,181
Total	<u>10,524,978</u>	<u>10,841,995</u>	<u>11,453,590</u>
Income taxes	5,551,093	5,555,182	5,955,633
Total Taxes	<u>16,076,071</u>	<u>16,397,177</u>	<u>17,409,223</u>
Licenses and permits	517,234	630,550	608,278
Grants	2,489,073	3,385,654	3,145,132
State shared revenues	7,006,800	7,028,268	6,839,326
Charges for services	1,119,517	1,196,962	1,280,043
Fines and forfeits	251,427	208,089	209,910
Contributions	257,179	51,033	
Investment income	597,181	493,857	791,134
Rents	184,291	184,172	214,062
Sale of property	57,279	3,642	14,378
Other income			
Administrative charges	1,292,306	1,377,851	1,487,565
Total Revenues	<u>29,848,358</u>	<u>30,957,255</u>	<u>31,999,051</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	3,033,866	3,067,793	3,337,326
Public safety	11,905,176	12,042,431	12,949,822
Public works	6,028,658	5,658,525	6,209,151
Senior citizens	62,125	13,717	13,895
Recreation, parks and culture	2,660,764	2,465,518	2,709,954
General support services	1,507,001	1,379,209	1,446,623
Capital outlay	3,555,075	4,291,335	3,841,702
Total Expenditures	<u>28,752,665</u>	<u>28,918,528</u>	<u>30,508,473</u>
Revenues over (under) Expenditures	<u>1,095,693</u>	<u>2,038,727</u>	<u>1,490,578</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,845,287	1,476,726	1,709,889
Transfers out	<u>(2,145,287)</u>	<u>(2,016,726)</u>	<u>(2,259,889)</u>
	<u>(300,000)</u>	<u>(540,000)</u>	<u>(550,000)</u>
Special item:			
Custodial capital transfer			
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 795,693</u>	<u>\$ 1,498,727</u>	<u>\$ 940,578</u>

<u>Year Ended</u> <u>June 30, 2006</u>	<u>Year Ended</u> <u>June 30, 2007</u>
\$ 8,049,963	\$ 8,286,548
1,401,182	1,444,684
438,891	448,195
1,973,664	2,034,936
<u>11,863,700</u>	<u>12,214,363</u>
6,142,537	6,404,789
<u>18,006,237</u>	<u>18,619,152</u>
764,635	736,935
3,418,137	3,111,899
6,689,794	6,630,858
1,533,599	1,416,319
203,515	211,878
822,544	1,657,250
240,776	251,090
1,044	6,943
	75,000
1,616,251	1,720,005
<u>33,296,532</u>	<u>34,437,329</u>
3,691,208	3,885,773
13,750,871	13,528,954
6,517,340	6,929,700
18,171	17,851
2,916,950	2,776,161
1,365,483	1,290,166
4,156,366	4,988,611
<u>32,416,389</u>	<u>33,417,216</u>
880,143	1,020,113
2,004,731	3,058,374
(2,254,731)	(3,758,374)
<u>(250,000)</u>	<u>(700,000)</u>
	(332,307)
<u>\$ 630,143</u>	<u>\$ (12,194)</u>

City of Port Huron

TAXABLE, ASSESSED AND EQUALIZED AND ESTIMATED ACTUAL VALUATION OF PROPERTY  
Last Ten Fiscal Years and Succeeding Year

TAXABLE VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
1997-1998	\$ 298,950,217	\$ 89,144,723	\$ 31,987,339	\$ 420,082,279	\$ 85,312,150	\$ 505,394,429
1998-1999	314,256,844	89,717,862	33,725,626	437,700,332	97,402,375	535,102,707
1999-2000	326,463,799	92,902,196	35,345,860	454,711,855	104,918,375	559,630,230
2000-2001	339,650,137	95,862,366	37,700,569	473,213,072	105,730,775	578,943,847
2001-2002	360,279,722	99,739,934	39,257,794	499,277,450	116,239,150	615,516,600
2002-2003	386,267,293	98,306,355	43,963,985	528,537,633	116,579,850	645,117,483
2003-2004	400,963,223	104,021,942	47,535,082	552,520,247	111,710,650	664,230,897
2004-2005	419,175,807	110,508,670	47,279,153	576,963,630	107,345,450	684,309,080
2005-2006	439,901,675	127,344,313	47,135,901	614,381,889	116,758,250	731,140,139
2006-2007	462,822,102	133,346,548	48,689,916	644,858,566	111,126,000	755,984,566
2007-2008	484,507,112	139,212,025	48,060,220	671,779,357	115,133,200	786,912,557

ASSESSED AND EQUALIZED VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
1997-1998	\$ 322,552,125	\$ 93,745,675	\$ 34,049,350	\$ 450,347,150	\$ 85,312,150	\$ 535,659,300
1998-1999	349,896,375	94,065,600	35,309,975	479,271,950	97,402,375	576,674,325
1999-2000	371,889,450	98,883,500	37,832,175	508,605,125	104,918,375	613,523,500
2000-2001	398,934,025	104,662,800	39,989,400	543,586,225	105,730,775	649,317,000
2001-2002	432,681,200	108,995,200	41,096,000	582,772,400	116,239,150	699,011,550
2002-2003	477,830,800	113,452,500	47,771,300	639,054,600	116,579,850	755,634,450
2003-2004	498,550,400	121,163,000	52,161,700	671,875,100	111,710,650	783,585,750
2004-2005	510,041,900	133,193,200	51,574,400	694,809,500	107,345,450	802,154,950
2005-2006	540,571,900	151,284,900	51,988,800	743,845,600	116,758,250	860,603,850
2006-2007	577,001,000	158,720,100	52,679,000	788,400,100	111,126,000	899,526,100
2007-2008	588,570,400	163,228,600	51,057,200	802,856,200	115,133,200	917,989,400

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 IFT and CFT</u>	<u>Total Taxable Valuation</u>	<u>Taxable Value as a Percent Actual</u>
\$ 17,068,200	\$ 46,507,350	\$ 115,075	\$ 63,690,625	\$ 569,085,054	47.48%
18,397,075	47,332,325		65,729,400	600,832,107	46.76
18,833,575	43,646,875		62,480,450	622,110,680	46.01
17,389,550	39,527,675		56,917,225	635,861,072	45.02
17,889,550	32,475,700		50,365,250	665,881,850	44.43
19,682,550	29,151,850		48,834,400	693,951,883	43.13
16,358,850	25,562,900		41,921,750	706,152,647	42.77
15,372,259	25,319,900		40,692,159	725,001,239	43.00
13,055,376	27,618,000		40,673,376	771,813,515	42.77
12,094,334	26,364,900		38,459,234	794,443,800	42.32
12,546,325	22,052,200		34,598,525	821,511,082	43.10

INDUSTRIAL AND COMMERCIAL FACILITIES ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Commercial Real Property</u>	<u>Total IFT and CFT</u>	<u>Total Equalized Valuation</u>	<u>Estimated Actual Value</u>
\$ 17,068,200	\$ 46,507,350	\$ 115,075	\$ 63,690,625	\$ 599,349,925	\$ 1,198,699,850
18,397,075	47,332,325		65,729,400	642,403,725	1,284,807,450
18,833,575	43,646,875		62,480,450	676,003,950	1,352,007,900
17,389,550	39,527,675		56,917,225	706,234,225	1,412,468,450
17,889,550	32,475,700		50,365,250	749,376,800	1,498,753,600
19,682,550	29,151,850		48,834,400	804,468,850	1,608,937,700
16,358,850	25,562,900		41,921,750	825,507,500	1,651,015,000
15,460,600	25,319,900		40,780,500	842,935,450	1,685,870,900
14,102,600	27,618,000		41,720,600	902,324,450	1,804,648,900
12,688,700	26,364,900		39,053,600	938,579,700	1,877,159,400
13,012,600	22,052,200		35,064,800	953,054,200	1,906,108,400

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 \$755,984,566 and the abated taxable valuation of \$38,459,234 as of December 31, 2005 were used as the basis for determining the fiscal 2006-2007 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 PROPERTY TAXPAYERS

June 30, 2007

<u>Taxpayer</u>	<u>2007 Ad Valorem Taxable Valuation</u>	<u>2007 Industrial Facilities Taxable Value</u>	<u>2007 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2007 Rank</u>
Acheson Ventures/ Acheson Foundation	\$ 25,494,243	\$	\$ 25,494,243	3.10%	1
Domtar (E.B. Eddy Paper)	18,037,996	4,624,700	22,662,696	2.76	2
Mueller Brass Company	4,265,608	12,674,900	16,940,508	2.06	3
DTE Energy (Detroit Edison)	12,070,397		12,070,397	1.47	4
Acheson Industries	11,025,621		11,025,621	1.34	5
IAC (formerly Lear Corporation)	7,895,179	1,895,231	9,790,410	1.19	6
Collins and Aikman (Textron)	2,578,700	6,205,200	8,783,900	1.07	7
H.P. Pelzer	3,052,451	5,686,400	8,738,851	1.06	8
Royal Oak Boring	6,285,900	1,958,700	8,244,600	1.00	9
Sportrack (Advanced Accessory)	5,934,121	238,600	6,172,721	.75	10
Plastech (LDM)	5,049,597	214,100	5,263,697	.64	11
SEMCO Energy Company	5,009,541		5,009,541	.61	12
Port Huron Molded Products (Blue Water Automotive)	4,478,800	509,500	4,988,300	.61	13
Parkview Property Management	3,800,321		3,800,321	.46	14
Innkeepers Management (Edison Inn)	3,788,063		3,788,063	.46	15
Cross Hueller Ex-Cell-O-Lamb	3,241,500	320,200	3,561,700	.44	16
Shawmut Mills	1,386,766	2,106,300	3,493,066	.43	17
Citizens First Savings Bank	3,444,782		3,444,782	.42	18
Black River Plastics	1,351,500	1,998,598	3,350,098	.41	19
Times Herald Co.	3,336,891		3,336,891	.41	20
Blue Water Fiber Co.					
Crown Paper Co.					
Petri, Inc.					
Sombur Machine and Tool Inc.					
U.S. Manufacturing Company					
Huron Inc.					
Pine Grove Plaza					
Huron Advanced Technologies					
	<u>\$ 131,527,977</u>	<u>\$ 38,432,429</u>	<u>\$ 169,960,406</u>	<u>20.69%</u>	

The listing includes equipment and other property used in operations, but titled to others.

<u>1998 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>1998 Rank</u>
\$	%	
27,479,875	5.14	1
15,668,350	2.93	2
12,171,226	2.27	3
8,725,505	1.63	7
7,523,700	1.41	8
5,266,400	.98	10
3,193,425	.60	17
5,570,711	1.04	9
3,717,918	.69	11
3,480,046	.65	14
3,583,601	.67	12
3,433,992	.64	15
11,709,381	2.19	4
11,303,342	2.11	5
9,636,651	1.80	6
3,532,708	.66	13
3,200,950	.60	16
3,134,050	.59	18
2,794,700	.52	19
<u>2,720,218</u>	<u>.51</u>	20
<u>\$ 147,846,749</u>	<u>27.63%</u>	

City of Port Huron

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

Year	CITY					BWATC
	Operating	Debt Service	Streets	Rubbish and Garbage Collection	Total	Bus Operating
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
2003-2004	11.2696		1.9880	2.8173	16.0749	.6294
2004-2005	11.2696		2.0000	2.8173	16.0869	.6294
2005-2006	11.2696		2.0000	2.8173	16.0869	.6245
2006-2007	11.2696		2.0000	2.8173	16.0869	.6245

Year	COUNTY					COLLEGE
	St. Clair County	Intermediate School	Special Education	Vocational Education	Total	Operating and Debt
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
2003-2004	7.1048	.1949	2.3228	.9291	10.5516	1.8891
2004-2005	7.1048	.1949	2.3228	.9291	10.5516	1.8891
2005-2006	7.1018	.1948	2.3225	.9290	10.5481	1.8891
2006-2007	7.3022	.1938	2.3113	.9245	10.7318	1.8891

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2003-2004	18.0000*	2.0000	20.0000	5.0000	36.1450	54.1450
2004-2005	18.0000*	2.0000	20.0000	6.0000	37.1570	55.1570
2005-2006	18.0000*	2.0000	20.0000	6.0000	37.1486	55.1486
2006-2007	18.0000*	2.0000	20.0000	6.0000	37.3323	55.3323

Without local voter approval, the City of Port Huron's millage levies are limited to the amounts currently levied (11.2696 mills for operating, 2.00 mills for streets and 2.8173 mills for rubbish and garbage collection).

\*Non personal residence property only

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>
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 (209,651)	99.29	25,515	.23
2003-2004	11,081,086	10,379,513	93.67	633,054 (80,207)	99.38	30,416	.27
2004-2005	11,533,367	10,847,759	94.06	770,168 (112,596)	100.73	36,733	.32
2005-2006	12,370,474	11,563,855	93.48	643,688 (89,685)	98.68	128,651	1.04
2006-2007	12,695,967	12,034,215	94.79	664,615 (648)	100.02	112,370	.89

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.

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City of Port Huron

TAX INFORMATION

TAXES DUE: July 1st

PAYABLE: City, School and County operating taxes are due and payable July 1st at the office of the City Treasurer. (Other 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 (City Charter). Another addition of one percent (1%) is made on the fifteenth day of September and each month or fraction thereof thereafter (State law). 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, 2010	Year 2007
May, 2011	Year 2008

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

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

City of Port Huron

RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001
Direct Bonded Debt:				
Business-type Activities:				
Housing General Obligation Bonds	\$ 1,000,000	\$ 800,000	\$ 600,000	\$ 400,000
Water Supply System Revenue Bonds (Limited Tax General Obligation)		9,804,105	9,804,105	9,563,914
Wastewater General Obligation Limited Tax Bonds		7,880,000	7,880,000	7,686,000
State Revolving Fund Wastewater General Obligation Limited Tax Bonds			5,149,961	15,316,626
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds				
Total Direct Bonded Debt	<u>\$ 1,000,000</u>	<u>\$ 18,484,105</u>	<u>\$ 23,434,066</u>	<u>\$ 32,966,540</u>
 Total Taxable Valuation	 \$ 569,085,054	 \$ 600,832,107	 \$ 622,110,680	 \$ 635,861,072
 Ratio of Bonded Debt to Taxable Value	 0.18%	 3.08%	 3.77%	 5.18%
 Population	 33,694	 33,694	 32,338	 32,338
 Per Capita Direct Bonded Debt	 \$ 29.68	 \$ 548.59	 \$ 724.66	 \$ 1,019.44

Note - During the last ten fiscal years, there has been no governmental activities debt.

<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
\$ 200,000	\$	\$	\$	\$	\$
9,273,708	8,933,502	11,667,882	11,238,740	10,754,609	10,344,893
17,392,003	17,148,003	22,033,775	21,298,738	26,891,480	25,951,299
24,135,518	30,851,191	38,741,738	42,954,918	44,302,998	44,946,322
5,542,099	10,305,341	13,049,520	16,526,916	20,046,128	22,478,620
<u>\$ 56,543,328</u>	<u>\$ 67,238,037</u>	<u>\$ 85,492,915</u>	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>	<u>\$ 103,721,134</u>
\$ 665,881,850	\$ 693,951,853	\$ 706,152,647	\$ 725,001,239	\$ 771,813,515	\$ 794,443,800
8.49%	9.69%	12.11%	12.69%	13.22%	13.06%
32,338	32,338	32,338	32,338	32,338	32,338
\$ 1,748.51	\$ 2,079.23	\$ 2,643.73	\$ 2,845.55	\$ 3,154.04	\$ 3,207.41

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2007

DIRECT BONDED DEBT:

Water Supply System Revenue Bonds (Limited Tax General Obligation)		\$ 10,344,893
Wastewater General Obligation Limited Tax Bonds		25,951,299
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		44,946,322
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		<u>22,478,620</u>

Total Direct Bonded Debt 103,721,134

Less self-supporting general obligation bonds

Water Supply System Revenue Bonds (Limited Tax General Obligation)	\$ 10,344,893	
Wastewater General Obligation Limited Tax Bonds	25,951,299	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	44,946,322	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	<u>22,478,620</u>	<u>103,721,134</u>

Net Direct Bonded Debt 0

OVERLAPPING BONDED DEBT:

12.93% of St. Clair County Regional Educational Service Agency debt	851,441	
13.02% of St. Clair County Community College debt	572,880	
12.18% of St. Clair County debt	6,857,199	
39.02% of Port Huron Area School District debt	<u>10,848,340</u>	
Overlapping Bonded Debt		<u>19,129,860</u>

NET DIRECT AND OVERLAPPING BONDED DEBT \$ 19,129,860

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	\$ .00	.00%
Net Direct and Overlapping Bonded Debt	\$ 591.56	2.13%

The percentage of overlapping bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Port Huron and dividing it by that governmental unit's total taxable value.

City of Port Huron

COMPUTATION OF LEGAL DEBT MARGIN  
June 30, 2007

STATE EQUALIZED VALUATION AT DECEMBER 31, 2006 \$ 917,989,400

	Actual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin Totals
General obligation debt	\$ 93,376,241			
Portion issued under order	<u>70,897,621</u>			
Balance	<u>\$ 22,478,620</u>	10%	<u>\$ 91,798,940</u>	<u>\$ 69,320,320</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 3,442,460</u>	<u>\$ 3,442,460</u>
Special assessment bonds	None	12	<u>\$ 110,158,728</u>	<u>\$ 110,158,728</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 (\$917,989,400), 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, 2006 of \$786,912,557 will be used as a basis for determining the fiscal 2007-2008 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN  
Last Ten Fiscal Years

	<u>June 30, 1998</u>	<u>June 30, 1999</u>	<u>June 30, 2000</u>	<u>June 30, 2001</u>
Direct Bonded Debt:				
Housing General Obligation Bonds	\$ 1,000,000	\$ 800,000	\$ 600,000	\$ 400,000
Water Supply System Revenue Bonds (Limited Tax General Obligation)		9,804,105	9,804,105	9,563,914
Wastewater General Obligation Limited Tax Bonds		7,880,000	7,880,000	7,686,000
State Revolving Fund Wastewater General Obligation Limited Tax Bonds			5,149,961	15,316,626
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds				
Total Direct Bonded Debt	<u>\$ 1,000,000</u>	<u>\$ 18,484,105</u>	<u>\$ 23,434,066</u>	<u>\$ 32,966,540</u>
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds (Limited Tax General Obligation)	\$	\$ 9,804,105	\$ 9,804,105	\$ 9,563,914
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds		7,880,000	7,880,000	7,686,000
State Revolving Fund Wastewater General Obligation Limited Tax Bonds			5,149,961	15,316,626
Total Excluded	<u>\$ 0</u>	<u>\$ 17,684,105</u>	<u>\$ 22,834,066</u>	<u>\$ 32,566,540</u>
Net debt applicable to limit	\$ 1,000,000	\$ 800,000	\$ 600,000	\$ 400,000
Debt limit	<u>57,667,433</u>	<u>61,352,350</u>	<u>64,931,700</u>	<u>69,901,155</u>
Legal debt margin	<u>\$ 56,667,433</u>	<u>\$ 60,552,350</u>	<u>\$ 64,331,700</u>	<u>\$ 69,501,155</u>
Total net debt applicable to the limit as a percentage of debt limit	1.73%	1.30%	0.92%	0.57%

<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
\$ 200,000	\$	\$	\$	\$	\$
9,273,708	8,933,502	11,667,882	11,238,740	10,754,609	10,344,893
17,392,003	17,148,003	22,033,775	21,298,738	26,891,480	25,951,299
24,135,518	30,851,191	38,741,738	42,954,918	44,302,998	44,946,322
5,542,099	10,305,341	13,049,520	16,526,916	20,046,128	22,478,620
<u>\$ 56,543,328</u>	<u>\$ 67,238,037</u>	<u>\$ 85,492,915</u>	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>	<u>\$ 103,721,134</u>
\$ 9,273,708	\$ 8,933,502	\$ 11,667,882	\$ 11,238,740	\$ 10,754,609	\$ 10,344,893
17,392,003	17,148,003	22,033,775	21,298,738	26,891,480	25,951,299
24,135,518	30,851,191	38,741,738	42,954,918	44,302,998	44,946,322
<u>\$ 50,801,229</u>	<u>\$ 56,932,696</u>	<u>\$ 72,443,395</u>	<u>\$ 75,492,396</u>	<u>\$ 81,949,087</u>	<u>\$ 81,242,514</u>
\$ 5,742,099	\$ 10,305,341	\$ 13,049,520	\$ 16,526,916	\$ 20,046,128	\$ 22,478,620
75,563,445	78,358,575	80,215,495	86,060,385	89,952,610	91,798,940
<u>\$ 69,821,346</u>	<u>\$ 68,053,234</u>	<u>\$ 67,165,975</u>	<u>\$ 69,533,469</u>	<u>\$ 69,906,482</u>	<u>\$ 69,320,320</u>
7.60%	13.15%	16.27%	19.20%	22.29%	24.49%

City of Port Huron

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>	
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	471,825	762,031	1.82
2002-2003	4,766,682	3,297,304	1,469,378	340,206	458,642	798,848	1.84
2003-2004	4,903,517	3,411,898	1,491,619	340,206	487,045	827,251	1.80
2004-2005	5,360,824	3,518,428	1,842,396	429,142	553,021	982,163	1.88
2005-2006	5,816,441	3,852,901	1,963,540	484,131	535,744	1,019,875	1.93
2006-2007	5,892,405	3,842,987	2,049,418	509,131	493,350	1,002,481	2.04

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

DEMOGRAPHIC AND ECONOMIC STATISTICS

<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>Fiscal Year Begins:</u>	July 1		
<u>City Employees:</u>	292 regular, 219 seasonal, summer and fall programs		
<u>Fire Protection:</u>	3 stations, 49 fire fighting personnel, 2-way radio equipment		
<u>Police Protection:</u>	1 station, 51 police officers, 2-way radio equipment		
<u>Streets:</u>	142.29 miles improved 2.38 miles unimproved		
<u>Population:</u>	Official U.S. Census		
		1850	(village) 1,584
		1860	(city) 4,371
		1870	5,973
		1880	8,883
		1890	13,543
		1900	19,158
		1910	18,863
		1920	25,944
		1930	31,361
		1940	32,759
		1950	35,725
		1960	36,084
		1970	35,794
		1980	33,934
		1990	33,694
		2000	32,338
<u>Unemployment:</u>	State of Michigan	June 30, 1998	6.3%
		1999	6.2%
		2000	6.0%
		2001	8.7%
		2002	10.3%
		2003	11.9%
		2004	10.8%
		2005	11.5%
		2006	10.5%
		2007	13.0%

Statistical Information From the 2000 U.S. Census

Total population	32,338	
In-labor force	15,762	
Median household income - 1999 dollars	\$31,327	
Per capita income - 1999 dollars	\$17,100	
Housing units	14,003	
Occupied housing units	12,961	92.6%
Owner-occupied housing units	7,409	57.2%
Renter-occupied housing units	5,552	42.8%
Vacant housing units	1,042	7.4%

Note: Personal income by individual year for residents is not available.

City of Port Huron

PRINCIPAL EMPLOYERS

June 30, 2007

<u>Firm Name</u>	<u>Product/Service</u>	<u>2007 Approximate Number of Employees</u>	<u>2007 Percentage of Labor Force</u>	<u>2007 Rank</u>
Port Huron Hospital	Health care services	1,460	9.3	1
*Port Huron Area School District	Public education	1,000	6.3	2
Mercy Hospital	Health care services	840	5.3	3
AT&T	Telephone service (call center)	620	3.9	4
St. Clair County Community College	Education	450	2.9	5
Mueller Brass Co.	Copper & brass tubing	440	2.8	6
*St. Clair County	Public government	300	1.9	7
Advanced Accessory Systems	Automotive supplier	300	1.9	7
Plastech Engineered Products	Automotive supplier/plastics	300	1.9	7
City of Port Huron	Public government	292	1.9	10
Collins & Aikman	Interior automotive trim			
Domtar Industries, Inc.	Lightweight, publ., pkg., spec. papers.			

\* Multiple locations, only those employees within the City of Port Huron are included above.

<u>1998</u> <u>Approximate</u> <u>Number of</u> <u>Employees</u>	<u>1998</u> <u>Percentage</u> <u>of</u> <u>Labor Force</u>	<u>1998</u> <u>Rank</u>
1,000	7.5	1
750	5.6	2
650	4.9	3
600	4.5	4
450	3.4	6
400	3.0	7
400	3.0	7
303	2.3	9
500	3.8	5
300	2.3	10

City of Port Huron

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES  
Last Ten Fiscal Years

Function/Program	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001
General government:				
City manager	3.00	3.00	3.00	2.00
City attorney	3.00	3.00	3.00	3.00
City clerk/elections	3.00	3.00	3.00	3.00
Finance/purchasing	6.00	6.00	7.00	7.00
Income tax	2.00	2.00	3.00	3.00
Assessing	5.00	5.00	4.00	4.00
City treasurer/water office	5.50	5.50	5.80	5.80
Data processing	7.00	7.00	7.00	7.00
Personnel	2.75	3.00	3.00	3.00
Health and safety/marinas	1.50	1.00	0.70	1.70
Public safety:				
Police	72.00	72.00	72.00	72.00
Fire	54.70	54.70	53.70	55.70
Public works:				
DPW administration	1.00	1.00	1.80	1.80
MOC grounds	2.00	2.00	2.00	2.00
Engineering	6.00	6.00	7.00	6.00
Streets	22.00	22.00	21.20	21.20
Refuse collection/disposal	0.125	0.125	0.125	0.125
Motor vehicle pool	11.875	11.875	11.875	11.875
Water filtration plant	12.75	12.75	12.75	12.75
Utilities - water distribution	9.50	9.50	10.75	10.75
Water meter	4.25	4.25	4.25	4.25
Water reclamation facility	27.50	28.25	27.00	27.00
Utilities - sewer collection	10.00	8.25	11.25	11.25
Community and economic development	16.00	16.50	15.50	14.50
Recreation, parks and culture:				
Recreation	6.25	6.00	6.00	6.00
Cemetery	5.00	5.00	5.00	5.00
Parking	1.00	1.00	1.00	1.00
Parks and forestry	15.30	15.30	15.30	15.30
	<u>316.00</u>	<u>315.00</u>	<u>318.00</u>	<u>318.00</u>

<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
2.00	3.00	3.00	3.00	3.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.00	3.00	3.00
7.00	7.00	7.00	7.00	7.00	7.00
3.00	3.00	3.00	3.00	3.00	3.00
4.00	5.00	5.00	5.00	5.00	5.00
5.80	5.80	4.91	4.91	4.91	4.91
7.00	7.00	6.00	6.00	6.00	5.00
3.25	3.25	2.90	2.90	2.90	2.90
1.95	1.95	1.50	1.50	1.50	1.50
73.00	73.00	70.00	71.00	69.00	70.00
55.70	52.70	50.70	48.70	50.70	48.70
1.80	1.80	1.80	1.80	1.80	1.80
2.00	2.00	3.00	3.00	3.00	3.00
7.00	6.10	6.10	6.10	6.10	5.10
23.20	23.20	20.20	20.20	20.20	20.20
0.125	0.125	0.125	0.125	0.125	0.125
11.875	11.875	10.875	10.875	10.875	8.875
12.75	11.75	12.75	12.75	12.75	12.75
10.75	10.75	10.85	10.85	9.85	10.05
4.25	4.25	4.25	5.25	5.25	5.25
27.00	27.00	24.90	26.90	24.90	24.20
11.25	11.15	11.15	11.15	11.15	9.65
14.00	14.00	13.50	13.50	13.50	13.50
6.00	6.00	6.10	6.10	6.10	6.10
5.00	5.00	5.00	5.00	5.00	4.00
1.00	1.00	1.09	1.09	1.09	1.09
15.30	14.30	12.30	12.30	12.30	11.30
<u>321.00</u>	<u>317.00</u>	<u>303.00</u>	<u>305.00</u>	<u>302.00</u>	<u>292.00</u>

City of Port Huron

OPERATING INDICATORS  
Last Ten Fiscal Years

Function/Program	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001
<b>Election data:</b>				
Registered voters - November	21,541	20,945	20,911	20,936
Voters (at the polls or absentee) - November	5,800	8,657	4,191	11,233
Percent voting	26.9%	41.3%	20.0%	53.7%
<b>Police:</b>				
Physical arrests*	3,145	3,656	3,364	2,960
Traffic violations*	5,112	5,003	5,566	5,613
Police reports*	7,422	6,903	6,664	6,986
Calls for service*	30,898	22,653	23,171	24,207
<b>Fire:</b>				
Fire runs*	180	216	187	159
Emergency medical runs*	47	656	1,156	1,473
Other*	603	682	671	689
<b>Public works:</b>				
Miles of streets resurfaced	2.78	1.68	0.28	1.76
Miles of streets reconstructed	9.90	5.29	2.07	12.32
<b>Water:</b>				
<b>Accounts:</b>				
City - regular	12,208	12,208	12,454	12,545
Port Huron Township	3,090	3,090	3,060	3,141
Fort Gratiot - regular	85	85	85	85
Fort Gratiot - Water District No. F	3,746	3,746	4,010	4,090
Kimball Township			1,343	1,289
Clyde Township				
Average daily pumpage (gallons per day)	8,300,000	8,300,000	8,300,000	8,300,000
<b>Sewer:</b>				
Equivalent connected population	56,900	56,900	56,900	56,900
Average daily sewage treatment (gallons per day)	12,560,000	12,560,000	10,000,000	10,000,000
<b>Building construction</b>				
Permits	683	641	679	715
Estimated value	\$ 39,123,226	\$ 24,414,998	\$ 25,180,532	\$ 30,116,864

\* All information as of December 31st

<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
20,806	20,604	20,376	20,831	21,245	20,445
4,933	8,294	3,277	12,418	3,543	8,875
23.7%	40.3%	16.1%	59.6%	16.7%	43.4%
2,900	2,835	3,107	2,770	2,773	2,325
4,979	7,867	6,162	4,715	4,513	5,339
7,037	6,430	6,837	6,546	6,584	6,879
22,791	19,108	19,112	18,151	18,840	25,130
139	201	127	207	137	137
1,707	1,744	2,025	2,390	2,615	2,712
746	669	783	628	869	872
2.19	1.02	0.00	0.00	0.26	1.65
8.69	9.92	6.53	6.24	2.65	4.53
12,605	12,653	12,689	12,726	12,770	12,814
3,244	3,259	3,275	3,355	3,392	3,350
85	85	85	85	137	136
4,276	4,432	4,539	4,544	4,971	4,858
1,451	1,550	1,550	1,640	1,668	1,993
				736	743
8,200,000	8,100,000	7,300,000	7,300,000	7,000,000	6,800,000
56,900	56,900	64,100	64,571	64,571	65,556
10,000,000	9,840,000	11,220,000	11,300,000	11,730,000	11,800,000
833	663	725	875	786	634
\$ 10,811,337	\$ 6,919,660	\$ 7,226,335	\$ 10,130,441	\$ 7,773,012	\$ 5,565,105

City of Port Huron

CAPITAL ASSET STATISTICS  
Last Ten Fiscal Years

Function/Program	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001
<b>Police:</b>				
Stations	1	1	1	1
<b>Fire:</b>				
Stations	3	3	3	3
Fire fighting apparatus	7	7	7	7
Rescue boat	1	1	1	1
Special response van	1	1	1	1
Heavy rescue van				
Hazmat trailer	1	1	1	1
Specialized equipment trailer				
<b>Marina:</b>				
Seasonal boat wells	131	122	122	105
Transient boat wells	389	406	406	404
Wells out of service				
<b>Public works:</b>				
<b>Streets (miles):</b>				
Major streets	43.370	43.370	43.220	43.220
Local streets	91.080	90.860	91.070	91.370
Trunkline	10.076	10.076	10.076	10.076
Streetlights	2,544	2,544	2,551	2,551
<b>Parks and recreation:</b>				
Parks/playgrounds (City owned)	20	20	20	20
Tennis courts (City and school owned)	34	34	34	34
Public beaches	2	2	2	2
Public swimming pools	2	2	2	2
Boat ramps	2	2	2	2
Public scenic turnouts	3	3	3	3
Public waterfront parkways	2	2	2	2
Combined acreage	195.25	195.25	195.25	195.25
Parks/playgrounds (school owned)	11	11	11	11
Acreage	94.5	94.5	94.5	94.5
Community center	1	1	1	1
<b>Parking:</b>				
Metered lots	13	13	13	13
Spaces	980	913	888	888
Permit only lot - spaces	33	33	33	33
Seasonal attended lot - spaces	464	464	464	464
Permit only spaces in metered lots	65	65	150	117
Seasonal unattended lots - spaces				
ADA marked spaces in City lots				
Free lot - spaces	228	228	228	228
Street meters - spaces	500	555	555	546
<b>Water:</b>				
Watermains (miles)	162.0	162.0	163.0	163.0
Average capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000
Maximum daily capacity (gallons per day)	30,000,000	30,000,000	30,000,000	30,000,000
Fire hydrants (City maintained)	1,148	1,148	1,233	1,250
Fire hydrants (private)	128	128	128	128
<b>Sewer:</b>				
Miles of sanitary, storm and a combination of sanitary and storm sewers	194.0	194.0	194.0	222.0
Average treatment capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000
Maximum treatment capacity (gallons per day)	33,000,000	33,000,000	33,000,000	33,000,000

<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
1	1	1	1	1	1
3	3	3	3	3	3
7	7	7	7	6	6
1	1	1	1	1	1
1	1	1	1		
				1	1
1	1	1	1	1	1
		1	1		
67	112	123	129	118	122
442	397	302	296	307	303
		84	84	84	84
43.220	43.220	43.220	43.220	43.220	43.220
91.340	91.370	91.370	91.370	91.370	91.370
10.080	10.080	10.080	10.080	10.076	10.076
3,096	3,096	3,096	3,096	3,096	3,096
20	20	20	20	20	20
34	34	34	34	34	34
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
3	3	3	3	3	3
2	2	2	2	2	2
195.25	195.25	195.25	195.25	195.25	195.25
11	11	11	11	11	11
94.5	94.5	94.5	94.5	94.5	94.5
1	1	1	1	1	1
13	13	13	13	13	13
880	880	865	865	866	867
33	33	33	33	33	33
464	464	460	460	460	460
236	121	135	135	168	168
	73	73	73	73	73
				48	48
228	228	228	228		
540	533	533	547	479	484
163.2	163.2	163.6	164.0	164.3	165.0
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
1,263	1,269	1,314	1,314	1,369	1,394
128	129	129	129	129	129
222.0	222.0	234.0	238.0	243.9	253.0
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000

City of Port Huron

PUBLIC WORKS PROJECTS  
COMPLETED PROJECTS  
June 30, 2007

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

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>	
East Hancock Area	\$ 684,601	\$ 156,131	\$ 24,488	\$ 865,220	
Hancock Street - 10 <sup>th</sup> to Gratiot	442,671	227,035	375,408	1,045,114	****
8 <sup>th</sup> Street (CSO)	551,018	195,111	475,475	1,221,604	*
Stone Street - Hollis to Holland	630,246	242,847	85,676	958,769	****
Mason Area	573,606	251,139	347,205	1,171,950	
Southside Bike Path	308,212			308,212	****
St. Clair Street	106,515	157,461	48,422	312,398	
Pine Grove Sidewalk and Bike Path	205,753			205,753	****
Belmar Place	135,069		22,003	157,072	
LaSalle Area	559,358	115,643	104,018	779,019	
Varney Area	729,184	361,504		1,090,688	*
Tunnel Area (CSO)	33,529	1,863,192	3,803,907	5,700,628	*
Sherman Woods	1,288,362	516,635	313,205	2,118,202	
Indian Creek 2A (CSO)	132,219	797,864	3,149,118	4,079,201	***
Cooper Area	399,499	197,288	3,290	600,077	
10 <sup>th</sup> Avenue - Garfield to Holland	876,400		61,140	937,540	****
Indian Creek 2B (CSO)	341,328	2,926,990	5,239,308	8,507,626	***
24 <sup>th</sup> Street - City Portion	8,675	148,558	99,762	256,995	
Indian Creek 3 (CSO)	476,343	1,206,370	4,432,330	6,115,043	
Oak Crest Redevelopment	79,042	110,711	94,186	283,939	*
Indian Creek 2C (CSO)	165,626	2,563,575	5,012,653	7,741,854	
Indian Creek 4 (CSO)	536,751	2,247,619	4,086,356	6,870,726	
10 <sup>th</sup> Street	1,581,791			1,581,791	
7 <sup>th</sup> and 9 <sup>th</sup> Street Area (CSO)		2,392,492	5,248,332	7,640,824	
Gratiot - State to Holland	682,105		105,136	787,241	****
Stone - McPherson to State	535,141	206,004	168,771	909,916	****
10 <sup>th</sup> Avenue - River to Pine Grove (CSO)		650,354	4,982,100	5,632,454	***
Peavey Area (CSO)		1,376,731	3,244,327	4,621,058	*
16 <sup>th</sup> Avenue Area Part 1 (CSO)	77,707	2,027,009	4,608,043	6,712,759	
16 <sup>th</sup> Avenue Area Part 2 (CSO)		1,887,842	4,190,489	6,078,331	***
24 <sup>th</sup> Street - Dove to Electric (CSO)	434,536	482,003	1,188,329	2,104,868	****
Florida Area	690,912	201,817	44,393	937,122	
Military Electric Area (CSO)	302,197	1,849,918	1,555,647	3,707,762	
Military - Reid to Black River	47,093	1,965,852	735,067	2,748,012	
Rural Area (CSO)	213,626	2,177,856	4,898,545	7,290,027	***
4 <sup>th</sup> Street Area (CSO)	312,545	1,805,000	5,710,819	7,828,364	
11 <sup>th</sup> Avenue Area (CSO)		2,020,933	6,113,020	8,133,953	*
Palmer Court Area (CSO)		873,326	3,161,520	4,034,846	
Traffic Signal Project	1,252,891			1,252,891	****
Woodstock Area Part 1	734,235	501,230	235,022	1,470,487	
Woodstock Area Part 2	517,600	444,290	163,133	1,125,023	
Woodstock Area Part 3	150,040	454,071	450,238	1,054,349	
Holland Avenue - Stone to Gratiot	374,910			374,910	****

(Continued on next page)

City of Port Huron

PUBLIC WORKS PROJECTS  
COMPLETED PROJECTS  
June 30, 2007

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>	
Holland Avenue - Pine Grove to Stone	\$ 1,251,697	\$ 426,116	\$ 483,742	\$ 2,161,555	****
McNeil Creek - Jones Place			546,966	546,966	
Military Street - Utility Rehabilitation		191,251	240,037	431,288	
Industrial Park Concrete	1,191,092	24,491	92,007	1,307,590	**
Beard Area - Industrial Park (CSO)		870,807	6,295,322	7,166,129	**
16 <sup>th</sup> Street Pump Station (CSO)			1,490,651	1,490,651	**
10 <sup>th</sup> Street Pump Station (CSO)			950,245	950,245	**
12 <sup>th</sup> Avenue/River Street (CSO)	41,889	920,104	2,501,404	3,463,397	**
Thomas Street Pump Station			1,427,602	1,427,602	**
Wall Street	188,205	47,430	26,506	262,141	**
Quay Street Riverwalk	257,801			257,801	**
Indian Creek Pump Station (CSO)			1,308,259	1,308,259	**
Indian Creek 1 (CSO)	10,867	601,898	3,012,164	3,624,929	**
River Centre - Site Work	1,868,363	187,944	321,461	2,377,768	**
River Centre - Seawall	716,124			716,124	**
Military Street Streetscape	567,862			567,862	****
Renaissance South III	222,901	73,135	140,775	436,811	
Solids Handling - WRF			10,384,121	10,384,121	
Total public works projects	<u>\$ 23,488,137</u>	<u>\$ 38,945,577</u>	<u>\$103,802,143</u>	<u>\$ 166,235,857</u>	

- \* Projects partially or completely funded through Community Development Block Grant funds.
- \*\* Projects partially or completely funded through tax increment financing.
- \*\*\* Projects partially or completely funded through Environmental Protection Agency grant funds.
- \*\*\*\* Projects partially or completely funded through other grant funds.

City of Port Huron

PUBLIC WORKS PROJECTS  
CURRENT YEAR PROJECTS  
Year Ended June 30, 2007

In any year the City of Port Huron has a number of public works projects in varying stages of completion. A schedule of costs incurred on such projects during the year ended June 30, 2007 appears below. Public works projects necessary for the elimination of combined sewer overflows (CSO) primarily involve substantial sewer separation work, but include improvements of water distribution lines where appropriate, the restoration of the roadways due to the sewer separation or water distribution line work and other street reconstruction, where necessary or recommended. Costs associated with these projects are primarily recorded in the Streets Funds, the Water Fund and the Wastewater Fund. Certain of these projects could also be recorded in the Community Development Block Grant Fund and the tax increment funds. Those projects with a significant portion of the project dedicated to the elimination of combined sewer overflows (CSO) are noted.

Costs incurred for public works projects for the 2006-2007 year are as follows:

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Merchant Area (CSO)	\$	\$ 398,263	\$ 1,210,237	\$ 1,608,500
Riverside Drive	442,760	164,738	9,308	616,806
24 <sup>th</sup> Street - City portion	6,366	135,832	90,558	232,756
Oak Crest Redevelopment	79,043	110,710	94,187	283,940
Indian Creek I and I (CSO)			81,600	81,600
10 <sup>th</sup> Street - Beard to Lapeer	1,019,723			1,019,723
21 <sup>st</sup> Street Area Part I (CSO)		189,571	352,060	541,631
21 <sup>st</sup> Street Area Part II (CSO)		20,215	37,541	57,756
Gratiot Avenue - Krafft to Keewahdin	122,119			122,119
16 <sup>th</sup> Avenue Area Part I (CSO)	1,191	31,069	70,630	102,890
16 <sup>th</sup> Avenue Area Part II (CSO)		78,077	189,937	268,014
16 <sup>th</sup> Avenue Area Part III (CSO)	25,707	644,150	1,620,726	2,290,583
Vanness Area (CSO)		558,054	1,036,386	1,594,440
Woodstock Area Part III	145,841	439,065	434,785	1,019,691
Holland Avenue - Stone to Pine Grove	61,933	21,084	23,935	106,952
Erie Area South (CSO)		498,111	1,162,260	1,660,371
7 <sup>th</sup> Street Bridge	1,196,648			1,196,648
Filter Backwash		940,667		940,667
Other contracts	<u>63,989</u>	<u>67,607</u>	<u>(7,178)</u>	<u>124,418</u>
Total public works projects	<u>\$ 3,165,320</u>	<u>\$ 4,297,213</u>	<u>\$ 6,406,972</u>	<u>\$ 13,869,505</u>

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

Total public works projects above	\$ 3,165,320	\$ 4,297,213	\$ 6,406,972
Other capital additions		348,770	118,704
Change in contracts payable		(251,904)	51,492
Projects recorded in other funds:			
Community Development Block Grant	<u>(76,503)</u>	<u>(107,153)</u>	<u>(91,160)</u>
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	<u>\$ 3,088,817</u>		
Acquisition and construction of capital assets (Exhibit A-10)		<u>\$ 4,286,926</u>	<u>\$ 6,486,008</u>

# **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, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated November 15, 2007. Those basic financial statements are the responsibility of the management of the City of Port Huron, Michigan. Our responsibility was to express opinions on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 conducted for the purpose of forming an opinion on the basic financial statements of the City of Port Huron, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule 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.

*Plante & Moran, PLLC*

November 15, 2007

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated November 15, 2007. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Port Huron, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Port Huron, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Port Huron, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Port Huron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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*

November 15, 2007

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

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

**Compliance**

We have audited the compliance of the City of Port Huron, Michigan 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, 2007. The major federal programs of the City of Port Huron, Michigan 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, Michigan's management. Our responsibility is to express an opinion on the City of Port Huron, Michigan'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, Michigan'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, Michigan's compliance with those requirements.

In our opinion, the City of Port Huron, Michigan 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, 2007.

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

### **Internal Control Over Compliance**

The management of the City of Port Huron, Michigan 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, Michigan'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. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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*

November 15, 2007

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:				
Community Development Block Grants:	14.218			
Program year 2002		B-02-MC-26-0038	\$ 1,159,327	\$ 12,270
Program year 2003		B-03-MC-26-0038	1,042,600	37,136
Program year 2004		B-04-MC-26-0038	1,000,271	20,059
Program year 2005		B-05-MC-26-0038	899,409	423,352
Program year 2006		B-06-MC-26-0038	1,014,919	571,447
Program year 2007		B-07-MC-26-0038	881,023	<u>4,564</u>
Total Community Development Block Grants				<u>1,068,828</u>
Home Investment Partnership Program:	14.239			
Program year 2002		M-02-MC-260217	486,000	14,934
Program year 2003		M-03-MC-260217	301,874	20,268
Program year 2004		M-04-MC-260217	300,835	104,064
Program year 2005		M-05-MC-260217	289,838	58,098
Program year 2006		M-06-MC-260217	272,286	<u>42,315</u>
Total Home Investment Partnership Program				<u>239,679</u>
Economic Development Initiative Special Project Grant:	14.246			
Program year 2005		B-05-SPMI-0127	347,200	<u>145,779</u>
Total Economic Development Initiative Special Project Grant				<u>145,779</u>
Section 8 New Construction and Substantial Rehabilitation	14.182	MI-28-8023-004	439,507	<u>439,507</u>
Total U.S. Department of Housing and Urban Development				<u>1,893,793</u>
U.S. Department of Homeland Security - Assistance to Firefighters Grant:	97.044			
Program year 2005		EMW-2005-FG-02222-001	216,700	<u>40,455</u>
Total U.S. Department of Homeland Security - Assistance to Firefighters Grant				<u>40,455</u>
U.S. Department of Homeland Security - Passed through Michigan Department of State Police, Emergency Management Division; Homeland Security Cluster:				
State Domestic Preparedness Equipment Support Program:	97.004			
Equipment		N/A		22,000
Homeland Security Grant Program:	97.067			
State Homeland Security	97.073	N/A	369,868	366,280
Law Enforcement Terrorism Prevention Program	97.074	N/A	144,500	<u>138,504</u>
Total Homeland Security Cluster				<u>526,784</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2007

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security - Passed through Michigan Department of State Police, Emergency Management Division:				
Hazard Mitigation Grant	97.039	FEMA-1346-010	186,222	<u>7,256</u>
Total Hazard Mitigation Grant				<u>7,256</u>
Total U.S. Department of Homeland Security				<u>574,495</u>
U.S. Department of Interior-National Park Service:				
Save America's Treasure's Grant:	15.929			
Program year 2006		26-06-ML-0425	394,115	<u>22,050</u>
Total U.S. Department of Interior				<u>22,050</u>
U.S. Department of Justice - Bureau of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	1,840	<u>1,840</u>
Total U.S. Department of Justice				<u>1,840</u>
U.S. Environmental Protection Agency:	66.606			
Surveys, Studies, Investigations, and Special Purpose Grants:				
Program year 2003 - original award		XP-00548003-0	867,300	88,162
Program year 2003 - amended increase to award		XP-00548003-2	955,600	<u>271,585</u>
Total Surveys, Studies, Investigations, & Special Purpose Grants				<u>359,747</u>
U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality:				
Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-08			1,670,000	211
Project number 5006-09			3,770,000	6,417
Project number 5006-11			2,535,000	198,188
Project number 5006-12			2,955,000	428,307
Project number 5006-13			1,655,000	228,480
Project number 5006-14			1,325,000	309,495
Project number 5006-15			3,040,000	50,613
Project number 5177-01			10,220,000	<u>94</u>
Total Capitalization Grants for State Revolving Funds				<u>1,221,805*</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2007

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7110-01			3,930,000	6,270
Project number 7119-01			2,040,000	348,056
Project number 7147-01			2,315,000	6,182
Project number 7167-01			2,015,000	131,347
Project number 7168-01			2,105,000	8,432
Project number 7169-01			510,000	1,941
Project number 7185-01			1,355,000	247,024
Project number 7186-01			1,025,000	151,855
Project number 7187-01			705,000	159,859
Project number 7188-01			715,000	255,529
Project number 7220-01			3,070,000	<u>98,038</u>
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>1,414,533*</u>
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality				<u>2,636,338</u>
Total U.S. Environmental Protection Agency				<u>2,996,085</u>
Total federal awards				<u>\$ 5,488,263</u>

The notes to the schedule of expenditures of federal awards is an integral part of this schedule.

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

City of Port Huron

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Note A -Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Huron, Michigan and is presented on the same basis of accounting as the basic 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 basic financial statements.

Note B - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Port Huron Neighborhood Housing Corporation:		
Home Investment Partnership Programs Economic Development Initiative	14.239	\$ 20,085
Special Project Grant	14.246	<u>118,579</u>
Total		<u>\$ 138,664</u>

Note C - Repayment of Loan Advances

During the year, one advance from the Michigan State Revolving Loan Fund Program (SRF) and three advances from the Michigan Drinking Water Revolving Loan Fund Program (DWRP) were repaid. These advances were received during the previous fiscal year. The repayments were made following a review of eligible expenditures prior to the finalization of the loan amortization schedules. The repayments are summarized below:

<u>Project Number</u>	<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Repayment Amount</u>	<u>Amount Previously Reported as Federal Expenditures</u>
5006-06	Capitalization Grants for State Revolving Funds	66.458	\$3,650,000	\$3,481	\$728
7105-01	Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$1,800,000	\$24,406	\$9,589
7132-01	Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$600,000	\$4,843	\$1,903
7150-01	Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$520,000	\$18,496	\$8,069

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2007

### 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     X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?    \_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted?            \_\_\_ Yes     X  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?            \_\_\_ Yes     X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?    \_\_\_ Yes     X  None reported

Type of auditors 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     X  No

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section I - Summary of Auditors Results (Continued)

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants
	Homeland Security Cluster:
97.004	State Domestic Preparedness Equipment Support Program
97.073	Homeland Security Grant Program - State Homeland Security
97.074	Homeland Security Grant Program - Law Enforcement Terrorist Prevention Program

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

Auditee qualified as low-risk auditee?        X   Yes           No

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

None

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