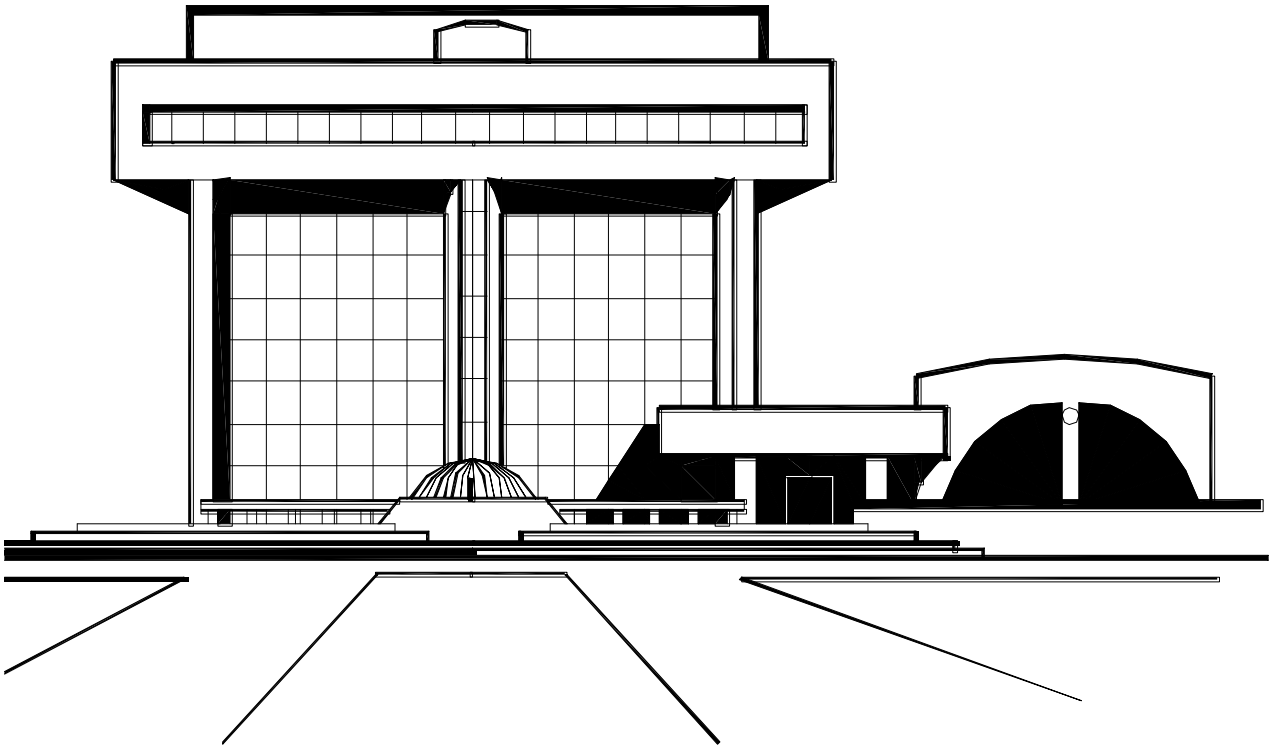
Comprehensive Annual Financial Report

For the Year Ended June 30, 2008



Department of Finance
City of Port Huron, Michigan

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

CITY OF PORT HURON, MICHIGAN

DEPARTMENT OF FINANCE

For the Fiscal Year Ended June 30, 2008

CITY COUNCIL

Brian J. Moeller - Mayor

Mark A. Byrne	Alan Lewandowski
Martin Doorn	Timothy A. McCulloch
James M. Fisher	Lonnie Stevens

KARL S. TOMION - City Manager (to September 22, 2008)

BRUCE C. BROWN – Interim City Manager (effective September 29, 2008)

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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December 3, 2008

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, 2008. 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, 2008. 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, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent 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, 2008, 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 in1857, 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 88, 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 5.3 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 has applied 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. 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 third anniversary in the fall of 2008, marking three years of successful operations.

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 prior fiscal 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.

- City Council approved a contract with a private marina manager to operate the River Street Marina. It is expected that this initiative will improve operations and usage and reduce annual costs.

- In November, 2008, voters approved the potential sale of the Water Street Marina. There is interest from developers to acquire the property for use as a hotel and restaurant site while continuing marina operations.

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, 2007, the date of the most recent actuarial report, in funding 84.1 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 28 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 268 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. During the year ended June 30, 2008, the City transferred $6 million accumulated for the retiree health care liability from the Insurance and Fringe Benefit Fund into a prefunded retiree health care fund with MERS, recorded in the Retiree Health Care Benefits Fund.

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 investment portfolios for the Cemetery Perpetual Care Fund and the Retiree Health Care Benefits Fund also include corporate bonds and stocks.

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 coverage, including auto and public official liability. There is third party coverage for claims in excess of $150,000. 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, 2007. This was the thirty-third 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,

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

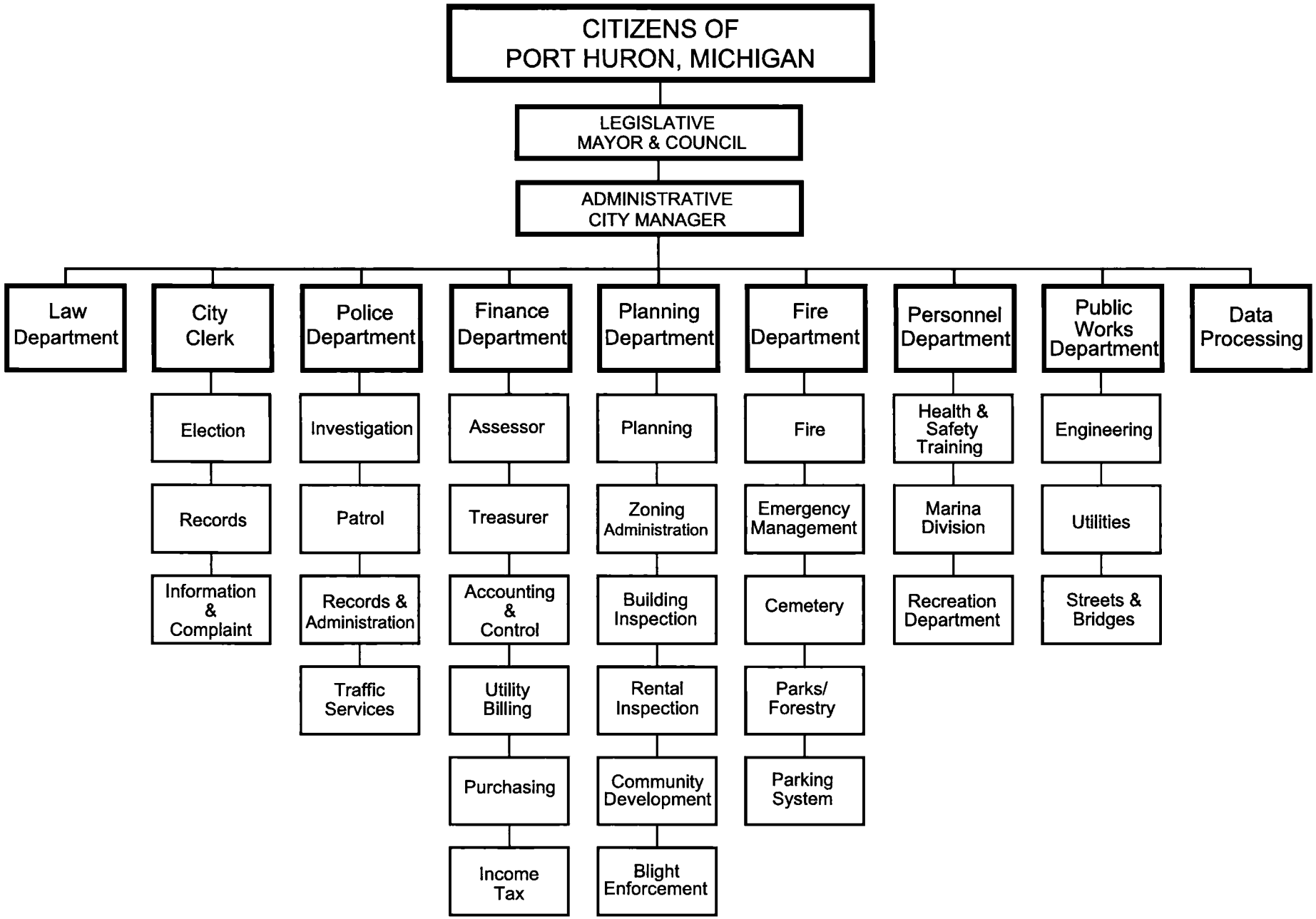
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

President

Executive Director

ORGANIZATIONAL CHART
PORT HURON CITY GOVERNMENT



FINANCIAL SECTION

plante moran

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2007 financial statements and, in our report dated November 15, 2007, 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, 2008 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.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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, 2007, 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 December 3, 2008 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

December 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 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 $158,444,441 (net assets). Of this amount, $42,298,358 (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 $3,167,558. This increase is primarily the result of increased net investments in infrastructure and the corresponding grants received for these improvements. Funds previously accumulated in the internal service funds to provide for post-employment health care costs were transferred to the Retiree Health Care Benefits Fund, which reduced the increase in net assets.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of $18,022,807, a decrease of $1,194,633 in comparison with the prior year. Approximately 70 percent of this total amount, $12,591,694, 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 $4,232,753, or 16.9 percent of total general fund expenditures and transfers.
- The City of Port Huron's total debt increased by $3,182,622 (3.1 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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the major, local and municipal streets funds, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of 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 78 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 and other post-employment benefits to its employees. Required supplementary information can be found on pages 80 and 81 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. Combining and individual fund statements and schedules can be found on pages 83 through 112 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 $158,444,441 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net assets (68.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Huron uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Huron's investment in its capital assets is reported net of related debt, (if applicable) it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PORT HURON'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 36,647,219	$ 43,408,849	$ 26,311,046	$ 19,810,327	$ 62,958,265	$ 63,219,176
Capital assets	44,477,669	39,143,574	169,847,381	169,632,260	214,325,050	208,775,834
Total assets	81,124,888	82,552,423	196,158,427	189,442,587	277,283,315	271,995,010
Long-term liabilities	2,643,182	2,357,518	100,983,249	98,148,197	103,626,431	100,505,715
Other liabilities	7,664,745	8,852,453	7,547,698	7,359,959	15,212,443	16,212,412
Total liabilities	10,307,927	11,209,971	108,530,947	105,508,156	118,838,874	116,718,127
Net assets:						
Invested in capital assets, net of related debt	44,477,669	39,143,574	64,591,888	65,911,126	109,069,557	105,054,700
Restricted	7,076,526	7,756,905			7,076,526	7,756,905
Unrestricted	19,262,766	24,441,973	23,035,592	18,023,305	42,298,358	42,465,278
Total net assets	$ 70,816,961	$ 71,342,452	$ 87,627,480	$ 83,934,431	$158,444,441	$155,276,883

An additional portion of the City of Port Huron's net assets (4.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($42,298,358) 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 also held true for the prior fiscal year.

The City of Port Huron's net assets increased by $3,167,558 during the current fiscal year. This increase primarily represents increased net investment in infrastructure and the corresponding grants received for these improvements. Funds previously accumulated in the internal service funds of $6 million to provide for post-employment health care costs were transferred to the Retiree Health Care Fund, a fiduciary fund which is not included as a part of governmental activities. If the effect of the transfer is not considered, net assets would have increased by $9,167,558. Further, the decline in total net assets attributable to governmental activities of $525,491 would have been an increase of $5,474,509.

CITY OF PORT HURON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 3,466,338	$ 3,464,092	$ 17,048,005	$15,889,448	$ 20,514,343	$ 19,353,540
Operating grants and contributions	3,766,715	4,113,900	1,942,199	2,401,331	5,708,914	6,515,231
Capital grants and contributions	6,874,104	2,207,793	757,776	1,247,135	7,631,880	3,454,928
General revenues:						
Property taxes	12,695,112	12,214,363			12,695,112	12,214,363
Income taxes	8,172,561	6,404,789			8,172,561	6,404,789
State shared revenue	4,020,443	3,979,187			4,020,443	3,979,187
Gain on sale of capital assets	35,082	18,176	25,925	362,734	61,007	380,910
Investment income	1,249,999	2,272,546	624,517	873,039	1,874,516	3,145,585
Other	348,271	391,798	92	5,070	348,363	396,868
Total revenues	40,628,625	35,066,644	20,398,514	20,778,757	61,027,139	55,845,401
Expenses:						
General government	4,414,041	3,294,266			4,414,041	3,294,266
Public safety	15,945,019	12,775,838			15,945,019	12,775,838
Public works	10,397,388	8,822,339			10,397,388	8,822,339
Health and welfare	17,508	17,851			17,508	17,851
Community and economic development	2,298,805	2,396,732			2,298,805	2,396,732
Recreation, parks and culture	3,163,955	2,628,408			3,163,955	2,628,408
Water			6,414,288	6,296,545	6,414,288	6,296,545
Wastewater			13,201,522	13,269,918	13,201,522	13,269,918
Land purchase			105,397	193,013	105,397	193,013
Parking			200,970	185,541	200,970	185,541
Senior citizens			777,558	889,992	777,558	889,992
Marina			923,130	813,049	923,130	813,049
Total expenses	36,236,716	29,935,434	21,622,865	21,648,058	57,859,581	51,583,492
Increase (decrease) in net assets before transfers	4,391,909	5,131,210	(1,224,351)	(869,301)	3,167,558	4,261,909
Special item – custodial capital transfer		(332,307)				(332,307)
Transfers	(4,917,400)	(700,000)	4,917,400	700,000		
Increase (decrease) in net assets	(525,491)	4,098,903	3,693,049	(169,301)	3,167,558	3,929,602
Net assets - beginning of year	71,342,452	67,243,549	83,934,431	84,103,732	155,276,883	151,347,281
Net assets - end of year	$70,816,961	$71,342,452	$87,627,480	$83,934,431	$158,444,441	$155,276,883

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City of Port Huron's net assets by $525,491, thereby offsetting an increase of $3,693,049 in the net assets related to business-type activities. As discussed above, the decrease in net assets attributable to governmental activities is primarily the result of the transfer of funds accumulated for post-employment retiree health care. A summary of the changes follows:

- Property taxes increased by $480,749 (3.9 percent) during the year, primarily the result of new investment and increases in taxable value up to the annual state limitation (3.7 percent).
- Income tax revenue increased by $1,767,772 (27.6 percent), primarily due to a one time increase as a result of the settlement of pending litigation from an earlier tax year. Income tax revenue is budgeted at $6.575 million for the year ending June 30, 2009.
- State revenue sharing payments remained relatively constant, increasing by 1%.
- Operating grants and contributions decreased by $347,185, primarily due to a decrease in development grant activity.
- Capital grants and contributions increased by $4,666,311, due to an increase in grants received for infrastructure improvements, primarily the 7th Street Bridge project.
- Investment income decreased by $1,022,547, primarily due to a decrease in the fair value of investments in the Cemetery Perpetual Care Fund and a decline in interest rates.

For the most part, operating expenses remained relatively constant compared to the prior year. This comparison can be reviewed in more detail in the fund financial statements. The increase in governmental activities' expenses of $6,301,282 is primarily the result of the internal services fund transfer of $6 million discussed above. The internal services funds are allocated to governmental activities.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net assets by $3,693,049. Key elements affecting business-type activities are as follows:

- Charges for services increased by $1,158,557 (7.3 percent) during the year. The increase was primarily due to rate adjustments and usage increases.
- Operating grants and contributions decreased $459,132 during the year. Most of this decrease was the result of lower payments of captured taxes and other revenues from component units.
- Capital grants and contributions decreased $489,359 during the year. The decrease was primarily the result of a reduction in grants received to improve wastewater infrastructure.
- Operating expenses remained relatively constant compared to the prior year as the result of the implementation of cost savings measures.

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 $18,022,807, a decrease of $1,194,633 in comparison with the prior year. Of this amount, 70 percent ($12,591,694) 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 ($5,181,164), or 2) for a variety of other restricted purposes ($249,949).

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 $4,232,753, while total fund balance reached $4,253,102. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.87 percent of total general fund expenditures, while total fund balance represents 16.95 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by $153,998 during the current fiscal year. Key factors in the change in fund balance are as follows:

- Income tax revenue increased by 27.6% primarily due to a one time increase as a result of the settlement of pending litigation from an earlier tax year. Current year property tax revenues increased by 3.5%, slightly lower than the State of Michigan annual limitation of 3.7%. Other property tax related revenue, primarily delinquent taxes, penalties and interest, increased by $38,964. Overall tax revenue increased by $2,092,309.

- State shared revenues declined by $112,436 as a result of the current State economic conditions.

- Grants increased by $70,160 primarily due to timing related to the use of grant funds for fire and other public safety equipment.

- Total revenues increased by $2,184,460 or 9.5%. The overall revenue increase is primarily due to the one time increase in income tax collections discussed above.

- General government expenditures decreased by $318,545, primarily due to scheduled maintenance and repairs to the Municipal Office Center done in the prior year.

- Public safety expenditures decreased by $504,415, primarily due to cost saving measures which reduced personnel costs in both the Police and Fire Departments.

- Recreation, parks and culture decreased by $215,008 primarily due to changes in work assignments in parks and forestry and recreation programs.

- In the aggregate, general fund expenditures decreased by $842,964 or 3.8% primarily as a result of cost saving measures implemented to reduce total personnel and other costs. The decreased costs allowed an increased 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 $6,048,151, a decrease of $1,033,039 during the fiscal year, primarily as a result of a transfer from the Municipal Streets Fund to the Wastewater Fund of $1 million to assist in infrastructure costs and mitigate rate increases. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements increased by 3.9% due to new investment and taxable valuation increases discussed above.

- State shared revenues increased by $27,271, an increase of 1%.

- Public works expenses decreased by 2.5% primarily as a result of planned reductions in street maintenance costs due to cost saving measures.

The Municipal Streets Fund unreserved fund balance of $5,800,036 has a portion designated for subsequent years' expenditures ($1,771,154) primarily as a result of the planned rebuilding of the 7th Street bascule bridge. The remaining unreserved fund balance is expected to be used for continuing infrastructure projects and to assist the Wastewater Fund with infrastructure costs to mitigate rate increases.

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.

Net assets at the end of the year for the Water Fund were $17,868,443, net assets for the Wastewater Fund were $52,285,080 and net assets for the Land Purchase Fund were $11,901,879. The total change in net assets for the Water, Wastewater and Land Purchase funds was $165,427, $4,299,094 and $(453,687), respectively, with the loss for the Land Purchase Fund primarily due to transfers out. Unrestricted net assets at the end of the year for the Water Fund were $4,547,504, unrestricted net assets for the Wastewater Fund were $9,401,047 and unrestricted net assets for the Land Purchase Fund were $7,936,168. Unrestricted net assets for the Water and Land Purchase funds decreased by $732,370 and $374,857. Unrestricted net assets for the Wastewater Fund increased by $6,171,971. The decrease for the Water Fund was primarily the result of capital asset acquisitions and debt repayments. The increase in the Wastewater Fund was primarily due to increased transfers in from other funds and a bond borrowing which partially funded prior year capital acquisitions. The decrease for the Land Purchase Fund was primarily the result of lower payments of captured taxes and other revenues from component units. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Port Huron's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were primarily related to the one time income tax revenue increase discussed above and investment and grant revenue increases. Expenditures were amended during the year to reflect cost savings and increased transfers to the Wastewater Fund. Year end 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 $2,750,000. In prior years similar year end transfers have resulted in $1,400,000 available at June 30, 2008, 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, 2008, amounts to $214,325,050 (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 $5,549,216 (a 13.6 percent increase for governmental activities and a 0.1 percent increase for business-type activities).

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

- The 7th Street Bridge project, a rehabilitation and reconstruction project, is expected to be completed in 2008. Construction in progress at the end of the current fiscal year was approximately $6.2 million.
- A variety of sewer separation and infrastructure improvements continued; construction in progress as of the end of the current fiscal year was approximately $1.0 million for streets, $1.9 for water and $4.1 million for wastewater.
- Various building and system additions and improvements were also completed and the City's structured replacement of vehicles continued.

CITY OF PORT HURON'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 4,260,209	$ 4,260,209	$ 5,586,973	$ 5,586,973	$ 9,847,182	$ 9,847,182
Construction in progress	7,164,258	2,431,328	5,920,822	12,802,992	13,085,080	15,234,320
Land improvements	9,768,532	9,332,495	854,297	854,297	10,622,829	10,186,792
Buildings	10,565,377	10,378,699	39,519,387	39,448,557	50,084,764	49,827,256
Machinery and equipment	9,386,525	8,882,341	14,070,424	13,830,385	23,456,949	22,712,726
Vehicles	2,756,305	2,794,803			2,756,305	2,794,803
Infrastructure	49,304,233	46,112,239	173,601,390	161,010,876	222,905,623	207,123,115
Total	$ 93,205,439	$ 84,192,114	$ 239,553,293	$233,534,080	$332,758,732	$317,726,194
Less accumulated depreciation	48,727,770	45,048,540	69,705,912	63,901,820	118,433,682	108,950,360
Total	$ 44,477,669	$ 39,143,574	$ 169,847,381	$169,632,260	$214,325,050	$208,775,834

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 $106,903,756. Of this amount $97,083,507 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 by specified revenue sources (i.e., revenue bonds) and is also backed by the full faith and credit of the government.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	$	$	$ 97,083,507	$ 93,376,241	$ 97,083,507	$ 93,376,241
Revenue bonds			9,820,249	10,344,893	9,820,249	10,344,893
Total	$	$	$ 106,903,756	$103,721,134	$ 106,903,756	$103,721,134

The City of Port Huron's total debt increased by $3,182,622 (3.1 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 the fiscal year ended June 30, 2008.

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 $91,626,770. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is $68,201,166. Debt issued as a result of an order, which would include $73,657,903 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 69 through 73 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- As of September 30, 2008, the unemployment rate for the City of Port Huron was 13.3 percent, an increase from a rate of 12.1 percent the year before. This compares to the county's average unemployment rate of 9.4 percent, the state's average unemployment rate of 8.7 percent and the national average rate of 6.1 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. However, there has been substantial investment in the downtown to create second and third floor lofts.

- 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 2008/2009 fiscal year.

During the current fiscal year, unreserved fund balance in the Municipal Street Fund decreased to $5.8 million. The City of Port Huron has appropriated $1.8 million of this amount for spending in the 2008/2009 fiscal year budget. It is intended that this use of available fund balance will allow for completion of the construction engineering portion of the reconstruction of the 7th Street Bridge which began in June, 2007. The City continues to qualify for significant grant funds for the construction contractor portion of the project. Additional resources, which had been transferred to the Municipal Street Fund in the past, are now available for continuing infrastructure needs and for transfer to the Wastewater Fund.

For the 2008/2009 budget year, both total equalized valuation and taxable valuation increased over the 2007/2008 fiscal year, resulting in increased budgeted property tax revenue. As a result of a declining housing market, this trend is not expected to continue for 2009/2010 and the immediate succeeding years. It is expected that taxable valuation will decline, though more slowly than the declines in equalized valuation due to the effects of Proposal A. This will result in a reduction in property tax revenues available to the City for 2009/2010 and beyond. Additional information is available in the Statistical Section, pages 134 and 135.

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 McMorran Boulevard, Port Huron, Michigan 48060.

City of Port Huron

STATEMENT OF NET ASSETS
June 30, 2008

EXHIBIT A

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Assets:				
Cash and cash equivalents	$ 23,337,045	$ 19,711,392	$ 43,048,437	$ 2,086,171
Investments	6,366,873		6,366,873	
Receivables (net of allowances for uncollectibles)	4,858,181	3,758,054	8,616,235	52,009
Due from other governmental units	1,637,651	44,175	1,681,826	
Inventories	427,120	64,057	491,177	8,210
Prepaid and deferred items	20,349	1,085,105	1,105,454	13,994
Restricted assets (cash and cash equivalents)		1,648,263	1,648,263	200,677
Capital assets:				
Non-depreciable (land and construction in progress)	11,424,467	11,507,795	22,932,262	25,000
Depreciable property and equipment (net of accumulated depreciation)	33,053,202	158,339,586	191,392,788	2,081,357
Total Assets	81,124,888	196,158,427	277,283,315	4,467,418
LIABILITIES				
Liabilities:				
Accounts payable	788,251	190,373	978,624	620,567
Accrued payroll	748,333	124,644	872,977	125,758
Contracts payable	1,382,917	197,503	1,580,420	
Taxes collected in advance	304,578		304,578	
Accrued interest payable		854,995	854,995	
Other liabilities	109,744	245,150	354,894	51,110
Claims and judgements payable	949,835		949,835	
Unearned revenue	2,972,287	14,526	2,986,813	200,677
Noncurrent liabilities:				
Due within one year	408,800	5,920,507	6,329,307	
Due in more than one year	2,643,182	100,983,249	103,626,431	
Total Liabilities	10,307,927	108,530,947	118,838,874	998,112
NET ASSETS				
Invested in capital assets, net of related debt	44,477,669	64,591,888	109,069,557	2,106,357
Restricted for street improvements	13,683		13,683	
Restricted for law enforcement	563,935		563,935	
Restricted for rubbish and garbage collection	1,317,744		1,317,744	
Restricted for nonexpenable endowments	5,181,164		5,181,164	
Unrestricted	19,262,766	23,035,592	42,298,358	1,362,949
Net Assets	$ 70,816,961	$ 87,627,480	$ 158,444,441	$ 3,469,306

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

City of Port Huron

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

EXHIBIT A-1

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 4,414,041	$ 1,768,932	$	$
Public safety	15,945,019	697,377	21,964	472,876
Public works	10,397,388	239,394	2,593,958	6,266,508
Health and welfare	17,508			
Community and economic development	2,298,805	557,277	1,150,793	
Recreation, parks and culture	3,163,955	203,358		134,720
Total govermental activities	36,236,716	3,466,338	3,766,715	6,874,104
Business-type activities:				
Water	6,414,288	6,372,676		33,119
Wastewater	13,201,522	9,527,064		724,657
Land purchase	105,397	328,264	1,468,352	
Parking	200,970	171,730		
Senior citizens	777,558	316,059	429,672	
Marina	923,130	332,212	44,175	
Total business-type activities	21,622,865	17,048,005	1,942,199	757,776
Total primary government	$ 57,859,581	$ 20,514,343	$ 5,708,914	$ 7,631,880
Component units:				
Downtown development	$ 1,144,921	$ 1,290	$	$
Tax increment finance	2,944,431			
Local development finance	364,374			
Brownfield redevelopment	391,722			
McMorran	2,349,591	1,525,973	335,000	73,082
Total component units	$ 7,195,039	$ 1,527,263	$ 335,000	$ 73,082

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

Transfers

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			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
$ (2,645,109)	$	$ (2,645,109)	$
(14,752,802)		(14,752,802)	
(1,297,528)		(1,297,528)	
(17,508)		(17,508)	
(590,735)		(590,735)	
(2,825,877)		(2,825,877)	
(22,129,559)		(22,129,559)	
	(8,493)	(8,493)	
	(2,949,801)	(2,949,801)	
	1,691,219	1,691,219	
	(29,240)	(29,240)	
	(31,827)	(31,827)	
	(546,743)	(546,743)	
	(1,874,885)	(1,874,885)	
$ (22,129,559)	$ (1,874,885)	$ (24,004,444)	$ 0
$	$	$	$ (1,143,631)
			(2,944,431)
			(364,374)
			(391,722)
			(415,536)
$ 0	$ 0	$ 0	$ (5,259,694)
$ 12,695,112	$	$ 12,695,112	$ 4,792,351
8,172,561		8,172,561	
4,020,443		4,020,443	
1,249,999	624,517	1,874,516	3,181
35,082	25,925	61,007	
348,271	92	348,363	72,200
(4,917,400)	4,917,400		
21,604,068	5,567,934	27,172,002	4,867,732
(525,491)	3,693,049	3,167,558	(391,962)
71,342,452	83,934,431	155,276,883	3,861,268
$ 70,816,961	$ 87,627,480	$ 158,444,441	$ 3,469,306

City of Port Huron

BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2008

EXHIBIT A-2

ASSETS	General	Major Streets	Local Streets	Municipal Streets
Assets:				
Cash and cash equivalents	$ 2,061,891	$ 150,366	$ 69,146	$ 7,049,403
Investments	2,000,000			
Receivables (net of allowances for uncollectibles)	1,274,495			2,880
Due from other governmental units	82,549	180,500	43,148	
Due from other funds				
Inventories				229,600
Prepaid and deferred items	20,349			
Total Assets	$ 5,439,284	$ 330,866	$ 112,294	$ 7,281,883
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 538,211	$ 5,866	$ 134	$ 6,001
Accrued payroll	377,980	20,094	5,740	13,181
Contracts payable	10,884	162,833	378	1,195,199
Taxes collected in advance	213,373			37,866
Due to other funds				
Unearned revenue				
Other liabilities	45,734			
Total Liabilities	1,186,182	188,793	6,252	1,252,247
Fund balances:				
Reserved for inventories				229,600
Reserved for prepaid items	20,349			
Reserved for endowments				
Unreserved:				
Designated for subsequent years' expenditures:				
Special Revenue Funds		12,276	10,090	1,771,154
Undesignated:				
General Fund	4,232,753			
Special Revenue Funds		129,797	95,952	4,028,882
Total Fund Balances	4,253,102	142,073	106,042	6,029,636
Total Liabilities And Fund Balances	$ 5,439,284	$ 330,866	$ 112,294	$ 7,281,883

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

Other Nonmajor Governmental Funds	Total Governmental Funds June 30, 2008	Total Governmental Funds June 30, 2007
$ 3,228,650	$ 12,559,456	$ 11,053,219
4,366,873	6,366,873	9,154,142
3,011,566	4,288,941	4,449,104
196,412	502,609	1,208,921
144,111	144,111	122,749
	229,600	223,456
	20,349	5,133
$ 10,947,612	$ 24,111,939	$ 26,216,724
$ 201,868	$ 752,080	$ 630,951
20,043	437,038	391,442
	1,369,294	2,502,878
53,339	304,578	314,808
144,111	144,111	122,749
2,972,287	2,972,287	2,977,271
64,010	109,744	59,185
3,455,658	6,089,132	6,999,284
	229,600	223,456
	20,349	5,133
5,181,164	5,181,164	5,500,407
382,826	2,176,346	1,825,476
	4,232,753	4,093,971
1,927,964	6,182,595	7,568,997
7,491,954	18,022,807	19,217,440
$ 10,947,612	$ 24,111,939	$ 26,216,724

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

June 30, 2008

EXHIBIT A-3

Total fund balances for governmental funds	$ 18,022,807
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	42,327,984
A capital asset damaged in a fire is due to be replaced by an insurance company. Since the asset is due to a governmental fund, the corresponding receivable is not a financial resource and, therefore, is not reported in the fund	358,500
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	988,128
Internal Service Funds are included as part of governmental activities	9,119,542
Net assets of governmental activities	$ 70,816,961

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, 2008

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	$ 16,783,646	$	$
Licenses and permits	632,314		
Grants	188,489		
State shared revenues	3,944,617	2,043,789	557,287
Charges for services	649,494		
Fines and forfeits	208,584		
Investment income (loss)	691,866		
Rents	258,587		
Sale of property	2,657		
Other income	31,667		
Administrative charges	1,853,621		
Total Revenues	25,245,542	2,043,789	557,287
Expenditures:			
Current:			
General government	3,567,228		
Public safety	12,755,901		
Public works	1,592,385	1,688,374	928,995
Senior citizens	17,508		
Recreation, parks and culture	2,561,153		
General support services	432,445		
Capital outlay	186,678	1,476,960	180,713
Total Expenditures	21,113,298	3,165,334	1,109,708
Revenues over (under) Expenditures	4,132,244	(1,121,545)	(552,421)
Other financing sources (uses):			
Transfers in		1,425,000	505,836
Transfers out	(3,978,246)	(430,836)	
	(3,978,246)	994,164	505,836
Special item:			
Custodial capital transfer			
Net Change in Fund Balances	153,998	(127,381)	(46,585)
Fund balances at beginning of year	4,099,104	269,454	152,627
FUND BALANCES AT END OF YEAR	$ 4,253,102	$ 142,073	$ 106,042

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

Municipal Streets	Other Nonmajor Governmental Funds	Total Governmental Funds June 30, 2008	Total Governmental Funds June 30, 2007
$ 1,966,977	$ 2,117,050	$ 20,867,673	$ 18,619,152
		632,314	736,935
	1,150,793	1,339,282	2,075,752
		6,545,693	6,630,858
	769,754	1,419,248	1,416,319
		208,584	211,878
234,552	(118,685)	807,733	1,657,250
		258,587	251,090
		2,657	6,943
		31,667	75,000
		1,853,621	1,720,005
2,201,529	3,918,912	33,967,059	33,401,182
		3,567,228	3,885,773
	142,068	12,897,969	13,528,954
90,476	2,561,273	6,861,503	6,929,700
		17,508	17,851
		2,561,153	2,776,161
463,982	356,412	1,252,839	1,290,166
	1,241,741	3,086,092	3,952,464
554,458	4,301,494	30,244,292	32,381,069
1,647,071	(382,582)	3,722,767	1,020,113
	317,314	2,248,150	3,058,374
(2,500,000)	(256,468)	(7,165,550)	(3,758,374)
(2,500,000)	60,846	(4,917,400)	(700,000)
			(332,307)
(852,929)	(321,736)	(1,194,633)	(12,194)
6,882,565	7,813,690	19,217,440	19,229,634
$ 6,029,636	$ 7,491,954	$ 18,022,807	$ 19,217,440

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

Year Ended June 30, 2008

EXHIBIT A-5

Net changes in fund balances - total governmental funds		$ (1,194,633)
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 estimated useful lives as depreciation:		
Capital outlay expenditures		2,155,586
Depreciation expense		(3,311,018)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection		68,708
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds:		
Equipment provided to the City by St. Clair County as a result of a Federal grant	$ 141,941	
Portion of street construction projects directly funded by the State of Michigan	1,588,207	
Portion of bridge construction projects directly funded by the State of Michigan	4,535,012	
Insurance recovery - value of new fire truck and equipment - reduced by impairment loss on destroyed fire truck	164,410	
Street constuction donated from tax increment authorities	143,289	
		6,572,859
Internal Service Funds are included as part of governmental activities - change in net assets		(4,816,993)
Change in net assets of governmental activities		$ (525,491)

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

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

Year Ended June 30, 2008

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2007 Actual
Revenues:					
Taxes:					
Real property taxes	$ 7,085,000	$ 7,085,000	$ 7,103,844	$ 18,844	$ 6,839,265
Personal property taxes	1,265,000	1,265,000	1,263,778	(1,222)	1,242,784
Income tax	6,325,000	8,150,000	8,172,561	22,561	6,404,789
Other	210,000	210,000	243,463	33,463	204,499
	14,885,000	16,710,000	16,783,646	73,646	14,691,337
Business licenses and permits:					
Cable television	290,000	290,000	302,231	12,231	298,337
Other	16,645	16,645	14,373	(2,272)	18,461
	306,645	306,645	316,604	9,959	316,798
Nonbusiness licenses and permits:					
Building	250,000	250,000	183,030	(66,970)	249,132
Electrical	70,000	70,000	48,393	(21,607)	55,154
Heating	70,000	70,000	48,302	(21,698)	66,538
Plumbing	40,000	40,000	29,335	(10,665)	41,728
Other	5,000	5,000	6,650	1,650	7,585
	435,000	435,000	315,710	(119,290)	420,137
Grants		200,000	188,489	(11,511)	118,329
State shared revenues	3,838,000	3,900,000	3,944,617	44,617	4,057,053
Charges for services:					
Recreation fees	168,500	218,500	203,358	(15,142)	183,387
Blue Water Bridge reimbursement	200,000	200,000	200,000		200,000
County parks millage	127,000	127,000	134,720	7,720	127,832
Other	94,500	94,500	111,416	16,916	93,010
	590,000	640,000	649,494	9,494	604,229
Fines and forfeits:					
Parking violations	90,000	90,000	97,882	7,882	98,761
Ordinance fines	110,000	110,000	110,702	702	113,117
	200,000	200,000	208,584	8,584	211,878
Investment income	525,000	690,000	691,866	1,866	588,283
Rents	240,000	253,000	258,587	5,587	251,090
Sale of property and equipment	3,000	3,000	2,657	(343)	6,943
Other income	35,000	45,000	31,667	(13,333)	75,000

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

Year Ended June 30, 2008

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2007 Actual
Charges to other funds:					
Garbage and rubbish collection fund	$ 132,161	$ 132,161	$ 132,161	$	$ 101,235
Marina fund	55,713	55,713	55,713		56,021
Senior citizen housing fund	64,504	64,504	64,504		63,816
Parking fund	20,798	20,798	20,798		19,831
Water fund	596,564	596,564	596,564		574,167
Wastewater fund	661,350	661,350	661,350		578,665
Central stores fund	14,409	14,409	14,409		15,040
Data processing fund	83,398	83,398	83,398		95,282
Motor vehicle fund	224,724	224,724	224,724		215,948
	1,853,621	1,853,621	1,853,621		1,720,005
Total Revenues	22,911,266	25,236,266	25,245,542	9,276	23,061,082
Expenditures:					
Current:					
General government:					
City council	103,335	71,335	69,588	1,747	92,757
City manager	338,154	347,154	345,258	1,896	346,632
Elections	88,249	73,249	69,783	3,466	85,520
Finance and accounting	667,519	657,519	655,288	2,231	656,188
Income tax	310,637	365,637	361,694	3,943	298,561
Assessor	444,283	392,283	389,908	2,375	420,717
Legal counsel	306,217	266,217	265,061	1,156	271,267
Clerk	248,856	252,656	248,809	3,847	245,560
Personnel	308,639	303,639	299,668	3,971	303,149
Purchasing	42,041	42,041	40,830	1,211	41,189
Board of review	2,450	2,450	2,302	148	2,322
Treasurer	215,724	220,724	219,297	1,427	202,413
Municipal office center	896,326	596,326	593,342	2,984	891,609
Promotional	26,000	9,000	6,400	2,600	27,889
	3,998,430	3,600,230	3,567,228	33,002	3,885,773
Public safety:					
Police administration	1,077,464	977,464	973,374	4,090	1,011,501
Detectives	935,100	910,100	905,964	4,136	968,236
Patrol	5,256,187	4,951,987	4,947,488	4,499	4,940,745
Communications	764,261	699,261	699,123	138	793,526
Fire	5,518,512	5,043,512	5,042,098	1,414	5,481,288
Fire - Equipment grant		190,000	187,854	2,146	65,020
	13,551,524	12,772,324	12,755,901	16,423	13,260,316
Public works:					
Inspection	393,720	383,720	378,796	4,924	334,720
Emergency management	13,773	8,773	7,132	1,641	17,130
Public works administration	209,131	209,131	208,205	926	206,874
Engineering	377,764	227,764	224,692	3,072	223,614
Street lighting	718,925	693,925	689,969	3,956	698,308
Blight	76,256	86,256	83,591	2,665	127,603
	1,789,569	1,609,569	1,592,385	17,184	1,608,249
Senior citizens:					
Discounts for senior citizens	6,000	6,000	2,228	3,772	3,348
Senior citizens transportation	15,688	15,688	15,280	408	14,503
	21,688	21,688	17,508	4,180	17,851

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

Year Ended June 30, 2008

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2007 Actual
Recreation, parks and culture:					
Parks and forestry	$ 1,188,420	$ 1,053,420	$ 1,050,005	$ 3,415	$ 1,156,092
Recreation	676,523	636,523	633,201	3,322	635,643
20th and Court pool	109,716	104,716	100,663	4,053	101,315
Sanborn pool	127,629	122,629	120,060	2,569	133,337
Lighthouse park	68,368	43,368	39,229	4,139	50,830
Lakeside park	78,458	53,458	52,148	1,310	62,829
Palmer park recreation center	122,289	117,289	116,059	1,230	124,047
Lightship	14,267	14,267	10,787	3,480	29,421
McMorran complex	335,000	335,000	335,000		335,000
Library	8,000	8,000	8,000		8,000
Museum	111,060	96,060	96,001	59	139,647
	2,839,730	2,584,730	2,561,153	23,577	2,776,161
General support services:					
Planning	210,071	212,571	211,866	705	269,290
Telephone service	31,950	26,950	20,261	6,689	24,006
Contingencies	50,000	2,500		2,500	
Insurance, health and safety	333,458	203,458	199,931	3,527	110,938
Taxes written off	15,000	5,000	242	4,758	449
Demolitions	15,000	5,000	145	4,855	158
Other - DDA	12,000	12,000		12,000	
	667,479	467,479	432,445	35,034	404,841
Capital outlay	257,000	202,000	186,678	15,322	3,071
Total Expenditures	23,125,420	21,258,020	21,113,298	144,722	21,956,262
Revenues over (under) Expenditures	(214,154)	3,978,246	4,132,244	153,998	1,104,820
Other financing sources (uses):					
Transfers in:					
Enterprise funds:					
Land Purchase	275,000				
Transfers out:					
Special revenue funds:					
Cemetery Operating	(57,546)	(57,546)	(57,546)		(204,000)
Beautification Commission	(3,300)	(3,300)	(3,300)		(3,300)
Enterprise funds:					
Land purchase					
Wastewater		(3,917,400)	(3,917,400)		(700,000)
	(60,846)	(3,978,246)	(3,978,246)		(907,300)
	214,154	(3,978,246)	(3,978,246)		(907,300)
Net Change in Fund Balance			153,998	153,998	197,520
Fund balance at beginning of year	4,099,104	4,099,104	4,099,104		3,901,584
FUND BALANCE AT END OF YEAR	$ 4,099,104	$ 4,099,104	$ 4,253,102	$ 153,998	$ 4,099,104

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

Year Ended June 30, 2008

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2007 Actual
MAJOR STREETS:					
Revenues:					
Grants	$ 11,950,000	$ 11,950,000	$	$ (11,950,000)	$
State shared revenues	2,012,562	2,012,562	2,043,789	31,227	2,009,109
Total Revenues	13,962,562	13,962,562	2,043,789	(11,918,773)	2,009,109
Expenditures:					
Current:					
Public works	2,044,675	2,044,675	1,688,374	356,301	1,699,412
Capital outlay	14,320,000	14,320,000	1,476,960	12,843,040	1,849,147
Total Expenditures	16,364,675	16,364,675	3,165,334	13,199,341	3,548,559
Revenues over (under) Expenditures	(2,402,113)	(2,402,113)	(1,121,545)	1,280,568	(1,539,450)
Other financing sources (uses):					
Transfers in	2,850,000	2,850,000	1,425,000	(1,425,000)	1,975,000
Transfers out	(450,000)	(450,000)	(430,836)	19,164	(437,317)
	2,400,000	2,400,000	994,164	(1,405,836)	1,537,683
Net Change in Fund Balances	(2,113)	(2,113)	(127,381)	(125,268)	(1,767)
Fund balance at beginning of year	269,454	269,454	269,454		271,221
FUND BALANCE AT END OF YEAR	$ 267,341	$ 267,341	$ 142,073	$ (125,268)	$ 269,454
LOCAL STREETS:					
Revenues:					
State shared revenues	$ 543,000	$ 553,000	$ 557,287	$ 4,287	$ 564,696
Total Revenues	543,000	553,000	557,287	4,287	564,696
Expenditures:					
Current:					
Public works	971,900	971,900	928,995	42,905	975,482
Capital outlay	465,000	465,000	180,713	284,287	203,523
Total Expenditures	1,436,900	1,436,900	1,109,708	327,192	1,179,005
Revenues over (under) Expenditures	(893,900)	(883,900)	(552,421)	331,479	(614,309)
Other financing sources:					
Transfers in	875,000	865,000	505,836	(359,164)	612,317
Net Change in Fund Balances	(18,900)	(18,900)	(46,585)	(27,685)	(1,992)
Fund balance at beginning of year	152,627	152,627	152,627		154,619
FUND BALANCE AT END OF YEAR	$ 133,727	$ 133,727	$ 106,042	$ (27,685)	$ 152,627

(Continued on next page)

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

Year Ended June 30, 2008

EXHIBIT A-7
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2007 Actual
MUNICIPAL STREETS:					
Revenues:					
Taxes - Streets	$ 1,480,000	$ 1,480,000	$ 1,502,995	$ 22,995	$ 1,444,684
Taxes - BWATC	465,000	465,000	463,982	(1,018)	448,195
Investment income	200,000	200,000	234,552	34,552	321,142
Total Revenues	2,145,000	2,145,000	2,201,529	56,529	2,214,021
Expenditures:					
Current:					
Public works	77,132	93,082	90,476	2,606	103,788
General support services - BWATC	465,000	465,000	463,982	1,018	448,195
Capital Outlay	5,950				
Total Expenditures	548,082	558,082	554,458	3,624	551,983
Revenues over (under) Expenditures	1,596,918	1,586,918	1,647,071	60,153	1,662,038
Other financing sources (uses):					
Transfers out	(3,275,000)	(4,265,000)	(2,500,000)	1,765,000	(2,150,000)
Net Change in Fund Balances	(1,678,082)	(2,678,082)	(852,929)	1,825,153	(487,962)
Fund balance at beginning of year	6,882,565	6,882,565	6,882,565		7,370,527
FUND BALANCE AT END OF YEAR	$ 5,204,483	$ 4,204,483	$ 6,029,636	$ 1,825,153	$ 6,882,565

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

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF NET ASSETS
June 30, 2008

EXHIBIT A-8

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,216,098	$ 7,359,151	$ 7,964,569
Accounts receivable (net of allowances for uncollectibles)	1,600,876	2,151,328	5,265
Due from other governmental units			
Inventories	30,521	33,536	
Prepaid items			
Total Current Assets	4,847,495	9,544,015	7,969,834
Noncurrent assets:			
Restricted cash and cash equivalents		1,648,263	
Capital assets:			
Land	799,823	631,745	1,775,512
Land improvements			
Buildings	4,989,017	25,666,106	2,876,984
Systems	52,601,291	121,000,099	
Machinery and equipment		11,503,936	
Vehicles			
Construction in progress	1,855,645	4,065,177	
	60,245,776	162,867,063	4,652,496
Less accumulated depreciation	13,678,984	47,973,390	686,785
Total Capital Assets	46,566,792	114,893,673	3,965,711
Other noncurrent assets:			
Bond issuance costs (net of amortization)	421,371	608,466	
Total Noncurrent Assets	46,988,163	117,150,402	3,965,711
Total Assets	51,835,658	126,694,417	11,935,545
LIABILITIES			
Current liabilities:			
Accounts payable	107,160	41,237	24
Accrued payroll	53,647	63,962	1,192
Claims and judgements payable			
Contracts payable	132,547	38,254	
Accrued interest payable	247,014	607,981	
Unearned revenue			
Other liabilities	180,994		32,450
Current portion of long-term debt	1,899,645	4,020,862	
Compensated absences payable (current portion)			
Total Current Liabilities	2,621,007	4,772,296	33,666
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)	31,346,208	69,637,041	
Compensated absenses payable (exclusive of current portion)			
Total Noncurrent Liabilities	31,346,208	69,637,041	
Total Liabilities	33,967,215	74,409,337	33,666
NET ASSETS			
Invested in capital assets, net of related debt	13,320,939	42,884,033	3,965,711
Unrestricted	4,547,504	9,401,047	7,936,168
Total Net Assets	$ 17,868,443	$ 52,285,080	$ 11,901,879

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, 2008	June 30, 2007	June 30, 2008	June 30, 2007
$ 1,171,574	$ 19,711,392	$ 14,653,707	$ 10,777,589	$ 15,916,022
585	3,758,054	3,618,211	210,740	189,288
44,175	44,175	356,591	146,914	151,280
	64,057	81,808	197,520	138,864
55,268	55,268	67,280		
1,271,602	23,632,946	18,777,597	11,332,763	16,395,454
	1,648,263			
2,379,893	5,586,973	5,586,973		
854,297	854,297	854,297	1,775,442	1,347,382
5,987,280	39,519,387	39,448,557		
	173,601,390	161,010,876		
2,566,488	14,070,424	13,830,385	688,386	628,658
			2,258,313	2,019,540
	5,920,822	12,802,992		
11,787,958	239,553,293	233,534,080	4,722,141	3,995,580
7,366,753	69,705,912	63,901,820	2,572,456	2,121,063
4,421,205	169,847,381	169,632,260	2,149,685	1,874,517
	1,029,837	1,032,730		
4,421,205	172,525,481	170,664,990	2,149,685	1,874,517
5,692,807	196,158,427	189,442,587	13,482,448	18,269,971
41,952	190,373	159,148	36,171	49,318
5,843	124,644	115,460	311,295	561,420
			949,835	953,335
26,702	197,503	390,175	13,623	1,050
	854,995	819,206		
14,526	14,526	88,532		
31,706	245,150	214,501		
	5,920,507	5,572,937		
			408,800	410,795
120,729	7,547,698	7,359,959	1,719,724	1,975,918
	100,983,249	98,148,197		
			2,643,182	2,357,518
	100,983,249	98,148,197	2,643,182	2,357,518
120,729	108,530,947	105,508,156	4,362,906	4,333,436
4,421,205	64,591,888	65,911,126	2,149,685	1,874,517
1,150,873	23,035,592	18,023,305	6,969,857	12,062,018
$ 5,572,078	$ 87,627,480	$ 83,934,431	$ 9,119,542	$ 13,936,535

City of Port Huron

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

Year Ended June 30, 2008

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	$ 6,372,676	$ 9,527,064	$
Rents			328,264
Total Operating Revenues	6,372,676	9,527,064	328,264
Operating expenses:			
Personal services	1,998,925	2,929,469	9,835
Supplies and materials	345,209	616,203	
Contractual services	1,498,001	3,467,089	16,732
Depreciation	1,557,795	3,902,139	78,830
Total Operating Expenses	5,399,930	10,914,900	105,397
Operating Income (Loss)	972,746	(1,387,836)	222,867
Nonoperating revenues (expenses):			
Investment income	173,920	121,520	329,077
Interest expense	(1,014,358)	(2,286,622)	
Operating grants and contributions			1,468,352
Gain on sale of property and equipment			25,925
Other income			92
	(840,438)	(2,165,102)	1,823,446
Income (Loss) Before Capital Contributions and Transfers	132,308	(3,552,938)	2,046,313
Capital contributions:			
Grants and contributions received		208,646	
Infrastructure improvements donated	33,119	516,011	
	33,119	724,657	
Income (Loss) Before Transfers	165,427	(2,828,281)	2,046,313
Transfers in (out):			
Transfer in		7,127,375	
Transfer out			(2,500,000)
		7,127,375	(2,500,000)
Change in Net Assets	165,427	4,299,094	(453,687)
Net assets at beginning of year	17,703,016	47,985,986	12,355,566
NET ASSETS AT END OF YEAR	$ 17,868,443	$ 52,285,080	$ 11,901,879

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, 2008	June 30, 2007	June 30, 2008	June 30, 2007
$ 319,340	$ 16,219,080	$ 14,956,233	$ 14,316,685	$ 15,410,119
500,661	828,925	933,215		
820,001	17,048,005	15,889,448	14,316,685	15,410,119
250,002	5,188,231	5,423,283	16,905,439	10,403,206
164,355	1,125,767	1,197,917	499,193	455,017
1,221,973	6,203,795	6,141,653	1,752,344	1,946,887
265,328	5,804,092	5,628,855	451,393	463,371
1,901,658	18,321,885	18,391,708	19,608,369	13,268,481
(1,081,657)	(1,273,880)	(2,502,260)	(5,291,684)	2,141,638
	624,517	873,039	442,266	615,296
	(3,300,980)	(3,256,350)		
473,847	1,942,199	2,401,331		
	25,925	362,734	32,425	11,233
	92	5,070		
473,847	(708,247)	385,824	474,691	626,529
(607,810)	(1,982,127)	(2,116,436)	(4,816,993)	2,768,167
	208,646	1,048,822		
	549,130	198,313		
	757,776	1,247,135		
(607,810)	(1,224,351)	(869,301)	(4,816,993)	2,768,167
300,000	7,427,375	4,075,000		
(9,975)	(2,509,975)	(3,375,000)		
290,025	4,917,400	700,000		
(317,785)	3,693,049	(169,301)	(4,816,993)	2,768,167
5,889,863	83,934,431	84,103,732	13,936,535	11,168,368
$ 5,572,078	$ 87,627,480	$ 83,934,431	$ 9,119,542	$ 13,936,535

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	$ 6,265,373	$ 9,489,306	$ 325,246
Payments to suppliers for goods and services	(1,185,308)	(3,384,714)	(16,725)
Payments to employees for services	(1,995,221)	(2,922,945)	(8,883)
Payments connected with interfund services	(596,564)	(661,350)	
Net cash provided by (used in) operating activities	2,488,280	2,520,297	299,638
Cash flows from noncapital financing activities:			
Operating grants and contributions received			1,468,352
Other income			92
Transfers in		7,127,375	
Transfers out			(2,500,000)
Advances from other funds			
Net cash provided by (used in) noncapital financing activities		7,127,375	(1,031,556)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,038,246)	(2,617,969)	
Proceeds from issuance of long-term debt	2,196,984	6,383,575	
Principal payments on long-term debt	(1,774,644)	(3,623,293)	
Interest paid	(1,013,021)	(2,252,170)	
Bond issuance costs	(4,678)	(64,947)	
Proceeds from sale of property and equipment			25,925
Capital contributions		497,275	
Net cash provided by (used in) capital and related financing activities	(3,633,605)	(1,677,529)	25,925
Cash flows from investing activities:			
Investment income	173,920	121,520	329,077
Advances to other funds			
Net cash provided by (used in) investing activities	173,920	121,520	329,077
Net increase (decrease) in cash and cash equivalents	(971,405)	8,091,663	(376,916)
Cash and cash equivalents at beginning of year	4,187,503	915,751	8,341,485
Cash and cash equivalents at end of year	$ 3,216,098	$ 9,007,414	$ 7,964,569
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	$ 3,216,098	$ 7,359,151	$ 7,964,569
Restricted assets - cash and cash equivalents		1,648,263	
Total balance sheet classification	$ 3,216,098	$ 9,007,414	$ 7,964,569

(Continued on next page)

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
$ 784,880	$ 16,864,805	$ 15,730,473	$ 14,299,599	$ 15,272,193
(1,216,920)	(5,803,667)	(6,047,287)	(1,988,236)	(2,051,792)
(251,998)	(5,179,047)	(5,419,948)	(16,875,395)	(10,950,734)
(141,015)	(1,398,929)	(1,292,500)	(322,531)	(326,270)
(825,053)	4,483,162	2,970,738	(4,886,563)	1,943,397
497,634	1,965,986	2,333,369		
	92	5,070		
300,000	7,427,375	4,075,000		
(9,975)	(2,509,975)	(3,375,000)		
		(629,047)		
787,659	6,883,478	2,409,392		
	(5,656,215)	(11,082,247)	(726,561)	(265,676)
	8,580,559	18,766,246		
	(5,397,937)	(17,040,327)		
	(3,265,191)	(3,228,916)		
	(69,625)	(250,867)		
	25,925	1,319,145	32,425	11,233
	497,275	760,193		
	(5,285,209)	(10,756,773)	(694,136)	(254,443)
	624,517	873,039	442,266	615,296
		629,047		
	624,517	1,502,086	442,266	615,296
(37,394)	6,705,948	(3,874,557)	(5,138,433)	2,304,250
1,208,968	14,653,707	18,528,264	15,916,022	13,611,772
$ 1,171,574	$ 21,359,655	$ 14,653,707	$ 10,777,589	$ 15,916,022
$ 1,171,574	$ 19,711,392	$ 14,653,707	$ 10,777,589	$ 15,916,022
	1,648,263			
$ 1,171,574	$ 21,359,655	$ 14,653,707	$ 10,777,589	$ 15,916,022

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

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)	$ 972,746	$ (1,387,836)	$ 222,867
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,557,795	3,902,139	78,830
Amortization of bond issuance costs	30,063	42,455	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	(127,548)	(37,758)	(3,658)
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventory	(13,014)	(6,800)	
Decrease (increase) in prepaid expenses			
Increase (decrease) in accounts payable	44,289	1,573	7
Increase (decrease) in accrued payroll	3,704	6,524	952
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in unearned revenue			
Increase (decrease) in other liabilities	20,245		640
Total Adjustments	1,515,534	3,908,133	76,771
Net cash provided by (used in) operating activities	$ 2,488,280	$ 2,520,297	$ 299,638

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2008, infrastructure improvements with an estimated value of $33,119 and $516,011 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			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
$ (1,081,657)	$ (1,273,880)	$ (2,502,260)	$ (5,291,684)	$ 2,141,638
265,328	5,804,092	5,628,855	451,393	463,371
	72,518	69,833		
29,121	(139,843)	(180,025)	(21,452)	13,354
			4,366	(151,280)
37,565	17,751	(907)	(58,656)	15,632
12,012	12,012	2,672		
(14,644)	31,225	(25,460)	(13,147)	7,160
(1,996)	9,184	3,335	(250,125)	41,767
			(3,500)	(136,613)
(6,540)	(6,540)	(46,355)	12,573	1,050
			283,669	(452,682)
(74,006)	(74,006)	(6,491)		
9,764	30,649	27,541		
256,604	5,757,042	5,472,998	405,121	(198,241)
$ (825,053)	$ 4,483,162	$ 2,970,738	$ (4,886,563)	$ 1,943,397

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

EXHIBIT A-11

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
ASSETS			
Cash and cash equivalents	$	$ 29,950	$ 718,493
Interest in pooled investments	6,058,493		
Total Assets	6,058,493	29,950	$ 718,493
LIABILITIES			
Liabilities:			
Due to other governmental units			$ 71,006
Taxes collected in advance			647,487
Total Liabilities			$ 718,493
NET ASSETS			
Net assets held in trust	$ 6,058,493	$ 29,950	

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, 2008

EXHIBIT A-12

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
Additions:		
Investment income	$ 58,493	$ 1,105
Employer contributions	6,000,000	
Total Additions	6,058,493	1,105
Deductions:		
Supplies and materials		900
Total Deductions		900
Change in Net Assets	6,058,493	205
Net assets at beginning of year		29,745
NET ASSETS AT END OF YEAR	$ 6,058,493	$ 29,950

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, 2008

EXHIBIT A-13

	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	McMorran	Total
ASSETS						
Assets:						
Cash and cash equivalents	$ 587,609	$ 972,864	$	$ 392,483	$ 133,215	$ 2,086,171
Receivables (net of allowances for uncollectibles)	3,311			3,357	45,341	52,009
Inventories					8,210	8,210
Prepaid and deferred items	410				13,584	13,994
Restricted assets (cash and cash equivalents)					200,677	200,677
Capital assets (net of accumulated depreciation)					2,106,357	2,106,357
Total Assets	591,330	972,864		395,840	2,507,384	4,467,418
LIABILITIES						
Liabilities:						
Accounts payable		446		391,721	228,400	620,567
Accrued payroll	1,070				124,688	125,758
Other liabilities	2,600				48,510	51,110
Unearned revenue					200,677	200,677
Total Liabilities	3,670	446		391,721	602,275	998,112
NET ASSETS						
Invested in capital assets, net of related debt					2,106,357	2,106,357
Unrestricted (deficit)	587,660	972,418		4,119	(201,248)	1,362,949
Net Assets	$ 587,660	$ 972,418	$ 0	$ 4,119	$ 1,905,109	$ 3,469,306

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, 2008

EXHIBIT A-14

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Downtown Development:				
Governmental activities:				
Community and economic development	$ 1,144,921	$ 1,290	$	$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	294,433			
Taxes disbursed - not captured	2,649,998			
Total tax increment finance	2,944,431			
Local Development Finance:				
Governmental activities:				
Community and economic development	364,374			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	391,722			
McMorran:				
Business-type activities:				
McMorran	2,349,591	1,525,973	335,000	73,082
Total component units	$ 7,195,039	$ 1,527,263	$ 335,000	$ 73,082

General revenues:
Property taxes
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
$ (1,143,631)	$	$	$	$	$ (1,143,631)
	(294,433)				(294,433)
	(2,649,998)				(2,649,998)
	(2,944,431)				(2,944,431)
		(364,374)			(364,374)
			(391,722)		(391,722)
				(415,536)	(415,536)
(1,143,631)	(2,944,431)	(364,374)	(391,722)	(415,536)	(5,259,694)
1,283,963	2,752,815	364,374	391,199		4,792,351
12				3,169	3,181
72,200					72,200
1,356,175	2,752,815	364,374	391,199	3,169	4,867,732
212,544	(191,616)		(523)	(412,367)	(391,962)
375,116	1,164,034		4,642	2,317,476	3,861,268
$ 587,660	$ 972,418	$ 0	$ 4,119	$ 1,905,109	$ 3,469,306

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, 2008 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, 2008, 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, 2008, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2008, 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, 2007, the date of its latest audited financial statements, is as follows:

Total Assets	$ 13,013,969
Total Liabilities	340,824
Total Net Assets	$ 12,673,145
Invested in Capital Assets	11,099,071
Restricted	16,358
Unrestricted	1,557,716
Total Net Assets	$ 12,673,145
Total Operating Revenues	$ 5,474,103
Total Operating Expenses	(6,239,750)
Total Nonoperating Revenues	645,924
Total Nonoperating Expenses	(2,877)
Change in Net Assets	$ (122,600)

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.

Pension and Other Employee Benefit funds account for the activities of the Retiree Health Care Benefits Fund which accumulates resources for retiree health care benefits for qualified retirees.

Private Purpose Trust funds account for resources legally held in trust for use in 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, 2008 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, 2008 the total accrued liability ($3,051,982) 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, 2008.

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, 2008, the City Council approved a transfer of $2,750,000 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, 2008, building department revenues and expenditures totaled $315,710 and $539,471 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled $2,915,884 and $4,398,913 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 Retiree Health Care Benefits Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed $250 million), debt or equity of certain small businesses, certain reverse repurchase agreements, certain state and local government obligations, and certain other specified investment vehicles.

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.

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

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

CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the 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 $47,933,596 had $47,423,596 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:

Investment	Fair Value	Weighted Average Maturity
Investments:		
Cemetery Perpetual Care Fund		
Corporate Bonds	$ 2,346,883	7.3 years
U.S. Government Agency Notes	1,178	10.2 years
	2,348,061	
Other Items Reported as Investments:		
General Fund		
Certificates of Deposit	2,000,000	
Cemetery Perpetual Care Fund		
Equities	2,018,812	
Total Other Items	4,018,812	
Total Investments – Primary Government	6,366,873	
Retiree Health Care Benefits Fund		
Interest in pooled investments	6,058,493	
	$ 12,425,366	

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 Retiree Health Care Benefits Fund is authorized by Public Act 314 of 1965 to invest, in part, in stocks, diversified investment companies, annuities, government obligations and other specified investment vehicles. 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, 2008 the credit ratings of debt securities (other than the U.S. government) for the Cemetery Perpetual Care Fund and of the interest in pooled investments for the Retiree Health Care Benefits Fund are as follows:

Investment	Fair Value	Rating
Corporate bonds	$ 194,790	AAA
Corporate bonds	906,769	AA
Corporate bonds	643,677	A
Corporate bonds	27,680	BBB
Corporate bonds	245,478	BB
Corporate bonds	328,489	B
Total	$ 2,346,883	
Interest in pooled investments	$ 6,058,493	Not rated

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount it may invest in any one issue or equity.

More than five percent of the Cemetery Perpetual Care Fund's investments are in the following corporate bonds:

	Fair Value	Fund %
GMAC - 7% 10-15-11	$ 128,953	2.95%
GMAC - 6.75% 06-15-17	70,786	1.62
General Motors Corp. (GM) - 7.4% 09-01-25	128,750	2.95
Total GM and related	$ 328,489	7.52%
Goldman Sachs Group, Inc. – 6.65% 05-15-09	$ 246,250	5.64%
Sears Roebuck Acceptance Corp. – 6.25% 05-01-09	$ 238,750	5.47%
Citigroup, Inc. 4.875% - 05-07-15	$ 230,385	5.28%

More than five percent of the Cemetery Perpetual Care Fund's investments are in the following equities:

Exxon Mobil Corp.	$ 232,663	5.33%
Procter & Gamble Company	$ 243,240	5.57%

NOTE D--RECEIVABLES

Receivables at June 30, 2008 consist of the following:

	General	Special Revenue/ Permanent	Total Governmental Funds	Internal Service	Total Governmental Activities	Business-type Activities (Enterprise)
Receivables:						
Income tax	$1,208,945	$	$ 1,208,945	$	$ 1,208,945	
Interest receivable		31,761	31,761		31,761	
Property taxes	24,423	10,435	34,858		34,858	
Accounts	49,377	2,975,750	3,025,127	210,740	3,235,867	3,834,054
Gross Receivables	1,282,745	3,017,946	4,300,691	210,740	4,511,431	3,834,054
Insurance*					358,500	
Less allowances for uncollectibles	8,250	3,500	11,750		11,750	76,000
Net total receivables	$1,274,495	$ 3,014,446	$ 4,288,941	$ 210,740	$ 4,858,181	$ 3,758,054

* A receivable of $358,500 is not considered a current financial resource and, therefore, is not reported in the governmental funds. However, it is reported as a receivable in the governmental activities column of the Statement of Net Assets.

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:

Receivable Fund	Payable Fund	Amount
Governmental Funds - Nonmajor special revenue funds:		
Rubbish and Garbage Collection	Community Development Block Grant	$ 111,670
	HOME	32,441
		$ 144,111

NOTE F--CAPITAL ASSETS

The components of property and equipment at June 30, 2008 for the primary government's governmental activities are summarized as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Property and equipment not being depreciated:				
Land	$ 4,260,209	$	$	$ 4,260,209
Construction in progress	2,431,328	5,535,158	802,228	7,164,258
Total property and equipment not being depreciated	6,691,537	5,535,158	802,228	11,424,467
Property and equipment being depreciated:				
Land improvements	9,332,495	436,037		9,768,532
Buildings	10,378,699	186,678		10,565,377
Streets, bridges and sidewalks	46,112,239	3,191,994		49,304,233
Machinery and equipment	8,882,341	504,184		9,386,525
Vehicles	2,794,803	238,773	277,271	2,756,305
Total property and equipment being depreciated	77,500,577	4,557,666	277,271	81,780,972
Less accumulated depreciation:				
Land improvements	7,876,971	144,050		8,021,021
Buildings	7,376,800	242,204		7,619,004
Streets, bridges and sidewalks	21,923,077	2,457,009		24,380,086
Machinery and equipment	6,423,801	571,806		6,995,607
Vehicles	1,447,891	347,342	83,181	1,712,052
Total accumulated depreciation	45,048,540	3,762,411	83,181	48,727,770
Net property and equipment being depreciated	32,452,037	795,255	194,090	33,053,202
Net governmental property and equipment	$ 39,143,574	$ 6,330,413	$ 996,318	$ 44,477,669

The components of property and equipment at June 30, 2008 for the primary government's business-type activities are summarized as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Property and equipment not being depreciated:				
Land	$ 5,586,973	$	$	$ 5,586,973
Construction in progress	12,802,992	3,185,829	10,067,999	5,920,822
Total property and equipment not being depreciated	18,389,965	3,185,829	10,067,999	11,507,795
Property and equipment being depreciated:				
Land improvements	854,297			854,297
Buildings	39,448,557	70,830		39,519,387
Systems	161,010,876	12,590,514		173,601,390
Machinery and equipment	13,830,385	240,039		14,070,424
Total property and equipment being depreciated	215,144,115	12,901,383		228,045,498
Less accumulated depreciation:				
Land improvements	755,468	21,928		777,396
Buildings	19,002,268	1,103,745		20,106,013
Systems	32,262,333	4,431,941		36,694,274
Machinery and equipment	11,881,751	246,478		12,128,229
Total accumulated depreciation	63,901,820	5,804,092		69,705,912
Net property and equipment being depreciated	151,242,295	7,097,291		158,339,586
Net business-type property and equipment	$ 169,632,260	$ 10,283,120	$ 10,067,999	$ 169,847,381

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

Governmental activities:	
General government	$ 742,013
Public safety	453,229
Public works	2,481,058
Recreation, parks and culture	86,111
Total governmental activities	$ 3,762,411
Business-type activities	
Water	$ 1,557,795
Wastewater	3,902,139
Land purchase	78,830
Parking	245
Senior citizens	195,956
Marina	69,127
Total business-type activities	$ 5,804,092

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, Municipal Streets 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 governmental funds:	
Major governmental funds:	
Major Streets Fund from:	
Municipal Streets Fund	$ 1,425,000
Local Streets Fund from:	
Major Streets Fund	$ 430,836
Municipal Streets Fund	75,000
Total	$ 505,836
Transfers to major enterprise fund – Wastewater Fund – from:	
Major governmental funds:	
General Fund	$ 3,917,400
Municipal Streets Fund	1,000,000
Total governmental funds	4,917,400
Major enterprise funds:	
Land Purchase Fund	2,200,000
Nonmajor enterprise funds:	
Parking Fund	9,975
Total enterprise funds	2,209,975
Total transfer to Wastewater Fund	$ 7,127,375
Transfers to nonmajor governmental funds from:	
General Fund (Cemetery - $57,546 Beautification - $3,300)	$ 60,846
Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)	256,468
Total	$ 317,314
Transfer to nonmajor enterprise funds - Marina Fund - from:	
Major enterprise fund	
Land Purchase Fund	$ 300,000

NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	Balance July 1, 2007	* Additions	(Reductions)	Balance June 30, 2008	Due Within One Year
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 $175,632 and unamortized deferred charge on refunding of $289,464; amount of issue - $6,890,000	$ 6,766,681	$	$ (10,513)	$ 6,756,168	$ 15,514
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of $58,875; amount of issue - $3,000,000	2,747,800		(123,925)	2,623,875	123,925
3.40% to 5.25% 1999C Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized discount of $9,794; amount of issue - $10,000,000	830,412		(390,206)	440,206	440,206

	Balance July 1, 2007	* Additions	(Reductions)	Balance June 30, 2008	Due Within One Year
2.125% to 2.5% Drinking Water Revolving Fund (DWRF)Water Supply System General Obligation Limited Tax Bonds:					
Series 7088-01	$ 6,660,520	$ (273,165)	$ (395,000)	$ 5,992,355	$ 380,000
Series 7105-01	1,370,336		(65,000)	1,305,336	70,000
Series 7110-01	2,794,976		(145,000)	2,649,976	150,000
Series 7113-01	1,510,000		(80,000)	1,430,000	80,000
Series 7119-01	885,864	1,099,766	(85,000)	1,900,630	85,000
Series 7132-01	431,230		(20,000)	411,230	20,000
Series 7147-01	1,804,933	(119,688)	(85,000)	1,600,245	80,000
Series 7150-01	461,504		(20,000)	441,504	20,000
Series 7167-01	1,695,741	729	(85,000)	1,611,470	85,000
Series 7168-01	1,648,577		(90,000)	1,558,577	90,000
Series 7169-01	372,532		(15,000)	357,532	15,000
Series 7185-01	852,201	310,397	(55,000)	1,107,598	55,000
Series 7186-01	580,804	240,017	(45,000)	775,821	45,000
Series 7187-01	544,511	47,177	(30,000)	561,688	30,000
Series 7188-01	615,367	14,926	(35,000)	595,293	35,000
Series 7220-01	249,524	876,825		1,126,349	80,000
Total Water Fund	32,823,513	2,196,984	(1,774,644)	33,245,853	1,899,645
Wastewater Fund:					
4.0% to 5.0% 2007B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $58,432; amount of issue - $4,985,000		4,926,568		4,926,568	157,573
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of $96,900 and unamortized deferred charge on refunding of $236,520; amount of issue – $5,500,000	5,348,749		(13,369)	5,335,380	13,365
3.5% to 4.2% 2005B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $86,989; amount of issue - $6,500,000	6,232,894		(169,883)	6,063,011	194,883
2.6% to 4.6% 2003B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $59,385; amount of issue - $5,500,000	4,836,656		(196,041)	4,640,615	196,041
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $75,000; amount of issue - $10,000,000	8,795,000		(345,000)	8,450,000	370,000
4.875% to 5.25% 1999A Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $6,000; amount of issue - $8,000,000	738,000		(369,000)	369,000	369,000

	Balance July 1, 2007	* Additions	(Reductions)	Balance June 30, 2008	Due Within One Year
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	$ 3,483,192	$	$ (230,000)	$ 3,253,192	$ 235,000
Series 5006-02	3,173,359	(141,724)	(190,000)	2,841,635	200,000
Series 5006-03	7,100,000		(430,000)	6,670,000	440,000
Series 5006-04	5,790,634	(171,075)	(325,000)	5,294,559	330,000
Series 5006-05	442,134	(126,231)	(25,000)	290,903	25,000
Series 5006-06	2,562,776		(135,000)	2,427,776	135,000
Series 5006-07	2,770,000		(145,000)	2,625,000	145,000
Series 5006-08	1,296,781		(60,000)	1,236,781	60,000
Series 5006-09	2,942,649	(55,117)	(135,000)	2,752,532	140,000
Series 5006-10	1,070,000		(50,000)	1,020,000	50,000
Series 5006-11	1,931,358	1,495	(110,000)	1,822,853	110,000
Series 5006-12	1,597,666	84,658	(125,000)	1,557,324	130,000
Series 5006-13	966,950	362,508	(70,000)	1,259,458	75,000
Series 5006-14	1,037,417	83,549	(60,000)	1,060,966	60,000
Series 5006-15	221,406	1,418,944		1,640,350	130,000
Series 5177-01	8,560,000		(440,000)	8,120,000	455,000
Total Wastewater Fund	70,897,621	6,383,575	(3,623,293)	73,657,903	4,020,862
Total business-type activities	103,721,134	8,580,559	(5,397,937)	106,903,756	5,920,507
Governmental activities:					
Compensated absences payable	2,768,313	652,708	(369,039)	3,051,982	408,800
Total	$106,489,447	$ 9,233,267	$ (5,766,976)	$109,955,738	$6,329,307

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

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the general purpose financial statements. As of June 30, 2008, $6.775 million of Water Fund bonds outstanding, which are scheduled to be retired May 1, 2009, are considered defeased and $5.325 million of Wastewater Fund bonds outstanding, which are scheduled to be retired October 1, 2008, are considered defeased.

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, 2008, the City's debt limit amounted to $91,626,770 and indebtedness subject to the limitation totaled $23,425,604 after reduction for debt issued pursuant to an order, leaving an available debt limit of $68,201,166. 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.

The City has pledged substantially all revenue of the water fund, net of operating expenses, to repay the above water revenue bonds. Proceeds from the bonds provided financing for the construction of improvements to the water distribution system not financed by the Michigan DWRF Program. The bonds are payable from the net revenues of the water system. The remaining principal and interest to be paid on the bonds is $13,012,010. During the current year, net revenues of the system were $2,704,461 compared to the annual debt requirements of $986,830.

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, 2008, 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, 2008, the approved loans and amounts advanced to date for the DWRF and SRF programs were as follows:

Date	Type	Series	Approval Amount or Final Amount *	Advances	Projects
June 24, 1999	SRF	5006-01	$ 5,288,192*	$ 5,288,192	Indian Creek 2B
					Indian Creek 3
March 30, 2000	SRF	5006-02	4,336,635*	4,336,635	10th Avenue
					Indian Creek 4
June 29, 2000	SRF	5006-03	9,470,000	9,470,000	Peavey Area
					Beard Area-Industrial Park
					16th Street Pump Station
					10th Street Pump Station
March 29, 2001	SRF	5006-04	7,289,559*	7,289,559	Indian Creek 2C
					7th and 9th Area
					Military/Electric Area
September 28, 2001	SRF	5006-05	445,903*	445,903	Rural Area
December 20, 2001	DWRF	7088-01	8,232,355*	8,232,355	Indian Creek 2C
					7th and 9th Area
					Military/Electric Area
					Rural Area
March 28, 2002	SRF	5006-06	3,157,776*	3,157,776	11th Avenue Area
					Palmer Court Area
March 28, 2002	DWRF	7110-01	3,434,976*	3,434,976	11th Avenue Area
					Palmer Court Area
September 26, 2002	SRF	5177-01	10,220,000*	10,220,000	Solids Handling Project
September 26, 2002	SRF	5006-07	3,310,000	3,310,000	4th Street Area
September 26, 2002	DWRF	7113-01	1,805,000	1,805,000	4th Street Area
March 27, 2003	SRF	5006-08	1,496,781*	1,496,781	Tunnel Street Area
March 27, 2003	DWRF	7105-01	1,585,336*	1,585,336	Tunnel Street Area
March 25, 2004	SRF	5006-09	3,197,532*	3,197,532	16th Avenue Area 1
March 25, 2004	DWRF	7147-01	1,875,245*	1,875,245	16th Avenue Area 1
June 24, 2004	DWRF	7132-01	501,230*	501,230	Woodstock Area 1
December 16, 2004	SRF	5006-10	1,170,000*	1,170,000	24th Street Area
March 31, 2005	DWRF	7150-01	501,504*	501,504	24th Street Area
March 31, 2005	SRF	5006-11	2,535,000	2,042,853	16th Avenue Area 2
March 31, 2005	DWRF	7167-01	2,015,000	1,776,470	16th Avenue Area 2
March 31, 2005	DWRF	7168-01	2,105,000	1,818,577	Military Street
June 23, 2005	DWRF	7169-01	407,532*	407,532	Woodstock Area 2
March 30, 2006	SRF	5006-12	1,789,821*	1,682,324	16th Avenue Area 3
March 30, 2006	DWRF	7185-01	1,255,053*	1,162,598	16th Avenue Area 3
March 30, 2006	SRF	5006-13	1,655,000	1,399,458	Erie South Area
March 30, 2006	DWRF	7186-01	1,025,000	860,821	Erie South Area
March 30, 2006	SRF	5006-14	1,325,000	1,175,966	Merchant Area
March 30, 2006	DWRF	7187-01	705,000	621,688	Merchant Area
June 22, 2006	DWRF	7188-01	725,044*	630,293	Woodstock Area 3, Canal
September 21, 2006	DWRF	7119-01	2,040,000	1,985,630	Filter Backwash
March 29, 2007	SRF	5006-15	3,040,000	1,640,350	Vanness Area
March 29, 2007	DWRF	7220-01	1,950,000	1,126,349	Vanness Area
March 29, 2007	DWRF	7221-01	495,000		Woodstock Area 4/5
Total			$ 90,385,474	$85,648,933	

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 $106,903,756 at June 30, 2008 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, 2008 are as follows:

	Business-Type Activities (Enterprise Funds)		
	Principal	Interest	Total
2009	$ 5,920,507	$ 3,288,220	$ 9,208,727
2010	6,096,293	3,099,632	9,195,925
2011	6,196,293	2,924,578	9,120,871
2012	6,401,293	2,743,702	9,144,995
2013	6,556,293	2,556,139	9,112,432
2014-2018	36,596,465	9,598,535	46,195,000
2019-2023	33,645,970	3,780,501	37,426,471
2024-2028	4,075,382	571,899	4,647,281
2029-2033	1,415,260	165,619	1,580,879
	$ 106,903,756	$ 28,728,825	$ 135,632,581

NOTE I--RESTRICTED ASSET ACCOUNTS

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

	Primary Government-Water	Primary Government-Wastewater	Total Primary Government	Component Unit McMorran
Bond construction account	$	$ 1,648,263	$ 1,648,263	$
State grant account				177,307
Seeing Stars account				23,370
	$	$ 1,648,263	$ 1,648,263	$ 200,677

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. 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 ($18,364,427) 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, 2008 are summarized as follows:

	Balance July 1, 2007	Additions	(Reductions)	Balance June 30, 2008
Commitment from Component Units:				
Downtown Development - On behalf of payments from primary government:				
General Fund	$ 551,166	$	$	$ 551,166
Land Purchase Fund	14,023,244		(1,116,219)	12,907,025
Total Downtown Development	14,574,410		(1,116,219)	13,458,191

	Balance July 1, 2007	Additions	(Reductions)	Balance June 30, 2008
Tax Increment Finance - On behalf of payments from primary government:				
General Fund	163,863			163,863
Land Purchase Fund	2,191,654		(102,817)	2,088,837
Total Tax Increment Finance	2,355,517		(102,817)	2,252,700
Local Development Finance - On behalf of payments from primary government:				
General Fund	391,297			391,297
Land Purchase Fund	3,617,878		(249,313)	3,368,565
Total Local Development Finance	4,009,175		(249,313)	3,759,862
Total Commitment from Component Units	$ 20,939,102	$	$ (1,468,349)	$ 19,470,753

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, 2008, the developer has reported incurring approximately $16 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 (DEQ) for reimbursement of state costs related to the closed Ft. Gratiot Sanitary Landfill. The DEQ believes the City was one of multiple users of the landfill. The DEQ proposes to allocate past and future response activity costs proportionally among the multiple users. 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. Subsequent to year end the DEQ reached a settlement agreement with a group of the multiple users of the landfill. The City's liability was approximately $80,000.

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 retiree health care benefits to eligible employees and their spouses. Benefits are provided to public safety and general employees in accordance with bargaining group agreements and other requirements. Substantially all of the City's employees hired prior to June 30, 2008 may become eligible for these benefits if they reach normal retirement age while working for the City. Currently, there are 268 retired employees and their beneficiaries receiving benefits. Employees hired after June 30, 2008 do not participate in this program. Those employees have a matching employer contribution of up to 2% of their pay to a health care savings plan. Those employees will be able to purchase retiree health care from the City using the health care savings plan.

The City has established a single employer defined benefit plan which it administers, the Retiree Health Care Benefits Fund. The benefits are provided under collective bargaining agreements and other requirements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the City.

Retiree health care costs are currently recognized when paid by the City on a "pay-as-you-go" basis. Although the City has no obligation to make contributions in advance of when the insurance premiums are due for payment, the City transferred $6 million accumulated for the retiree health care liability from the Insurance and Fringe Benefit Fund into the Retiree Health Care Benefits Fund invested with the Municipal Employees Retirement System of Michigan (MERS), which is reported in this financial statements as a Pension and Other Employee Benefit Trust Fund type. For the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums of $2,663,457. This is the pay-as-you-go insurance

premium amount and does not include a calculation of the implicit rate subsidy that will be included in future required calculations.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2005:
(Dollar amounts in thousands)

Actuarial value of assets	0
Actuarial accrued liability	55,051
Unfunded AAL	55,051
Funded ratio	0
Annual covered payroll	17,210
UAAL as a percentage to covered payroll	319.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2005, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8.0 percent investment rate of return (net of administrative expenses), which is the expected long-term MERS investment return on plan assets and an annual health care cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, was thirty years.

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The pronouncement is effective for the year ended June 30, 2009, for the City. The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The City has set aside funds in the Insurance and Fringe Benefit Fund to partially offset such liability, in excess of those funds transferred during the year.

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). As of June 30, 2008, 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, 2007.

Certain new employees hired after July 1, 2008, participate in the MERS Hybrid Plan. The Hybrid Plan offers both a defined benefit pension similar to the plans described above and a defined contribution pension. The defined benefit pension is based on a 1.25% multiplier. The defined contribution pension has a 1% employer contribution and a 2% employee contribution.

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 $2,208,835 for the year ended June 30, 2008 and is expected to be $2,200,000 and $2,250,000 for the years ending June 30, 2009, and 2010, respectively, based upon projected wages.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2008 contributions totaling $2,376,181 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The City contributed $2,208,835 and employees contributed $167,346. Gross payroll subject to MERS for the year ended June 30, 2008, was $16,224,287. 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 28 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-eight 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
2006	$ 2,155,501	100%	$ 0
2007	2,410,709	100	0
2008	2,376,181	100	0

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2007, the most recent actuarial valuation date, the plan was 84.1 percent funded. The actuarial accrued liability for benefits was $122.4 million, and the actuarial value of assets was $102.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $19.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $15.7 million, and the ratio of the UAAL to the covered payroll was 124.1 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 June 30, 2008	Year ended June 30, 2007
Estimated liability, beginning of year	$ 953,335	$ 1,089,948
Estimated claims incurred including changes in estimates	123,836	59,885
Claim payments	(127,336)	(196,498)
Estimated liability, end of year	$ 949,835	$ 953,335

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, 2008. The total contractual commitments outstanding as of June 30, 2008, aggregated approximately $3,565,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

NOTE Q--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 R--IMPAIRMENT LOSS

On May 13, 2008, a City fire truck with a net book value of $194,090 was totally destroyed while engaged in fighting a fire. The loss was substantially covered by insurance, including the truck, the related equipment and temporary rental of a replacement vehicle. On July 17, 2008, the City received a new fire truck purchased for $328,952 from insurance proceeds. The City further received new equipment with a value of $29,548. As the City did not receive a current financial resource, the net insurance recovery of $164,410 is included in Exhibit A-1, Statement of Activities but is not included in Exhibit A-4, Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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

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

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

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

FINANCIAL STATEMENTS

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 – post-employment health care benefits – schedule of funding progress.

REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE - EMPLOYER PLAN
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN (MERS)
SCHEDULE OF FUNDING PROGRESS
June 30, 2008

EXHIBIT B

The schedule of funding progress is as follows:
(Dollar amounts in thousands)

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
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
2007	102,899	122,400	19,501	84.1	15,717	124.1

REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS
June 30, 2008

EXHIBIT B-1

The schedule of funding progress is as follows:
(Dollar amounts in thousands)

Actuarial Valuation December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2004	$ 0	$ 47,065	$ 47,065	0%	$ 17,521	268.6%
2005	0	55,051	55,051	0	17,210	319.9

Employer contributions were made on a pay-as-you-go basis as follows:

Fiscal Year Ended	Annual Payments
06/30/2007	$ 2,303
06/30/2008	2,663

The above amounts do not include a calculation of the implicit rate subsidy that will be included in future required calculations.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	30 years, open
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5% - 12.9%
*Includes inflation at	4.5%
Cost of living adjustments	None

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FINANCIAL STATEMENTS

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 were recorded in this endowment fund. Administration of the endowment fund was transferred to the Community Foundation of St. Clair County during the fiscal year ended June 30, 2007. Comparative totals for the year ended June 30, 2007 include the final activity for the fund.

City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET
June 30, 2008

EXHIBIT C

	Special					
ASSETS	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets:						
Cash and cash equivalents	$ 54,287	$ 564,962	$ 1,387,641	$ 255,928	$	$ 150
Investments						
Receivables	29,775		4,055		2,945,975	
Due from other governmental units		47,819				114,089
Due from other funds			144,111			
Total Assets	$ 84,062	$ 612,781	$ 1,535,807	$ 255,928	$ 2,945,975	$ 114,239
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 46	$ 33,291	$ 156,894	$ 2,488	$	$
Accrued payroll	4,507		7,830	5,237		2,469
Contracts payable						
Taxes collected in advance			53,339			
Due to other funds						111,670
Unearned revenue		15,555			2,945,975	100
Other liabilities						
Total Liabilities	4,553	48,846	218,063	7,725	2,945,975	114,239
Fund balances:						
Reserved for endowments						
Unreserved:						
Designated for subsequent years' expenditures	9,721		351,105			
Undesignated	69,788	563,935	966,639	248,203		
Total Fund Balances	79,509	563,935	1,317,744	248,203		
Total Liabilities and Fund Balances	$ 84,062	$ 612,781	$ 1,535,807	$ 255,928	$ 2,945,975	$ 114,239

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2008	June 30, 2007
$	$ 1,915	$ 113,039	$ 4,188	$ 846,540	$ 3,228,650	$ 2,726,022
				4,366,873	4,366,873	5,154,142
				31,761	3,011,566	3,022,497
32,441	2,063				196,412	274,797
					144,111	122,749
$ 32,441	$ 3,978	$ 113,039	$ 4,188	$ 5,245,174	$ 10,947,612	$ 11,300,207
$	$	$ 8,135	$ 1,014	$	$ 201,868	$ 155,129
					20,043	17,697
						99,676
					53,339	54,810
32,441					144,111	122,749
	3,978	6,679			2,972,287	2,977,271
				64,010	64,010	59,185
32,441	3,978	14,814	1,014	64,010	3,455,658	3,486,517
				5,181,164	5,181,164	5,500,407
		20,000	2,000		382,826	126,381
		78,225	1,174		1,927,964	2,186,902
		98,225	3,174	5,181,164	7,491,954	7,813,690
$ 32,441	$ 3,978	$ 113,039	$ 4,188	$ 5,245,174	$ 10,947,612	$ 11,300,207

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

Year Ended June 30, 2008

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	$	$	$ 2,117,050	$	$	$
Grants						780,770
Charges for services	191,668	288,793		143,046		34,938
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	$ 191,668	$ 288,793	$ 2,117,050	$ 143,046	$	$ 815,708
Expenditures:						
Current:						
Public safety	$	$ 142,068	$	$	$	$
Public works			2,131,503	368,816		
General support services	159,276					124,700
Capital outlay		231,961				691,008
Total Expenditures	159,276	374,029	2,131,503	368,816		815,708
Revenue over (under) Expenditures	32,392	(85,236)	(14,453)	(225,770)		
Other financing sources (uses):						
Transfers in				314,014		
Transfers out						
				314,014		
Special item:						
Custodial capital transfer						
Net Change in Fund Balances	32,392	(85,236)	(14,453)	88,244		
Fund balances at beginning of year	47,117	649,171	1,332,197	159,959		
FUND BALANCES AT END OF YEAR	$ 79,509	$ 563,935	$ 1,317,744	$ 248,203	$ 0	$ 0

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2008	June 30, 2007
$	$	$	$	$	$ 2,117,050	$ 2,034,936
133,007	237,016				1,150,793	1,957,423
14,961		40,438		55,910	769,754	812,090
				256,468	256,468	275,292
				(375,153)	(375,153)	472,533
$ 147,968	$ 237,016	$ 40,438	$	$ (62,775)	$ 3,918,912	$ 5,552,274
$	$	$	$	$	$ 142,068	$ 268,638
		60,954			2,561,273	2,542,769
41,462	24,750		6,224		356,412	437,130
106,506	212,266				1,241,741	1,896,723
147,968	237,016	60,954	6,224		4,301,494	5,145,260
		(20,516)	(6,224)	(62,775)	(382,582)	407,014
			3,300		317,314	471,057
				(256,468)	(256,468)	(263,757)
			3,300	(256,468)	60,846	207,300
						(332,307)
		(20,516)	(2,924)	(319,243)	(321,736)	282,007
		118,741	6,098	5,500,407	7,813,690	7,531,683
$ 0	$ 0	$ 98,225	$ 3,174	$ 5,181,164	$ 7,491,954	$ 7,813,690

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

Year Ended June 30, 2008

EXHIBIT C-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RENTAL CERTIFICATION:				
Revenues:				
Charges for services	$ 184,755	$ 184,755	$ 191,668	$ 6,913
Expenditures:				
Current:				
General support services	184,755	184,755	159,276	25,479
Revenues over (under) Expenditures			32,392	32,392
Fund balance at beginning of year	47,117	47,117	47,117	
FUND BALANCE AT END OF YEAR	$ 47,117	$ 47,117	$ 79,509	$ 32,392
LAW ENFORCEMENT:				
Revenues:				
Grants	$ 200,000	$ 200,000	$	$ (200,000)
Charges for services	290,855	290,855	288,793	(2,062)
Total Revenues	490,855	490,855	288,793	(202,062)
Expenditures:				
Current:				
Public safety	160,831	305,831	142,068	163,763
Capital outlay	330,024	435,024	231,961	203,063
Total Expenditures	490,855	740,855	374,029	366,826
Revenues over (under) Expenditures		(250,000)	(85,236)	164,764
Fund balance at beginning of year	649,171	649,171	649,171	
FUND BALANCE AT END OF YEAR	$ 649,171	$ 399,171	$ 563,935	$ 164,764
RUBBISH AND GARBAGE COLLECTION:				
Revenues:				
Taxes	$ 2,197,586	$ 2,197,586	$ 2,117,050	$ (80,536)
Expenditures:				
Current:				
Public works	2,197,586	2,197,586	2,131,503	66,083
Revenues over (under) Expenditures			(14,453)	(14,453)
Fund balance at beginning of year	1,332,197	1,332,197	1,332,197	
FUND BALANCE AT END OF YEAR	$ 1,332,197	$ 1,332,197	$ 1,317,744	$ (14,453)

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

Year Ended June 30, 2008

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY:				
Revenues:				
Charges for services	$ 121,400	$ 121,400	$ 143,046	$ 21,646
Expenditures:				
Current:				
Public works	431,446	431,446	368,816	62,630
Capital outlay	3,500	3,500		3,500
Total Expenditures	434,946	434,946	368,816	66,130
Revenues over (under) Expenditures	(313,546)	(313,546)	(225,770)	87,776
Other financing sources (uses):				
Transfers in	313,546	313,546	314,014	468
Net Change in Fund Balance			88,244	88,244
Fund balance at beginning of year	159,959	159,959	159,959	
FUND BALANCE AT END OF YEAR	$ 159,959	$ 159,959	$ 248,203	$ 88,244
LOAN REVOLVING:				
Revenues over Expenditures	$	$	$	$
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 0	$ 0
COMMUNITY DEVELOPMENT BLOCK GRANT:				
Revenues:				
Grants	$ 881,023	$ 1,346,023	$ 780,770	$ (565,253)
Charges for services		35,000	34,938	(62)
Total Revenues	881,023	1,381,023	815,708	(565,315)
Expenditures:				
Current:				
General support services	175,000	175,000	124,700	50,300
Capital outlay	706,023	1,206,023	691,008	515,015
Total Expenditures	881,023	1,381,023	815,708	565,315
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 0	$ 0

(Continued on next page)

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

Year Ended June 30, 2008

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOME:				
Revenues:				
Grants	$ 270,141	$ 270,141	$ 133,007	$ (137,134)
Charges for services			14,961	14,961
Total Revenues	270,141	270,141	147,968	(122,173)
Expenditures:				
Current:				
General support services	27,014	47,014	41,462	5,552
Capital outlay	243,127	223,127	106,506	116,621
Total Expenditures	270,141	270,141	147,968	122,173
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 0	$ 0
NEIGHBORHOOD REHABILITATION:				
Revenues:				
Grants	$ 247,500	$ 347,500	$ 237,016	$ (110,484)
Expenditures:				
Current:				
General support services	24,750	24,750	24,750	
Capital outlay	222,750	322,750	212,266	110,484
Total Expenditures	247,500	347,500	237,016	110,484
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 0	$ 0
STREETSCAPE MAINTENANCE:				
Revenues:				
Charges for services	$ 40,000	$ 40,000	$ 40,438	$ 438
Expenditures:				
Current:				
Public works	66,795	66,795	60,954	5,841
Revenues over Expenditures	(26,795)	(26,795)	(20,516)	6,279
Fund balance at beginning of year	118,741	118,741	118,741	
FUND BALANCE AT END OF YEAR	$ 91,946	$ 91,946	$ 98,225	$ 6,279

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

Year Ended June 30, 2008

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BEAUTIFICATION COMMISSION:				
Revenues:				
Charges for services	$ 2,000	$ 2,000	$	$ (2,000)
Expenditures:				
Current:				
General support services	7,300	7,300	6,224	1,076
Revenues over (under) Expenditures	(5,300)	(5,300)	(6,224)	(924)
Other financing sources:				
Transfers in	3,300	3,300	3,300	
Net Change in Fund Balance	(2,000)	(2,000)	(2,924)	(924)
Fund balance at beginning of year	6,098	6,098	6,098	
FUND BALANCE AT END OF YEAR	$ 4,098	$ 4,098	$ 3,174	$ (924)

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FINANCIAL STATEMENTS

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, 2008

EXHIBIT D

	Parking	Senior Citizens	Marina
ASSETS			
Current assets:			
Cash and cash equivalents	$ 208,843	$ 905,096	$ 57,635
Accounts receivable (net of allowances for uncollectibles)		379	206
Due from other governmental units			44,175
Inventories			
Prepaid expenses			55,268
Total Current Assets	208,843	905,475	157,284
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
	1,128,068	5,360,158	5,299,732
Less accumulated depreciation	266,019	3,981,141	3,119,593
Total Capital Assets	862,049	1,379,017	2,180,139
Total Assets	1,070,892	2,284,492	2,337,423
LIABILITIES			
Current liabilities:			
Accounts payable	744	34,324	6,884
Accrued payroll	2,548		3,295
Contracts payable			26,702
Unearned revenue			14,526
Other liabilities	13,000	18,706	
Total Current Liabilities	16,292	53,030	51,407
NET ASSETS			
Invested in capital assets	862,049	1,379,017	2,180,139
Unrestricted	192,551	852,445	105,877
Total Net Assets	$ 1,054,600	$ 2,231,462	$ 2,286,016

Totals	
June 30, 2008	June 30, 2007
$ 1,171,574	$ 1,208,968
585	29,706
44,175	67,962
	37,565
55,268	67,280
1,271,602	1,411,481
2,379,893	2,379,893
854,297	854,297
5,987,280	5,987,280
2,566,488	2,566,488
11,787,958	11,787,958
7,366,753	7,101,425
4,421,205	4,686,533
5,692,807	6,098,014
41,952	56,596
5,843	7,839
26,702	33,242
14,526	88,532
31,706	21,942
120,729	208,151
4,421,205	4,686,533
1,150,873	1,203,330
$ 5,572,078	$ 5,889,863

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

Year Ended June 30, 2008

EXHIBIT D-1

	Parking	Senior Citizens	Marina
Operating revenues:			
Charges for services	$ 171,730	$	$ 147,610
Rents		316,059	184,602
Total Operating Revenues	171,730	316,059	332,212
Operating expenses:			
Personal services	115,495		134,507
Supplies and materials	13,834	14,765	135,756
Contractual services	71,396	566,837	583,740
Depreciation	245	195,956	69,127
Total Operating Expenses	200,970	777,558	923,130
Operating Income (Loss)	(29,240)	(461,499)	(590,918)
Nonoperating revenues (expenses):			
Operating grants		429,672	44,175
Income (Loss) Before Operating Transfers	(29,240)	(31,827)	(546,743)
Transfers in (out):			
Transfer in			300,000
Transfer out	(9,975)		
	(9,975)		300,000
Change in Net Assets	(39,215)	(31,827)	(246,743)
Net assets at beginning of year	1,093,815	2,263,289	2,532,759
NET ASSETS AT END OF YEAR	$ 1,054,600	$ 2,231,462	$ 2,286,016

Totals	
June 30, 2008	June 30, 2007
$ 319,340	$ 411,947
500,661	625,783
820,001	1,037,730
250,002	280,060
164,355	248,286
1,221,973	1,072,841
265,328	287,395
1,901,658	1,888,582
(1,081,657)	(850,852)
473,847	507,469
(607,810)	(343,383)
300,000	1,175,000
(9,975)	
290,025	1,175,000
(317,785)	831,617
5,889,863	5,058,246
$ 5,572,078	$ 5,889,863

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	$ 184,730	$ 337,086	$ 263,064
Payments to suppliers for goods and services	(64,626)	(517,920)	(634,374)
Payments to employees for services	(114,909)		(137,089)
Payments connected with interfund services	(20,798)	(64,504)	(55,713)
Net cash provided by (used in) operating activities	(15,603)	(245,338)	(564,112)
Cash flows from noncapital financing activities:			
Operating grants received		429,672	67,962
Transfers in			300,000
Transfers out	(9,975)		
Advances from other funds			
Net cash provided by (used in) noncapital financing activities	(9,975)	429,672	367,962
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets			
Net cash provided by (used in) capital and related financing activities			
Net increase (decrease) in cash and cash equivalents	(25,578)	184,334	(196,150)
Cash and cash equivalents at beginning of year	234,421	720,762	253,785
Cash and cash equivalents at end of year	$ 208,843	$ 905,096	$ 57,635
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (29,240)	$ (461,499)	$ (590,918)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	245	195,956	69,127
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables		24,263	4,858
Decrease (increase) in inventory			37,565
Decrease (increase) in prepaid expenses			12,012
Increase (decrease) in accounts payable	(194)	2,837	(17,287)
Increase (decrease) in accrued payroll	586		(2,582)
Increase (decrease) in contracts payable		(3,659)	(2,881)
Increase (decrease) in unearned revenue			(74,006)
Increase (decrease) in other liabilities	13,000	(3,236)	
Total Adjustments	13,637	216,161	26,806
Net cash provided by (used in) operating activities	$ (15,603)	$ (245,338)	$ (564,112)

Totals	
June 30, 2008	June 30, 2007
$ 784,880	$ 1,022,097
(1,216,920)	(1,253,025)
(251,998)	(281,327)
(141,015)	(139,668)
(825,053)	(651,923)
497,634	439,507
300,000	545,953
(9,975)	
	(629,047)
787,659	985,460
	(280,247)
	(280,247)
(37,394)	53,290
1,208,968	1,155,678
$ 1,171,574	$ 1,208,968
$ (1,081,657)	$ (850,852)
265,328	287,395
29,121	(10,631)
37,565	(560)
12,012	2,672
(14,644)	(31,652)
(1,996)	(1,267)
(6,540)	(42,026)
(74,006)	(6,491)
9,764	1,489
256,604	198,929
$ (825,053)	$ (651,923)

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FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

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

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

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

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

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

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET ASSETS
June 30, 2008

EXHIBIT E

	Governmental Activities		
	Central Stores	Motor Vehicle	Data Processing
ASSETS			
Current assets:			
Cash and cash equivalents	$ 66,276	$ 2,136,529	$ 314,513
Accounts receivable			480
Due from other governmental units			
Inventories	37,839	134,535	25,146
Total Current Assets	104,115	2,271,064	340,139
Capital assets:			
Land improvements		1,775,442	
Machinery and equipment	34,366	304,468	349,552
Vehicles		2,258,313	
	34,366	4,338,223	349,552
Less accumulated depreciation	20,028	2,242,126	310,302
Total Capital Assets	14,338	2,096,097	39,250
Total Assets	118,453	4,367,161	379,389
LIABILITIES			
Current liabilities:			
Accounts payable	5,040	14,488	3,572
Accrued payroll		14,711	10,738
Claims and judgements payable			
Contracts payable		13,623	
Compensated absences payable (current portion)			
Total Current Liabilities	5,040	42,822	14,310
Noncurrent liabilities:			
Compensated absences payable (exclusive of current portion)			
Total Liabilities	5,040	42,822	14,310
NET ASSETS			
Invested in capital assets	14,338	2,096,097	39,250
Unrestricted	99,075	2,228,242	325,829
Total Net Assets	$ 113,413	$ 4,324,339	$ 365,079

Insurance and Fringe Benefit	Totals June 30, 2008	Totals June 30, 2007
$ 8,260,271	$ 10,777,589	$ 15,916,022
210,260	210,740	189,288
146,914	146,914	151,280
	197,520	138,864
8,617,445	11,332,763	16,395,454
	1,775,442	1,347,382
	688,386	628,658
	2,258,313	2,019,540
	4,722,141	3,995,580
	2,572,456	2,121,063
	2,149,685	1,874,517
8,617,445	13,482,448	18,269,971
13,071	36,171	49,318
285,846	311,295	561,420
949,835	949,835	953,335
	13,623	1,050
408,800	408,800	410,795
1,657,552	1,719,724	1,975,918
2,643,182	2,643,182	2,357,518
4,300,734	4,362,906	4,333,436
	2,149,685	1,874,517
4,316,711	6,969,857	12,062,018
$ 4,316,711	$ 9,119,542	$ 13,936,535

City of Port Huron

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

Year Ended June 30, 2008

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	$ 116,359	$ 2,840,740	$ 939,911
Operating expenses:			
Personal services	11,832	690,451	491,406
Supplies and materials	36,071	413,219	49,903
Contractual services	81,028	775,985	189,436
Depreciation	4,403	400,399	46,591
Total Operating Expenses	133,334	2,280,054	777,336
Operating Income (Loss)	(16,975)	560,686	162,575
Nonoperating revenues:			
Investment income			
Gain on sale of property and equipment		32,425	
Total Nonoperating Revenues		32,425	
Change in Net Assets	(16,975)	593,111	162,575
Net assets at beginning of year	130,388	3,731,228	202,504
NET ASSETS AT END OF YEAR	$ 113,413	$ 4,324,339	$ 365,079

Insurance and Fringe Benefit	Totals June 30, 2008	Totals June 30, 2007
$ 10,419,675	$ 14,316,685	$ 15,410,119
15,711,750	16,905,439	10,403,206
	499,193	455,017
705,895	1,752,344	1,946,887
	451,393	463,371
16,417,645	19,608,369	13,268,481
(5,997,970)	(5,291,684)	2,141,638
442,266	442,266	615,296
	32,425	11,233
442,266	474,691	626,529
(5,555,704)	(4,816,993)	2,768,167
9,872,415	13,936,535	11,168,368
$ 4,316,711	$ 9,119,542	$ 13,936,535

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows from operating activities:			
Receipts from customers	$ 116,359	$ 2,840,740	$ 942,888
Payments to suppliers for goods and services	(100,541)	(1,028,220)	(155,399)
Payments to employees for services	(11,832)	(688,330)	(490,042)
Payments connected with interfund services	(14,409)	(224,724)	(83,398)
Net cash provided by (used in) operating activities	(10,423)	899,466	214,049
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(4,883)	(697,846)	(23,832)
Proceeds from sale of equipment		32,425	
Net cash provided by (used in) capital and related financial activities	(4,883)	(665,421)	(23,832)
Cash flows from investing activities:			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(15,306)	234,045	190,217
Cash and cash equivalents at beginning of year	81,582	1,902,484	124,296
Cash and cash equivalents at end of year	$ 66,276	$ 2,136,529	$ 314,513
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (16,975)	$ 560,686	$ 162,575
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,403	400,399	46,591
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			2,977
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	1,018	(56,644)	(3,030)
Increase (decrease) in accounts payable	1,131	(19,669)	3,572
Increase (decrease) in accrued payroll		2,121	1,364
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable		12,573	
Increase (decrease) in compensated absences payable			
Total adjustments	6,552	338,780	51,474
Net cash provided by (used in) operating activities	$ (10,423)	$ 899,466	$ 214,049

Insurance and Fringe Benefit	Totals June 30, 2008	Totals June 30, 2007
$ 10,399,612	$ 14,299,599	$ 15,272,193
(704,076)	(1,988,236)	(2,051,792)
(15,685,191)	(16,875,395)	(10,950,734)
	(322,531)	(326,270)
(5,989,655)	(4,886,563)	1,943,397
	(726,561)	(265,676)
	32,425	11,233
	(694,136)	(254,443)
442,266	442,266	615,296
442,266	442,266	615,296
(5,547,389)	(5,138,433)	2,304,250
13,807,660	15,916,022	13,611,772
$ 8,260,271	$ 10,777,589	$ 15,916,022
$ (5,997,970)	$ (5,291,684)	$ 2,141,638
	451,393	463,371
(24,429)	(21,452)	13,354
4,366	4,366	(151,280)
	(58,656)	15,632
1,819	(13,147)	7,160
(253,610)	(250,125)	41,767
(3,500)	(3,500)	(136,613)
	12,573	1,050
283,669	283,669	(452,682)
8,315	405,121	(198,241)
$ (5,989,655)	$ (4,886,563)	$ 1,943,397

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FINANCIAL STATEMENTS

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. The Senior Citizens Fund is a private purpose trust fund (as was the E.W. Kiefer Fund). 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.

Retiree Health Care Benefits Fund – This fund accounts for medical benefits provided to retirees.

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

E. W. Kiefer Fund – The final activity in this fund occurred during December, 2006. The assets donated to the City to be used for port promotion were accounted for in this fund. The fund had no activity during the year ended June 30, 2008 and had no net assets as of June 30, 2008 and June 30, 2007.

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, 2008

EXHIBIT F

	Trust Funds		Totals	
	Retiree Health Care Benefits	Senior Citizens	June 30, 2008	June 30, 2007
ASSETS				
Cash and cash equivalents	$	$ 29,950	$ 29,950	$ 29,745
Interest in pooled investments	6,058,493		6,058,493	
Total Assets	$ 6,058,493	$ 29,950	$ 6,088,443	$ 29,745
LIABILITIES				
Other liabilities				
NET ASSETS				
Net assets held in trust	$ 6,058,493	$ 29,950	$ 6,088,443	$ 29,745

City of Port Huron

FIDUCIARY FUNDS - COMBINING
STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2008

EXHIBIT F-1

	Trust Funds		Totals	
	Retiree Health Care Benefits	Senior Citizens	June 30, 2008	June 30, 2007
Additions:				
Investment income	$ 58,493	$ 1,105	$ 59,598	$ 1,410
Employer contributions	6,000,000		6,000,000	
Total Additions	6,058,493	1,105	6,059,598	1,410
Deductions:				
Supplies and materials		900	900	900
Contractual services				3,295
Total Deductions		900	900	4,195
Change in Net Assets	6,058,493	205	6,058,698	(2,785)
Net assets at beginning of year		29,745	29,745	32,530
NET ASSETS AT END OF YEAR	$ 6,058,493	$ 29,950	$ 6,088,443	$ 29,745

City of Port Huron

AGENCY FUND - STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2008

EXHIBIT F-2

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and cash equivalents	$ 700,592	$ 37,767,183	$ 37,749,282	$ 718,493
LIABILITIES				
Due to other governmental units	$ 29,713	$ 22,869,337	$ 22,828,044	$ 71,006
Taxes collected in advance	670,879	647,487	670,879	647,487
Total Liabilities	$ 700,592	$ 23,516,824	$ 23,498,923	$ 718,493

FINANCIAL STATEMENTS

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, 2008

EXHIBIT G

	Special Revenue Funds				
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Totals
ASSETS					
Cash and cash equivalents	$ 587,609	$ 972,864	$	$ 392,483	$ 1,952,956
Receivables	3,311			3,357	6,668
Prepaid items	410				410
Total Assets	$ 591,330	$ 972,864	$ 0	$ 395,840	$ 1,960,034
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$	$ 446	$	$ 391,721	$ 392,167
Accrued payroll	1,070				1,070
Other liabilities	2,600				2,600
Total Liabilities	3,670	446		391,721	395,837
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	502,500	265,000			767,500
Undesignated	85,160	707,418		4,119	796,697
Total Fund Balances	587,660	972,418		4,119	1,564,197
Total Liabilities and Fund Balances	$ 591,330	$ 972,864	$ 0	$ 395,840	$ 1,960,034

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS - TAX INCREMENT AUTHORITIES-
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008 EXHIBIT G-1

	Special Revenue Funds				
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Totals
Revenues:					
Taxes	$ 1,283,963	$ 2,752,815	$ 364,374	$ 391,199	$ 4,792,351
Charges for services	1,290				1,290
Investment income	12				12
Other income	72,200				72,200
Total Revenues	1,357,465	2,752,815	364,374	391,199	4,865,853
Expenditures:					
Current:					
Taxes disbursed - not captured		2,649,998			2,649,998
General support services	28,702	117,823	41,267	391,722	579,514
Capital outlay		73,793	73,794		147,587
Total Expenditures	28,702	2,841,614	115,061	391,722	3,377,099
Revenues over (under) Expenditures	1,328,763	(88,799)	249,313	(523)	1,488,754
Other financing sources (uses):					
Transfers in:					
Primary government					
Transfers out:					
Primary government	(1,116,219)	(102,817)	(249,313)		(1,468,349)
	(1,116,219)	(102,817)	(249,313)		(1,468,349)
Net Change in Fund Balances	212,544	(191,616)		(523)	20,405
Fund balances at beginning of year	375,116	1,164,034		4,642	1,543,792
FUND BALANCES AT END OF YEAR	$ 587,660	$ 972,418	$ 0	$ 4,119	$ 1,564,197

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2008

EXHIBIT G-2

				Special Revenue
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
ASSETS				
Cash and cash equivalents	$ 250,479	$ 128,160	$ 201,527	$
Receivables	892			
Prepaid items	410			
Total Assets	$ 251,781	$ 128,160	$ 201,527	$ 0
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued payroll	$ 1,070	$	$	$
Other liabilities	2,600			
Total Liabilitites	3,670			
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	175,000	127,500	200,000	
Undesignated	73,111	660	1,527	
Total Fund Balances	248,111	128,160	201,527	
Total Liabilities and Fund Balances	$ 251,781	$ 128,160	$ 201,527	$ 0

Funds

Mainstreet	Water Street	Totals
$ 7,443	$	$ 587,609
2,419		3,311
		410
$ 9,862	$ 0	$ 591,330
$	$	$ 1,070
		2,600
		3,670
		502,500
9,862		85,160
9,862		587,660
$ 9,862	$ 0	$ 591,330

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

Year Ended June 30, 2008

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	$ 88,278	$ 28,113	$ 44,651	$ 546,598
Charges for services	1,290			
Investment income	12			
Other income	72,200			
Total Revenues	161,780	28,113	44,651	546,598
Expenditures:				
Current:				
General support services	28,227			475
Capital outlay				
Total Expenditures	28,227			475
Revenues over (under) Expenditures	133,553	28,113	44,651	546,123
Other financing sources (uses):				
Transfers in:				
Primary government				
Transfers out:				
Primary government				(546,123)
				(546,123)
Net Change in Fund Balances	133,553	28,113	44,651	
Fund balances at beginning of year	114,558	100,047	156,876	
FUND BALANCES AT END OF YEAR	$ 248,111	$ 128,160	$ 201,527	$ 0

Mainstreet	Water Street	Totals
$ 54,468	$ 521,855	$ 1,283,963
		1,290
		12
		72,200
54,468	521,855	1,357,465
		28,702
		28,702
54,468	521,855	1,328,763
(48,241)	(521,855)	(1,116,219)
(48,241)	(521,855)	(1,116,219)
6,227		212,544
3,635		375,116
$ 9,862	$ 0	$ 587,660

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2008

EXHIBIT G-4

	Special Revenue Funds				
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
ASSETS					
Cash and cash equivalents	$ 674,691	$ 180,602	$ 117,571	$	$ 972,864
Total Assets	$ 674,691	$ 180,602	$ 117,571	$ 0	$ 972,864
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$	$ 446	$	$	$ 446
Total Liabilities		446			446
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	180,000	50,000	35,000		265,000
Undesignated	494,691	130,156	82,571		707,418
Total Fund Balances	674,691	180,156	117,571		972,418
Total Liabilities and Fund Balances	$ 674,691	$ 180,602	$ 117,571	$ 0	$ 972,864

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS

Year Ended June 30, 2008

EXHIBIT G-5

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
Revenues:					
Taxes	$ 1,525,347	$ 512,261	$ 612,390	$ 102,817	$ 2,752,815
Expenditures:					
Current:					
Taxes disbursed - not captured	1,525,347	512,261	612,390		2,649,998
General support services	108,822	5,520	3,481		117,823
Capital outlay	73,793				73,793
Total Expenditures	1,707,962	517,781	615,871		2,841,614
Revenues over (under) Expenditures	(182,615)	(5,520)	(3,481)	102,817	(88,799)
Other financing sources (uses):					
Transfers out - primary government				(102,817)	(102,817)
Net Change in Fund Balances	(182,615)	(5,520)	(3,481)		(191,616)
Fund balances at beginning of year	857,306	185,676	121,052		1,164,034
FUND BALANCES AT END OF YEAR	$ 674,691	$ 180,156	$ 117,571	$ 0	$ 972,418

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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.

Note: The Government Accounting Standards Board Statement Number 34 was effective for the City of Port Huron for the fiscal year ended June 30, 2003. Financial trends information, which use terms and formats from GASB 34, are presented for fiscal years ended June 30, 2003 and forward.

City of Port Huron

NET ASSETS BY COMPONENT
Last Six Fiscal Years

	June 30, 2003	June 30, 2004	June 30, 2005
Governmental Activities:			
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	58,899,088	61,720,799	63,689,813
Business Type Activities:			
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	89,204,631	87,916,333	86,321,130
Total Primary Government:			
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
TOTAL NET ASSETS	$ 148,103,719	$ 149,637,132	$ 150,010,943

June 30, 2006	June 30, 2007	June 30, 2008
$ 37,917,205	$ 39,143,574	$ 44,477,669
8,395,407	7,756,905	7,076,526
20,930,937	24,441,973	19,262,766
67,243,549	71,342,452	70,816,961
62,988,238	65,911,126	64,591,888
1,135,607		
19,979,887	18,023,305	23,035,592
84,103,732	83,934,431	87,627,480
100,905,443	105,054,700	109,069,557
9,531,014	7,756,905	7,076,526
40,910,824	42,465,278	42,298,358
$ 151,347,281	$ 155,276,883	$ 158,444,441

City of Port Huron

CHANGES IN NET ASSETS
Last Six Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
Expenses:			
Governmental activities:			
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	28,629,974	29,054,716	30,094,524
Business-type activities:			
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	18,692,029	19,131,313	19,435,029
Total Primary Government Expenses	47,322,003	48,186,029	49,529,553
Program Revenues:			
Governmental activities:			
Charges for services:			
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
Operating grants and contributions:			
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
Capital grants and contributions:			
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	$ 8,888,206	$ 10,905,253	$ 9,730,449

(Continued on next page)

Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
$ 4,352,715	$ 3,294,266	$ 4,414,477
12,870,592	12,775,838	15,945,019
8,033,049	8,822,339	10,254,099
18,171	17,851	17,508
2,111,966	2,396,732	2,298,805
2,922,958	2,628,408	3,163,955
30,309,451	29,935,434	36,093,863
6,143,152	6,296,545	6,414,288
12,852,702	13,269,918	13,201,522
833,578	193,013	105,397
202,593	185,541	200,970
866,645	889,992	777,558
1,004,366	813,049	923,130
21,903,036	21,648,058	21,622,865
52,212,487	51,583,492	57,716,728
2,407,797	1,636,600	1,769,368
825,494	673,556	697,377
263,250	246,799	239,394
762,589	723,750	557,277
123,254	183,387	203,358
63,337	89,077	21,964
2,586,679	2,570,537	2,593,958
1,166,245	1,454,286	1,150,793
1,323,802	532,389	472,876
836,753	1,547,572	6,123,219
125,626	127,832	134,720
$ 10,484,826	$ 9,785,785	$ 13,964,304

City of Port Huron

CHANGES IN NET ASSETS
Last Six Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
Business-type activites:			
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	17,187,609	17,070,923	16,854,878
Total Primary Government Program Revenues	26,075,815	27,976,176	26,585,327
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	(21,246,188)	(20,209,853)	(22,944,226)
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	21,817,830	20,971,174	22,333,089
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	1,768,310	772,092	984,948
Total Primary Government	23,586,140	21,743,266	23,318,037
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	$ 2,339,952	$ 1,533,413	$ 373,811

Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
$ 5,542,397	$ 5,601,863	$ 6,372,676
8,783,025	8,942,423	9,527,064
251,600	307,432	328,264
187,623	188,225	171,730
375,771	377,665	316,059
561,154	471,840	332,212
1,230,828	1,893,862	1,468,352
456,525	439,507	429,672
	67,962	44,175
	107,153	33,119
779,138	1,139,982	724,657
405,910		
18,573,971	19,537,914	19,747,980
29,058,797	29,323,699	33,712,284
(19,824,625)	(20,149,649)	(22,129,559)
(3,329,065)	(2,110,144)	(1,874,885)
(23,153,690)	(22,259,793)	(24,004,444)
11,863,700	12,214,363	12,695,112
6,142,537	6,404,789	8,172,561
4,101,722	3,979,187	4,020,443
1,209,797	2,272,546	1,249,999
4,074	18,176	35,082
306,531	391,798	348,271
	(332,307)	
(250,000)	(700,000)	(4,917,400)
23,378,361	24,248,552	21,604,068
851,667	873,039	624,517
	362,734	25,925
10,000	5,070	92
250,000	700,000	4,917,400
1,111,667	1,940,843	5,567,934
24,490,028	26,189,395	27,172,002
3,553,736	4,098,903	(525,491)
(2,217,398)	(169,301)	3,693,049
$ 1,336,338	$ 3,929,602	$ 3,167,558

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Six Fiscal Years

	June 30, 2003	June 30, 2004	June 30, 2005
General fund:			
Reserved	$ 6,165	$ 4,227	$ 5,866
Unreserved	3,241,893	3,631,421	3,823,280
Total General Fund	3,248,058	3,635,648	3,829,146
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	12,912,128	14,023,265	14,770,345
TOTAL ALL GOVERNMENTAL FUNDS	$ 16,160,186	$ 17,658,913	$ 18,599,491

June 30, 2006	June 30, 2007	June 30, 2008
$ 5,728	$ 5,133	$ 20,349
3,895,856	4,093,971	4,232,753
3,901,584	4,099,104	4,253,102
5,393,331	5,723,863	5,410,764
9,813,947	9,394,473	8,358,941
120,772		
15,328,050	15,118,336	13,769,705
$ 19,229,634	$ 19,217,440	$ 18,022,807

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Six Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005
Revenues:			
Taxes:			
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	10,524,978	10,841,995	11,453,590
Income taxes	5,551,093	5,555,182	5,955,633
Total Taxes	16,076,071	16,397,177	17,409,223
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	29,848,358	30,957,255	31,999,051
Expenditures:			
Current:			
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	28,752,665	28,918,528	30,508,473
Revenues over (under) Expenditures	1,095,693	2,038,727	1,490,578
Other financing sources (uses):			
Transfers in	1,845,287	1,476,726	1,709,889
Transfers out	(2,145,287)	(2,016,726)	(2,259,889)
	(300,000)	(540,000)	(550,000)
Special item:			
Custodial capital transfer			
NET CHANGE IN FUND BALANCES	$ 795,693	$ 1,498,727	$ 940,578

Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
$ 8,049,963	$ 8,286,548	$ 8,611,085
1,401,182	1,444,684	1,502,995
438,891	448,195	463,982
1,973,664	2,034,936	2,117,050
11,863,700	12,214,363	12,695,112
6,142,537	6,404,789	8,172,561
18,006,237	18,619,152	20,867,673
764,635	736,935	632,314
3,418,137	2,075,752	1,339,282
6,689,794	6,630,858	6,545,693
1,533,599	1,416,319	1,419,248
203,515	211,878	208,584
822,544	1,657,250	807,733
240,776	251,090	258,587
1,044	6,943	2,657
	75,000	31,667
1,616,251	1,720,005	1,853,621
33,296,532	33,401,182	33,967,059
3,691,208	3,885,773	3,567,228
13,750,871	13,528,954	12,895,834
6,517,340	6,929,700	6,861,503
18,171	17,851	17,508
2,916,950	2,776,161	2,561,153
1,365,483	1,290,166	1,252,839
4,156,366	3,952,464	3,088,227
32,416,389	32,381,069	30,244,292
880,143	1,020,113	3,722,767
2,004,731	3,058,374	2,248,150
(2,254,731)	(3,758,374)	(7,165,550)
(250,000)	(700,000)	(4,917,400)
	(332,307)	
$ 630,143	$ (12,194)	$ (1,194,633)

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

	Residential	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem
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
2008-2009	495,756,539	139,166,359	49,734,877	684,657,775	109,540,600	794,198,375

ASSESSED AND EQUALIZED VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	Residential	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem
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
2008-2009	593,750,400	160,714,600	52,262,100	806,727,100	109,540,600	916,267,700

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 FACILITIES AND OTHER SPECIAL ACTS ASSESSMENT ROLL

Industrial Real Property	Industrial Personal Property	Other Real Property	Total IFT and Other	Total Taxable Valuation	Taxable Value as a Percent Actual
$ 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
12,411,371	30,806,600	64,803	43,282,774	837,481,149	43.62

INDUSTRIAL FACILITIES AND OTHER SPECIAL ACTS ASSESSMENT ROLL

Industrial Real Property	Industrial Personal Property	Other Real Property	Total IFT and Other	Total Equalized Valuation	Estimated Actual Value
$ 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
12,814,200	30,806,600	67,400	43,688,200	959,955,900	1,919,911,800

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 $786,912,557 and the abated taxable valuation of $34,598,525 as of December 31, 2006 were used as the basis for determining the fiscal 2007-2008 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, 2008

Taxpayer	2008 Ad Valorem Taxable Valuation	2008 Industrial Facilities Taxable Value	2008 Total Taxable Valuation	Percent of Total Taxable Valuation	2008 Rank
Acheson Ventures/ Acheson Foundation	$ 25,383,835	$	$ 25,383,835	3.03%	1
Domtar (E.B. Eddy Paper)	18,213,106	3,813,200	22,026,306	2.63	2
Mueller Brass Company	14,516,659	1,470,700	15,987,359	1.91	3
SMW Automotive	4,183,600	7,007,600	11,191,200	1.34	4
Acheson Industries	10,576,638		10,576,638	1.26	5
DTE Energy (Detroit Edison)	9,170,948		9,170,948	1.09	6
H.P. Pelzer	4,657,130	4,278,600	8,935,730	1.07	7
I.A.C. (formerly Lear Corporation)	6,196,600	1,900,813	8,097,413	.97	8
Port Huron Molded Products (Blue Water Automotive)	4,465,700	2,335,800	6,801,500	.81	9
Sportrack (Advanced Accessory)	4,556,059	1,764,000	6,320,059	.75	10
Royal Oak Boring	4,149,300	1,958,700	6,108,000	.73	11
Plastech (LDM)	4,974,206	708,800	5,683,006	.68	12
GMA Cover Corp.	2,803,500	2,564,900	5,368,400	.64	13
ALD Thermal	941,700	4,065,900	5,007,600	.60	14
SEMCO Energy Company	4,952,564		4,952,564	.59	15
Cross Hueller Ex-Cell-O-Lamb	4,063,500	320,200	4,383,700	.52	16
Orthopedic Associates	4,158,280		4,158,280	.50	17
Parkview Property Management	3,952,409		3,952,409	.47	18
Times Herald Company	3,920,931		3,920,931	.47	19
Citizen's First Savings Bank	3,903,406		3,903,406	.47	20
Crown Vantage					
Blue Water Fiber Co.					
Petri, Inc.					
Davidson Interior Trim					
U.S. Manufacturing Company					
Huron Inc.					
Thomas Edison Inn					
Sombur Machine & Tool Inc.					
Huron Plastics					
Pine Grove Plaza					
	$ 139,740,071	$ 32,189,213	$ 171,929,284	20.53%	

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

1999 Total Taxable Valuation	Percent of Total Taxable Valuation	1999 Rank
$	%	
28,361,525	4.56	1
15,172,142	2.44	2
8,888,854	1.43	8
12,085,919	1.94	3
3,194,561	.51	19
9,077,973	1.46	7
3,609,009	.58	14
4,936,604	.79	10
3,857,415	.62	12
3,392,929	.55	15
11,834,314	1.90	4
10,746,266	1.73	5
9,873,203	1.59	6
5,819,756	.94	9
4,806,600	.77	11
3,663,300	.59	13
3,368,500	.54	16
3,320,217	.53	17
3,202,361	.51	18
2,794,700	.45	20
$ 152,006,148	24.43%	

City of Port Huron

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

	CITY					BWATC
Year	Operating	Debt Service	Streets	Rubbish and Garbage Collection	Total	Bus Operating
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
2007-2008	11.2696		2.0000	2.8173	16.0869	.6214

	COUNTY					COLLEGE
Year	St. Clair County	Intermediate School	Special Education	Vocational Education	Total	Operating and Debt
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
2007-2008	7.3022	.1938	2.3113	.9245	10.7318	1.8891

	SCHOOL			STATE	GRAND TOTAL	
Year	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2007-2008	18.0000*	2.0000	20.0000	6.0000	37.3292	55.3292

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Current Taxes Collected	Delinquent Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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	113,218	.89
2007-2008	13,323,071	12,537,521	94.10	929,215 (8)	101.08	35,750	.27

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

Date of Sale	Delinquent Tax Properties to be Sold
May, 2011	Year 2008
May, 2012	Year 2009

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, 1999	June 30, 2000	June 30, 2001	June 30, 2002
Direct Bonded Debt:				
Business-type Activities:				
Housing General Obligation Bonds	$ 800,000	$ 600,000	$ 400,000	$ 200,000
Water Supply System Revenue Bonds (Limited Tax General Obligation)	9,804,105	9,804,105	9,563,914	9,273,708
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,880,000	7,686,000	17,392,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		5,149,961	15,316,626	24,135,518
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds				5,542,099
Total Direct Bonded Debt	$ 18,484,105	$ 23,434,066	$ 32,966,540	$ 56,543,328
Total Taxable Valuation	$ 600,832,107	$ 622,110,680	$ 635,861,072	$ 665,881,850
Ratio of Bonded Debt to Taxable Value	3.08%	3.77%	5.18%	8.49%
Population	33,694	32,338	32,338	32,338
Per Capita Direct Bonded Debt	$ 548.59	$ 724.66	$ 1,019.44	$ 1,748.51

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

June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
$	$	$	$	$	$
8,933,502	11,667,882	11,238,740	10,754,609	10,344,893	9,820,249
17,148,003	22,033,775	21,298,738	26,891,480	25,951,299	29,784,574
30,851,191	38,741,738	42,954,918	44,302,998	44,946,322	43,873,329
10,305,341	13,049,520	16,526,916	20,046,128	22,478,620	23,425,604
$ 67,238,037	$ 85,492,915	$ 92,019,312	$ 101,995,215	$ 103,721,134	$ 106,903,756
$ 693,951,853	$ 706,152,647	$ 725,001,239	$ 771,813,515	$ 794,443,800	$ 821,511,082
9.69%	12.11%	12.69%	13.22%	13.06%	13.01%
32,338	32,338	32,338	32,338	32,338	32,338
$ 2,079.23	$ 2,643.73	$ 2,845.55	$ 3,154.04	$ 3,207.41	$ 3,305.82

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2008

DIRECT BONDED DEBT:		
Water Supply System Revenue Bonds (Limited Tax General Obligation)		$ 9,820,249
Wastewater General Obligation Limited Tax Bonds		29,784,574
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		43,873,329
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		23,425,604
Total Direct Bonded Debt		106,903,756
Less self-supporting general obligation bonds		
Water Supply System Revenue Bonds (Limited Tax General Obligation)	$ 9,820,249	
Wastewater General Obligation Limited Tax Bonds	29,784,574	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	43,873,329	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	23,425,604	106,903,756
Net Direct Bonded Debt		0
OVERLAPPING BONDED DEBT:		
13.39% of St. Clair County Regional Educational Service Agency debt	777,290	
13.49% of St. Clair County Community College debt	565,906	
12.63% of St. Clair County debt	7,269,072	
39.77% of Port Huron Area School District debt	10,552,970	
Overlapping Bonded Debt		19,165,238
NET DIRECT AND OVERLAPPING BONDED DEBT		$ 19,165,238

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	$ .00	.00%
Net Direct and Overlapping Bonded Debt	$592.65	2.09%

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, 2008

STATE EQUALIZED VALUATION AT DECEMBER 31, 2007 $ 916,267,700

		Legal Margin		
	Actual Net Debt	Percentage of State Equalized Valuation	Amount	Legal Debt Margin Totals
General obligation debt	$ 97,083,507			
Portion issued under order	73,657,903			
Balance	$ 23,425,604	10%	$ 91,626,770	$ 68,201,166
Emergency bonds	None	3/8 of 1%	$ 3,436,004	$ 3,436,004
Special assessment bonds	None	12	$ 109,952,124	$ 109,952,124

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 ($916,267,700), 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, 2007 of $794,198,375 will be used as a basis for determining the fiscal 2008-2009 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN
Last Ten Fiscal Years

	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002
Direct Bonded Debt:				
Housing General Obligation Bonds	$ 800,000	$ 600,000	$ 400,000	$ 200,000
Water Supply System Revenue Bonds (Limited Tax General Obligation)	9,804,105	9,804,105	9,563,914	9,273,708
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,880,000	7,686,000	17,392,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		5,149,961	15,316,626	24,135,518
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds				5,542,099
Total Direct Bonded Debt	$ 18,484,105	$ 23,434,066	$ 32,966,540	$ 56,543,328
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds (Limited Tax General Obigation)	$ 9,804,105	$ 9,804,105	$ 9,563,914	$ 9,273,708
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,880,000	7,686,000	17,392,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		5,149,961	15,316,626	24,135,518
Total Excluded	$ 17,684,105	$ 22,834,066	$ 32,566,540	$ 50,801,229
Net debt applicable to limit	$ 800,000	$ 600,000	$ 400,000	$ 5,742,099
Debt limit	61,352,350	64,931,700	69,901,155	75,563,445
Legal debt margin	$ 60,552,350	$ 64,331,700	$ 69,501,155	$ 69,821,346
Total net debt applicable to the limit as a percentage of debt limit	1.30%	0.92%	0.57%	7.60%

June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
$	$	$	$	$	$
8,933,502	11,667,882	11,238,740	10,754,609	10,344,893	9,820,249
17,148,003	22,033,775	21,298,738	26,891,480	25,951,299	29,784,574
30,851,191	38,741,738	42,954,918	44,302,998	44,946,322	43,873,329
10,305,341	13,049,520	16,526,916	20,046,128	22,478,620	23,425,604
$ 67,238,037	$ 85,492,915	$ 92,019,312	$ 101,995,215	$ 103,721,134	$ 106,903,756
$ 8,933,502	$ 11,667,882	$ 11,238,740	$ 10,754,609	$ 10,344,893	$ 9,820,249
17,148,003	22,033,775	21,298,738	26,891,480	25,951,299	29,784,574
30,851,191	38,741,738	42,954,918	44,302,998	44,946,322	43,873,329
$ 56,932,696	$ 72,443,395	$ 75,492,396	$ 81,949,087	$ 81,242,514	$ 83,478,152
$ 10,305,341	$ 13,049,520	$ 16,526,916	$ 20,046,128	$ 22,478,620	$ 23,425,604
78,358,575	80,215,495	86,060,385	89,952,610	91,798,940	91,626,770
$ 68,053,234	$ 67,165,975	$ 69,533,469	$ 69,906,482	$ 69,320,320	$ 68,201,166
13.15%	16.27%	19.20%	22.29%	24.49%	25.57%

City of Port Huron

REVENUE BOND COVERAGE
Last Ten Fiscal Years

WATER SUPPLY SYSTEM

Fiscal Year	Gross Revenue	Expenses and Operating Transfers	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2007-2008	6,546,596	3,842,135	2,704,461	524,644	462,186	986,830	2.74

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

DEMOGRAPHIC AND ECONOMIC STATISTICS

Area:	8.00 square miles (5,120 acres)
Form of Government:	Council-Manager (Since April 7, 1941)
Present Charter:	Adopted April 7, 1969 (effective April 18, 1969)
Fiscal Year Begins:	July 1
City Employees:	272 regular budgeted, 259 regular filled, 17 part-time filled, 150 estimated seasonal positions
Fire Protection:	3 stations, 44 fire fighting personnel, 2-way radio equipment
Police Protection:	1 station, 51 police officers, 2-way radio equipment
Streets:	142.53 miles improved 2.14 miles unimproved

Population:	Source:	1850	(village)	1,584
	Official U.S. Census	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
Unemployment:	Source:	June 30, 1999		6.2%
	State of Michigan	2000		6.0%
		2001		8.7%
		2002		10.3%
		2003		12.0%
		2004		10.8%
		2005		11.6%
		2006		10.6%
		2007		12.9%
		2008		14.8%

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, 2008

Firm Name	Product/Service	2008 Employees	2008 Labor Force	2008 Rank
Port Huron Hospital	Health care services	1,300	8.2	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
Mueller Brass Co.	Copper & brass tubing	450	2.9	5
I.A.C. (formerly Lear Corporation)	Automotive supplier	420	2.7	6
*St. Clair County	Public government	300	1.9	7
J.C.I.M. (formerly Plastech Engineered Products)	Automotive supplier/plastics	300	1.9	7
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	265	1.7	9
City of Port Huron	Public government	259	1.6	10
Collins & Aikman	Interior automotive trim			
St. Clair County Community College	Education			

* Multiple locations, an estimate of the employees within the City of Port Huron is included above.

Source: Economic Development Alliance of St. Clair County

1999 Approximate Number of Employees	1999 Percentage of Labor Force	1999 Rank
1,000	7.5	1
750	5.6	2
650	4.9	3
600	4.5	4
400	3.0	7
400	3.0	7
300	2.3	10
303	2.3	9
500	3.8	5
450	3.4	6

City of Port Huron

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

Function/Program	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002
General government:				
City manager	3.00	3.00	2.00	2.00
City attorney	3.00	3.00	3.00	2.00
City clerk/elections	3.00	3.00	3.00	3.00
Finance/purchasing	6.00	7.00	7.00	7.00
Income tax	2.00	3.00	3.00	3.00
Assessing	5.00	4.00	4.00	4.00
City treasurer/water office	5.50	5.80	5.80	5.80
Data processing	7.00	7.00	7.00	7.00
Personnel	3.00	3.00	3.00	3.25
Health and safety/marinas	1.00	0.70	1.70	1.95
Public safety:				
Police	72.00	72.00	72.00	73.00
Fire	54.70	53.70	55.70	55.70
Public works:				
DPW administration	1.00	1.80	1.80	1.80
MOC grounds	2.00	2.00	2.00	2.00
Engineering	6.00	7.00	6.00	7.00
Streets	22.00	21.20	21.20	23.20
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	10.75	10.75	10.75
Water meter	4.25	4.25	4.25	4.25
Water reclamation facility	28.25	27.00	27.00	27.00
Utilities - sewer collection	8.25	11.25	11.25	11.25
Community and economic development	16.50	15.50	14.50	14.00
Recreation, parks and culture:				
Recreation	6.00	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
	315.00	318.00	318.00	321.00

The number of employees are based on the filled positions as of each June 30. The number of employees budgeted may vary.

*Effective May 28, 2008, ten dispatch employees were transferred to the St. Clair County Central Dispatch.

June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
3.00	3.00	3.00	3.00	2.00	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
5.00	5.00	5.00	5.00	5.00	4.00
5.80	4.91	4.91	4.91	4.91	4.91
7.00	6.00	6.00	6.00	5.00	5.00
3.25	2.90	2.90	2.90	2.90	2.90
1.95	1.50	1.50	1.50	1.50	0
73.00	70.00	71.00	69.00	70.00	58.00 *
52.70	50.70	48.70	50.70	48.70	42.70
1.80	1.80	1.80	1.80	1.80	1.80
2.00	3.00	3.00	3.00	3.00	3.00
6.10	6.10	6.10	6.10	5.10	5.00
23.20	20.20	20.20	20.20	20.20	19.20
0.125	0.125	0.125	0.125	0.125	0.125
11.875	10.875	10.875	10.875	8.875	8.875
11.75	12.75	12.75	12.75	12.75	12.75
10.75	10.85	10.85	9.85	10.05	8.05
4.25	4.25	5.25	5.25	5.25	5.25
27.00	24.90	26.90	24.90	24.20	20.20
11.15	11.15	11.15	11.15	9.65	9.75
14.00	13.50	13.50	13.50	13.50	12.00
6.00	6.10	6.10	6.10	6.10	6.10
5.00	5.00	5.00	5.00	4.00	3.10
1.00	1.09	1.09	1.09	1.09	1.09
14.30	12.30	12.30	12.30	11.30	8.20
317.00	303.00	305.00	302.00	292.00	259.00

City of Port Huron

OPERATING INDICATORS
Last Ten Fiscal Years

Function/Program	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002
Election data:				
Registered voters - November	20,945	20,911	20,936	20,806
Voters (at the polls or absentee) - November	8,657	4,191	11,233	4,933
Percent voting	41.3%	20.0%	53.7%	23.7%
Police:				
Physical arrests*	3,656	3,364	2,960	2,900
Traffic violations*	5,003	5,566	5,613	4,979
Police reports*	6,903	6,664	6,986	7,037
Calls for service*	22,653	23,171	24,207	22,791
Fire:				
Fire runs*	216	187	159	139
Emergency medical runs*	656	1,156	1,473	1,707
Other*	682	671	689	746
Public works:				
Miles of streets resurfaced	1.68	0.28	1.76	2.19
Miles of streets reconstructed	5.29	2.07	12.32	8.69
Water:				
Accounts:				
City - regular	12,208	12,454	12,545	12,605
Port Huron Township	3,090	3,060	3,141	3,244
Fort Gratiot - regular	85	85	85	85
Fort Gratiot - Water District No. F	3,746	4,010	4,090	4,276
Kimball Township		1,343	1,289	1,451
Clyde Township				
Average daily pumpage (gallons per day)	8,300,000	8,300,000	8,300,000	8,200,000
Sewer:				
Equivalent connected population	56,900	56,900	56,900	56,900
Average daily sewage treatment (gallons per day)	12,560,000	10,000,000	10,000,000	10,000,000
Building construction:				
Residential:				
New construction permits	49	41	34	33
Estimated value	$ 11,496,227	$ 5,115,800	$ 5,019,220	$ 3,236,000
Alterations/additions/demo permits	561	627	686	764
Estimated value	$ 2,647,655	$ 3,779,706	$ 3,876,538	$ 4,233,099
Commercial:				
New construction permits	2	16	4	4
Estimated value	$ 1,950,000	$ 11,752,125	$ 10,627,584	$ 3,170,000
Alterations/additions/demo permits	79	100	70	66
Estimated value	$ 6,282,788	$ 4,826,729	$ 13,851,894	$ 3,976,498

*All information as of December 31st

June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
20,604	20,376	20,831	21,245	20,445	20,551
8,294	3,277	12,418	3,543	8,875	3,742
40.3%	16.1%	59.6%	16.7%	43.4%	18.2%
2,835	3,107	2,770	2,773	2,325	2,940
7,867	6,162	4,715	4,513	5,339	5,434
6,430	6,837	6,546	6,584	6,879	6,499
19,108	19,112	18,151	18,840	19,120	18,827
201	127	207	137	137	310
1,744	2,025	2,390	2,615	2,712	2,990
669	783	628	869	872	735
1.02	0.00	0.00	0.26	1.65	0.13
9.92	6.53	6.24	2.65	4.53	5.06
12,653	12,689	12,726	12,770	12,814	12,814
3,259	3,275	3,355	3,392	3,350	3,350
85	85	85	137	136	136
4,432	4,539	4,544	4,971	4,858	4,858
1,550	1,550	1,640	1,668	1,993	1,993
			736	743	743
8,100,000	7,300,000	7,300,000	7,000,000	6,800,000	6,800,000
56,900	64,100	64,571	64,571	65,556	65,556
9,840,000	11,220,000	11,300,000	11,730,000	11,800,000	11,800,000
32	31	49	28	15	5
$ 3,432,399	$ 4,496,760	$ 4,739,625	$ 3,733,400	$ 1,203,050	$ 1,940,000
714	716	879	828	707	595
$ 4,006,185	$ 5,704,903	$ 5,097,170	$ 5,027,022	$ 4,694,740	$ 2,783,536
3	2	1	5	1	1
$ 2,100,000	$ 22,500,000	$ 2,000,000	$ 17,465,103	$ 1,145,112	$ 5,461,844
75	109	114	90	95	77
$ 10,989,902	$ 4,868,829	$ 4,004,686	$ 9,686,362	$ 5,917,878	$ 2,839,665

City of Port Huron

CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

Function/Program	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002
Police:				
Stations	1	1	1	1
Fire:				
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				
Marina:				
Seasonal boat wells	122	122	105	67
Transient boat wells	406	406	404	442
Wells out of service				
Public works:				
Streets (miles):				
Major streets	43.370	43.220	43.220	43.220
Local streets	90.860	91.070	91.370	91.340
Trunkline	10.076	10.076	10.076	10.080
Streetlights	2,544	2,551	2,551	3,096
Parks and recreation:				
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
Parking:				
Metered lots	13	13	13	13
Spaces	913	888	888	880
Permit only lot - spaces	33	33	33	33
Seasonal attended lot - spaces	464	464	464	464
Permit only spaces in metered lots	65	150	117	236
Seasonal unattended lots - spaces				
ADA marked spaces in City lots				
Free lot - spaces	228	228	228	228
Street meters - spaces	555	555	546	540
Water:				
Watermains (miles)	162.0	163.0	163.0	163.2
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	1,233	1,250	1,263
Fire hydrants (private)	128	128	128	128
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	194.0	194.0	222.0	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

June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
1	1	1	1	1	1
3	3	3	3	3	3
7	7	7	6	6	6
1	1	1	1	1	1
1	1	1			
			1	1	1
1	1	1	1	1	1
	1	1			
112	123	129	118	122	122
397	302	296	307	303	303
	84	84	84	84	84
43.220	43.220	43.220	43.220	43.220	43.220
91.370	91.370	91.370	91.370	91.370	91.370
10.080	10.080	10.080	10.076	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	865	865	866	867	867
33	33	33	33	33	33
464	460	460	460	460	460
121	135	135	168	168	168
73	73	73	73	73	73
			48	48	48
228	228	228			
533	533	547	479	484	328
163.2	163.6	164.0	164.3	165.0	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
1,269	1,314	1,314	1,369	1,394	1,374
129	129	129	129	129	128
222.0	234.0	238.0	243.9	253.0	242.0
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, 2008

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.

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Merchant Area (CSO)	$	$ 673,994	$ 2,048,127	$ 2,722,121
East Hancock Area	684,601	156,131	24,488	865,220
Hancock Street - 10th to Gratiot	442,671	227,035	375,408	1,045,114 ****
Michigan/Merchant Bike Trail	206,002			206,002 ****
Riverside Drive – Part I	504,210	193,488	7,900	705,598 ****
8th 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
24th Street/Dove Street Intersection	245,285			245,285 ****
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
10th 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 ***
24th Street - City Portion	30,235	188,009	125,742	343,986
Indian Creek 3 (CSO)	476,343	1,206,370	4,432,330	6,115,043
Oak Crest Redevelopment	79,442	111,270	94,662	285,374 *
Indian Creek 2C (CSO)	165,626	2,563,575	5,012,653	7,741,854
Indian Creek I & I and Other Projects			704,016	704,016
Indian Creek 4 (CSO)	536,751	2,247,619	4,086,356	6,870,726
10th Street	1,595,729			1,595,729
7th and 9th 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 ****
10th Avenue - River to Pine Grove (CSO)		650,354	4,982,100	5,632,454 ***
Gratiot Avenue – Keewahdin to Krafft	1,947,483	107,885	115,509	2,170,877 ****
Peavey Area (CSO)		1,376,731	3,244,327	4,621,058 *
16th Avenue Area Part 1 (CSO)	77,723	2,027,412	4,608,957	6,714,092
16th Avenue Area Part 2 (CSO)		1,888,338	4,191,588	6,079,926 ***
16th Avenue Area Part 3 (CSO)	70,839	1,282,670	3,217,777	4,571,286 ***
24th 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	56,073	2,208,966	422,948	2,687,987
Rural Area (CSO)	213,626	2,177,856	4,898,545	7,290,027 ***
4th Street Area (CSO)	312,545	1,805,000	5,710,819	7,828,364
11th Avenue Area (CSO)		2,020,933	6,113,020	8,133,953 *

(Continued on next page)

City of Port Huron

PUBLIC WORKS PROJECTS
COMPLETED PROJECTS
June 30, 2008

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
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	151,581	458,735	454,862	1,065,178
Holland Avenue - Stone to Gratiot	374,910			374,910 ****
Holland Avenue - Pine Grove to Stone	1,269,285	432,103	490,539	2,191,927 ****
McNeil Creek - Jones Place			546,966	546,966
Erie Area South (CSO)	177,090	1,215,534	2,032,746	3,425,370
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 **
16th Street Pump Station (CSO)			1,490,651	1,490,651 **
10th Street Pump Station (CSO)			950,245	950,245 **
12th 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	568,950			568,950 ****
Renaissance South III	222,901	73,135	140,775	436,811
Solids Handling - WRF			10,384,121	10,384,121
Total public works projects	$ 26,704,157	$ 42,713,822	$ 111,655,989	$ 181,073,968

* 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, 2008

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, 2008 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 2007-2008 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Merchant Bike Path	$ 189,942	$	$	$ 189,942
Riverside Drive	31,373	7,461	(1,683)	37,151
24th Street and Dove Street Intersection	198,247	33,119		231,366
24th Street – City Portion	21,560	39,451	25,980	86,991
Indian Creek I and I other Projects (CSO)			477,041	477,041
21st Street Area Part I (CSO)		97,218	180,548	277,766
Gratiot Avenue - Krafft to Keewahdin	1,748,383	107,885	115,509	1,971,777
16th Avenue Area Part III (CSO)	26,863	180,760	445,296	652,919
Vanness Area (CSO)		821,185	2,065,424	2,886,609
Military Street (Reid to Water)	8,980	243,114	(312,118)	(60,024)
Woodstock Area Part IV and V	12,749	8,577	7,893	29,219
Holland Avenue - Stone to Pine Grove	17,588	5,987	6,797	30,372
Erie Area South (CSO)	177,090	287,676	(132,258)	332,508
7th Street Bridge	5,327,171			5,327,171
Filter Backwash		873,638		873,638
Other contracts	155,885	10,704	22,811	189,400
Total public works projects	$ 7,915,831	$ 2,716,775	$ 2,901,240	$ 13,533,846

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

Total public works projects above	$ 7,915,831	$ 2,716,775	$ 2,901,240
Other capital additions	9,440	161,157	240,041
Change in contracts payable		193,433	(7,301)
Projects recorded in other funds:			
Community Development Block Grant			(516,011)
Tax Increment Finance Authority	(144,378)	(33,119)	
Projects funded through State grants	(6,123,220)		
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	$ 1,657,673		
Acquisition and construction of capital assets (Exhibit A-10)		$ 3,038,246	$ 2,617,969

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, 2008, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated December 3, 2008. 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

December 3, 2008

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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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, 2008, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated December 3, 2008. 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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.

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

December 3, 2008

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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, 2008. 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, 2008.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

December 3, 2008

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants:	14.218			
Program year 2005		B-05-MC-26-0038	$ 598,019	$ 45,629
Program year 2006		B-06-MC-26-0038	921,402	85,679
Program year 2007		B-07-MC-26-0038	806,023	649,462
Total Community Development Block Grants				780,770
Home Investment Partnership Program:	14.239			
Program year 2004		M-04-MC-260217	300,835	41,333
Program year 2005		M-05-MC-260217	289,838	40,688
Program year 2006		M-06-MC-260217	272,286	35,986
Program year 2007		M-07-MC-260217	270,141	15,000
Total Home Investment Partnership Program				133,007
Economic Development Initiative Special Project Grant:	14.246			
Program year 2005		B-05-SPMI-0127	347,200	113,484
Program year 2006		B-06-SPMI-0127	247,500	123,532
Total Economic Development Initiative Special Project Grant				237,016
Section 8 New Construction and Substantial Rehabilitation	14.182	MI-28-8023-004	429,672	429,672
Total U.S. Department of Housing and Urban Development				1,580,465
U.S. Department of Homeland Security - Assistance to Firefighters Grant:	97.044			
Program year 2006		EMW-2006-FG-02222-001	173,880	166,525
Total U.S. Department of Homeland Security - Assistance to Firefighters Grant				166,525
U.S. Department of Homeland Security - Passed through Michigan Department of State Police, Emergency Management Division; Homeland Security Cluster:				
Urban Areas Security Initiative	97.008	N/A		3,892
Homeland Security Grant Program:	97.067	N/A	141,941	141,941
Total U.S. Department of Homeland Security; Homeland Security Cluster				145,833
Total U.S. Department of Homeland Security				312,358
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	1,450
Total U.S. Department of Interior				1,450
U.S. Department of Justice - Bureau of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	600	600
Total U.S. Department of Justice				600

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2008

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Transportation – Passed through Michigan Department of State Police, Emergency Management Division:				
Michigan Drive Safely	20.600	N/A		9,281
Total U.S. Department of Transportation				9,281
U.S. Environmental Protection Agency:	66.606			
Surveys, Studies, Investigations, and Special Purpose Grants:				
Program year 2003 - amended increase to award		XP-00548003-2		203,646
Total Surveys, Studies, Investigations, & Special Purpose Grants				203,646
U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality:				
Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-11			2,535,000	342
Project number 5006-12			2,955,000	18,630
Project number 5006-13			1,655,000	78,215
Project number 5006-14			1,325,000	17,903
Project number 5006-15			3,040,000	300,611
Total Capitalization Grants for State Revolving Funds				415,701*
Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7119-01			2,040,000	665,744
Project number 7167-01			2,015,000	286
Project number 7185-01			1,355,000	163,591
Project number 7186-01			1,025,000	140,593
Project number 7187-01			705,000	24,536
Project number 7188-01			715,000	5,864
Project number 7220-01			3,070,000	525,579
Total Capitalization Grants for Drinking Water State Revolving Funds				1,526,193*
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality				1,941,894
Total U.S. Environmental Protection Agency				2,145,540
Total federal awards				$ 4,049,694

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

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:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Port Huron Neighborhood Housing Corporation:		
Home Investment Partnership Programs	14.239	$ 17,400
Economic Development Initiative Special Project Grant	14.246	212,265
Total		$ 229,665

Note C - Repayment of Loan Advances

During the year, four advances from the Michigan State Revolving Loan Fund Program (SRF) and two advances from the Michigan Drinking Water Revolving Loan Fund Program (DWRF) 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:

Project Number	Federal Program Title	CFDA Number	Award Amount	Repayment Amount	Amount Previously Reported as Federal Expenditures
5006-02	Capitalization Grants for State Revolving Funds	66.458	$5,230,000	$141,724	$34,872
5006-04	Capitalization Grants for State Revolving Funds	66.458	$8,120,000	$171,075	$43,671
5006-05	Capitalization Grants for State Revolving Funds	66.458	$640,000	$126,231	$28,971
5006-09	Capitalization Grants for State Revolving Funds	66.458	$3,770,000	$55,117	$12,757
7088-01	Capitalization Grants for Drinking Water State Revolving Funds	66.468	$8,945,000	$273,165	$162,724
7147-01	Capitalization Grants for Drinking Water State Revolving Funds	66.468	$2,315,000	$119,688	$50,757

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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

Section I - Summary of Auditor's Results (Continued)

Identification of major program(s):

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

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

Auditee qualified as low-risk auditee? __X__ Yes _____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

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