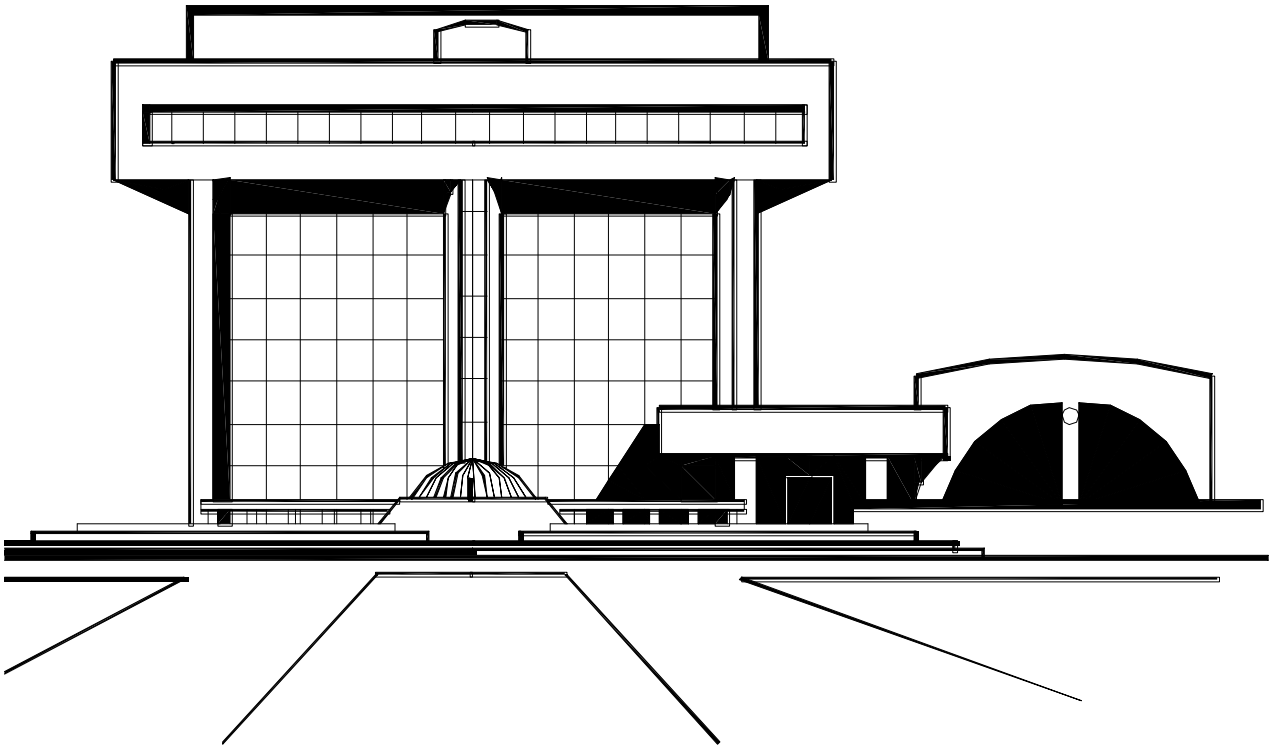
Comprehensive Annual Financial Report

For the Year Ended June 30, 2009



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, 2009

CITY COUNCIL

Brian J. Moeller - Mayor

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

BRUCE C. BROWN – City Manager

DEPARTMENT OF FINANCE

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

E. P. Brennan, C.P.A. - Controller – Treasurer – Water Office Supervisor

R. S. Fernandez - Assessor

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

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December 3, 2009

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, 2009. 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, 2009. 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, 2009, 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, 2009, 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 4.9 million vehicles. Approximately 14% of the truck trade between the U.S. and Canada crosses the Blue Water Bridge. 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 Michigan Department of Transportation (MDOT) is beginning a significant expansion of the Blue Water Bridge plaza and will be making improvements to a two and half mile portion of the I-94/I-69 corridor leading to the bridge. MDOT currently estimates that the $555 million project will generate approximately 4,400 jobs during the construction period. MDOT has worked cooperatively with the City, the County and the surrounding townships to address community needs and concerns, both for the final design and during the construction phases. When completed, the revised plaza will include the relocation of over one hundred homes and twenty businesses, which will negatively impact tax and utility revenues. On the other hand, employment on the plaza will increase significantly, bridge crossing times will be reduced and the new design will improve access to the City and surrounding areas.

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 County recreation commission is expected to acquire the historic Fort Gratiot Lighthouse, the oldest Great Lakes lighthouse, and the surrounding buildings and park area from the federal government, which has recently completed a new Coast Guard facility in the City.

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

The City is continuing a major construction initiative to upgrade streets, water distribution and sanitary and storm sewers. In accordance with the Michigan Department of Environmental Quality requirements, this process will include reducing combined sewer overflows (CSO's). It is particularly important that the major construction projects be constantly monitored with regard to costs, quality, public safety and convenience. 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.

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 of which was leased and the other was resold to an existing manufacturer in the industrial park needing to expand to another facility. In September, 2009, City Council approved the sale of another, previously leased, building to the same manufacturer needing to expand again.

- 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 June, 2009, the Water Street Marina was sold to a developer for the construction of a hotel and restaurant on the site. It is anticipated that the developer will also continue the marina operations.

- On July 31, 2008, the City sold Grandview Tower, a one hundred and eleven unit senior citizens housing building, to a housing management company. The City received $3.3 million for the building and subsequently agreed to sell the related land, which had previously been leased to the new management, for $175,000. The new owners expect to significantly improve the building including upgrades to the individual units. The City expects to use the proceeds to mitigate future utility rate increases.

It is anticipated that the City's involvement in these major economic development projects will create additional job opportunities and increased population, and will expand the City's financial resources. However, the recent economic conditions and the resultant retrenchment of state programs will make it extremely difficult to continue to fund services. The City administration is working with elected officials and citizens to review and restructure City operations.

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. Certain new employees hired after July 1, 2008, participate in the MERS Hybrid Plan which offers both a defined benefit pension and defined contribution pension. 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, 2008, the date of the most recent actuarial report, in funding 80.1 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 270-retired employees receiving 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. During the current fiscal year the City made the actuarially required contribution into the Retiree Health Care Benefits Fund set up to provide these benefits in the future. The post employment health care benefits are projected annually and required contributions are actuarially computed.

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.

The City of Port Huron has been working to change various employee benefit programs to reduce current and future costs. Current health care coverages have been modified to increase deductibles and co-pays, to encourage the use of generic drugs and to increase coverages for preventative tests and other procedures. The City has introduced wellness programs, including a prohibition on hiring smokers that dates to 1993. Further, substantially all employees hired after June 30, 2008, participate in the MERS Hybrid Plan which offers both a defined benefit pension with a reduced multiplier and a defined contribution pension with a 1% employer and 2% employee contribution. Also, substantially all employees hired after June 30, 2008 do not participate in the retiree health care program. Those employees now participate in a health care savings plan with a 2% contribution and will be able to purchase retiree health care from the City using the health care savings plan.

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 $350,000. 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, 2008. This was the thirty-fourth 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, 2008

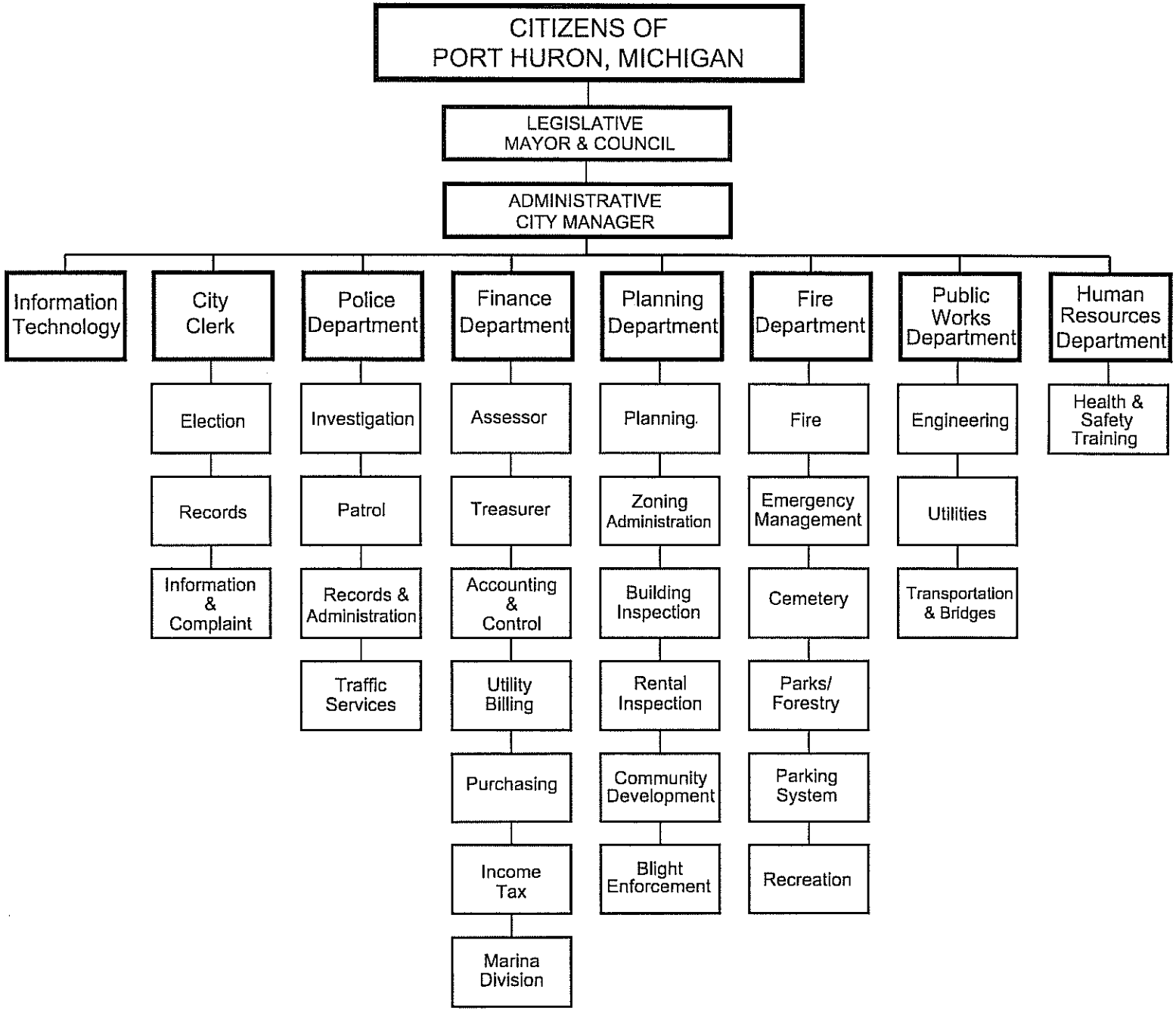
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

PORT HURON CITY GOVERNMENT

ORGANIZATIONAL CHART



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, 2009, 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, 2008 financial statements and, in our report dated December 3, 2008, 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, 2009 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.

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, 2008, from which such partial summarized information was derived.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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, 2009 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.

As described in Note A, the City has implemented a new financial reporting standard, as required by the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of June 30, 2009.

Plante & Moran, PLLC

December 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

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, 2009. 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 $163,345,781 (net assets). Of this amount, $45,941,974 (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 $4,235,631. This increase is primarily the result of increased net investments in infrastructure and the corresponding grants received for these improvements, accumulating funds within the internal service funds to provide for post-employment health care costs and the sale of a senior citizen housing building.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of $16,130,927, a decrease of $1,891,880 in comparison with the prior year. Approximately 69 percent of this total amount, $11,118,993, 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 $4,310,424, or 18.8 percent of total general fund expenditures and transfers.
- The City of Port Huron's total debt decreased by $3,640,515 (3.4 percent) during the current fiscal year. The key factors in this decrease were the payments being made on prior debt and the limited new borrowing for projects.

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 McMorran Civic Center 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 (limited activity due to sale of building), 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 83 and 112 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 113 through 121 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 $163,345,781 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net assets (67.9 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 36,384,652	$ 36,647,219	$ 29,343,754	$ 26,976,755	$ 65,728,406	$ 63,623,974
Capital assets	46,307,732	44,477,669	167,307,200	169,847,381	213,614,932	214,325,050
Total assets	82,692,384	81,124,888	196,650,954	196,824,136	279,343,338	277,949,024
Long-term liabilities	2,912,016	2,643,182	97,211,948	100,983,249	100,123,964	103,626,431
Other liabilities	8,264,895	7,664,745	7,608,698	7,547,698	15,873,593	15,212,443
Total liabilities	11,176,911	10,307,927	104,820,646	108,530,947	115,997,557	118,838,874
Net assets:						
Invested in capital assets, net of related debt	46,307,732	44,477,669	64,614,670	64,591,888	110,922,402	109,069,557
Restricted	6,481,405	7,076,526			6,481,405	7,076,526
Unrestricted	18,726,336	19,262,766	27,215,638	23,701,301	45,941,974	42,964,067
Total net assets	$ 71,515,473	$ 70,816,961	$ 91,830,308	$ 88,293,189	$163,345,781	$159,110,150

An additional portion of the City of Port Huron's net assets (4.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($45,941,974) 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 $4,235,631 during the current fiscal year. This increase primarily represents increased net investment in infrastructure and the corresponding grants received for these improvements, accumulating funds within the internal service funds to provide for post-employment health care costs and the sale of a senior citizen housing building.

CITY OF PORT HURON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 3,025,018	$ 3,466,338	$ 15,680,332	$17,048,005	$ 18,705,350	$ 20,514,343
Operating grants and contributions	3,248,731	3,766,715	1,663,398	1,942,199	4,912,129	5,708,914
Capital grants and contributions	2,757,933	6,874,104	1,903,442	757,776	4,661,375	7,631,880
General revenues:						
Property taxes	12,889,994	12,695,112			12,889,994	12,695,112
Income taxes	5,777,447	8,172,561			5,777,447	8,172,561
State shared revenue	3,872,453	4,020,443			3,872,453	4,020,443
Gain on sale of capital assets	4,688	35,082	1,170,399	25,925	1,175,087	61,007
Investment income	340,132	1,249,999	296,258	624,517	636,390	1,874,516
Other	331,139	348,271		92	331,139	348,363
Total revenues	32,247,535	40,628,625	20,713,829	20,398,514	52,961,364	61,027,139
Expenses:						
General government	3,210,760	4,414,041			3,210,760	4,414,041
Public safety	12,289,894	15,945,019			12,289,894	15,945,019
Public works	9,209,602	10,397,388			9,209,602	10,397,388
Health and welfare	14,143	17,508			14,143	17,508
Community and economic development	1,422,748	2,298,805			1,422,748	2,298,805
Recreation, parks and culture	2,462,383	3,163,955			2,462,383	3,163,955
Water			6,315,255	6,414,288	6,315,255	6,414,288
Wastewater			13,051,805	13,201,522	13,051,805	13,201,522
Land purchase			169,431	105,397	169,431	105,397
Parking			189,966	200,970	189,966	200,970
Senior citizens			92,697	777,558	92,697	777,558
Marina			297,049	923,130	297,049	923,130
Total expenses	28,609,530	36,236,716	20,116,203	21,622,865	48,725,733	57,859,581
Increase (decrease) in net assets before transfers	3,638,005	4,391,909	597,626	(1,224,351)	4,235,631	3,167,558
Transfers	(2,939,493)	(4,917,400)	2,939,493	4,917,400		
Increase (decrease) in net assets	698,512	(525,491)	3,537,119	3,693,049	4,235,631	3,167,558
Net assets - beginning of year	70,816,961	71,342,452	88,293,189	84,600,140	159,110,150	155,942,592
Net assets - end of year	$ 71,515,473	$70,816,961	$91,830,308	$88,293,189	$163,345,781	$159,110,150

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Port Huron's net assets by $698,512. As discussed above, the increase in net assets attributable to governmental activities is primarily the result of the accumulation of funds for post-employment retiree health care and the increased net investments in infrastructure and the corresponding grants received for these improvements. A summary of the changes follows:

- Property taxes increased by $194,882 (1.5 percent) during the year, primarily the result of new investment and increases in taxable value up to the annual state limitation (2.3 percent).

- Income tax revenue decreased by $2,395,114 (29.3 percent), primarily due to a one time increase last year as a result of the settlement of pending litigation and the current year revenue decline due to poor economic conditions. Income tax revenue is budgeted at $6.2 million for the year ending June 30, 2010 but it is expected the budget will be revised to a lower amount due to continuing poor economic conditions.

- State revenue sharing payments decreased by $147,990 (3.9 percent) primarily due to State budget balancing efforts.

- Operating grants and contributions decreased by $517,984, primarily due to a decrease in development grant activity.

- Capital grants and contributions decreased by $4,116,171, due to a decrease in grants received for infrastructure improvements, primarily the 7th Street Bridge project.

- Investment income decreased by $909,867, primarily due to a decrease in the fair value of investments in the Cemetery Perpetual Care Fund and a decline in interest rates.

Operating expenses decreased compared to the prior year. This comparison can be reviewed in more detail in the fund financial statements. The decrease in governmental activities' expenses of $7,627,186 is primarily the result of last year's internal services fund transfer of $6 million to a fiduciary trust fund to partially offset the City's OPEB liability (see Note L). The internal services funds are allocated to governmental activities. The balance of the decrease in operating expenses is primarily the result of measures undertaken to reduce annual costs of operations.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net assets by $3,537,119. Key elements affecting business-type activities are as follows:

- Charges for services decreased by $1,367,673 (8.0 percent) during the year. The decrease was primarily due to usage decreases.

- Operating grants and contributions decreased $278,801 during the year. Most of this decrease was the result of a reduction in grants received after the sale of a senior citizen housing building.

- Capital grants and contributions increased $1,145,666 during the year. The increase was primarily the result of stimulus grants received to improve water and wastewater infrastructure.

- Operating expenses remained relatively constant compared to the prior year as the result of the implementation of cost savings measures. Other decreases are the result of less activity in the Marina Fund and the sale of a building in the Senior Citizens Fund which terminated operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of $16,130,927, a decrease of $1,891,880 in comparison with the prior year. Of this amount, 69 percent ($11,118,993) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to generate income to pay for the perpetual care of the municipal cemetery ($4,739,731), or 2) for a variety of other restricted purposes ($272,203).

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 $4,310,424, while total fund balance reached $4,344,523. 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 18.84 percent of total general fund expenditures, while total fund balance represents 18.99 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by $91,421 during the current fiscal year. Key factors in the change in fund balance are as follows:

- Income tax revenue decreased by 29.3% primarily due to a one time increase last year as a result of the settlement of pending litigation and the current year revenue decline due to poor economic conditions. Current year property tax revenues increased by 1.3%, slightly lower than the State of Michigan annual limitation of 2.3%. Other property tax related revenue, primarily delinquent taxes, penalties and interest, increased by $56,556. Overall tax revenue decreased by $2,229,538 primarily due to the income tax reductions.

- State shared revenues increased by $93,889 primarily due to an anomaly in timing of the State's final (September) payment for the prior two years.

- Grants increased by $243,904 primarily due to grants for fire and other public safety equipment.

- Total revenues decreased by $2,276,010 or 9.0%. The overall revenue decrease is primarily due to the decrease in income tax collections discussed above.

- General government expenditures decreased by $172,458, primarily due to cost containment efforts.

- Public safety expenditures decreased by $84,840, primarily due to cost saving measures which reduced costs in both the Police and Fire Departments.

- Public works expenditures increased by $95,203 primarily due to increased blight reduction efforts.

- Recreation, parks and culture decreased by $46,817 primarily due to continuing changes in work assignments in parks and forestry.

- In the aggregate, general fund expenditures decreased by $177,980 or 0.8% primarily as a result of continuing cost saving measures.

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 $4,629,445, a decrease of $1,418,706 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 and an increase in capital expenditures in excess of grant revenues. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements increased by 0.8% due to taxable valuation increases discussed above.

- State shared revenues decreased by $123,285, a decrease of 4.7%.

- Public works expenses decreased by 4.0% primarily as a result of planned reductions in street maintenance costs due to cost saving measures.

The Municipal Streets Fund unreserved fund balance of $4,420,747 has a portion designated for subsequent years' expenditures ($1,500,069) primarily as a result of the planned rebuilding of the 7th Street bascule bridge and a transfer to the Wastewater Fund to mitigate rate increases. 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 $18,863,535, net assets for the Wastewater Fund were $55,246,511 and net assets for the Land Purchase Fund were $11,104,422. The total change in net assets for the Water, Wastewater and Land Purchase funds was $448,134, $2,842,680 and ($797,457), 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 $4,163,837, unrestricted net assets for the Wastewater Fund were $11,153,369 and unrestricted net assets for the Land Purchase Fund were $7,217,541. Unrestricted net assets for the Water and Land Purchase funds decreased by $930,625 and $718,627. Unrestricted net assets for the Wastewater Fund increased by $1,633,571. 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. 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 relatively minor, reflecting reduced income tax revenue, decreased grant income and increases in investment income. Expenditures were amended during the year to reflect grant expenditures and decreases in capital expenditures. Year end revenues were higher than the budgetary estimates and expenditures were less than budgetary estimates, which allowed for an increase in the fund balance. Year end transfers to the Land Purchase Fund in prior years have resulted in $1,400,000 available at June 30, 2009, for future capital purchases and significant maintenance and repair items.

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, 2009, amounts to $213,614,932 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, systems, machinery and equipment, streets, bridges and sidewalks. The total decrease in the City of Port Huron's investment in capital assets for the current fiscal year was $710,118 (a 4.1 percent increase for governmental activities and a 1.5 percent decrease 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 late 2009. Construction in progress at the end of the current fiscal year was approximately $9.8 million.

- A variety of sewer separation and infrastructure improvements continued; construction in progress as of the end of the current fiscal year was approximately $0.4 million for streets, $0.9 million for water and $1.7 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	
	2009	2008	2009	2008	2009	2008
Land	$ 4,260,209	$ 4,260,209	$ 4,771,258	$ 5,586,973	$ 9,031,467	$ 9,847,182
Construction in progress	10,201,472	7,164,258	2,653,891	5,920,822	12,855,363	13,085,080
Land improvements	9,784,880	9,768,532	435,529	854,297	10,220,409	10,622,829
Buildings	10,787,629	10,565,377	34,109,527	39,519,387	44,897,156	50,084,764
Machinery and equipment	9,889,532	9,386,525	13,368,570	14,070,424	23,258,102	23,456,949
Vehicles	3,536,037	2,756,305			3,536,037	2,756,305
Infrastructure	50,431,988	49,304,233	181,332,464	173,601,390	231,764,452	222,905,623
Total	$ 98,891,747	$ 93,205,439	$236,671,239	$239,553,293	$335,562,986	$332,758,732
Less accumulated depreciation	52,584,015	48,727,770	69,364,039	69,705,912	121,948,054	118,433,682
Total	$ 46,307,732	$ 44,477,669	$167,307,200	$169,847,381	$213,614,932	$214,325,050

Additional information on the City of Port Huron's capital assets can be found in note F on pages 67 and 68 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the City of Port Huron had total bonded debt outstanding of $103,263,241. Of this amount $94,022,637 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	$	$	$ 94,022,637	$ 97,083,507	$ 94,022,637	$ 97,083,507
Revenue bonds			9,240,604	9,820,249	9,240,604	9,820,249
Total	$	$	$ 103,263,241	$106,903,756	$ 103,263,241	$106,903,756

The City of Port Huron's total debt decreased by $3,640,515 (3.4 percent) during the current fiscal year. The key factor in this decrease was the repayment of prior debt and the reduction of current borrowing due to the postponement of projects and the receipt of stimulus funds.

On November 17, 2009, the City of Port Huron's bond rating was downgraded from an "A+" rating to an "A" rating by Fitch Ratings for general obligation debt. The City had an "A+" rating since the fall of 2005. Previously the rating had been an "A" rating.

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 $85,253,110. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is $61,983,386. Debt issued as a result of an order, which would include $70,752,913 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, 2009, the unemployment rate for the City of Port Huron was 25.7 percent, an increase of 12.4 percentage points from a rate of 13.3 percent the year before. This compares to the county's average unemployment rate of 19.0 percent, the state's average unemployment rate of 14.8 percent and the national average rate of 9.5 percent.

The occupancy rate of the government's central business district has decreased over the past year partially due to the largest retail location remaining closed. 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.

During the current fiscal year, unreserved fund balance in the Municipal Street Fund decreased to $4.4 million. The City of Port Huron has appropriated $1.5 million of this amount for spending in the 2009/2010 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 2009/2010 budget year, both total equalized valuation and taxable valuation decreased from the 2008/2009 fiscal year, resulting in a decrease in budgeted property tax revenue of approximately 2%. As a result of a declining housing market, this trend is expected to continue for 2010/2011 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 2010/2011 and beyond. Additional information is available in the Statistical Section, pages 132 and 133.

All of these factors were considered in preparing the City of Port Huron's budget for the 2009/2010 fiscal year.

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, 2009

EXHIBIT A

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Assets:				
Cash and cash equivalents	$ 11,132,466	$ 14,815,463	$ 25,947,929	$ 2,022,697
Investments	17,245,740	7,500,000	24,745,740	
Receivables (net of allowances for uncollectibles)	6,016,349	3,731,885	9,748,234	42,018
Due from other governmental units	1,553,929	876,632	2,430,561	
Inventories	402,069	715,777	1,117,846	16,005
Prepaid and deferred items	34,099	1,133,286	1,167,385	36,871
Restricted assets (cash and cash equivalents)		570,711	570,711	101,388
Capital assets:				
Non-depreciable (land and construction in progress)	14,461,681	7,425,149	21,886,830	25,000
Depreciable property and equipment (net of accumulated depreciation)	31,846,051	159,882,051	191,728,102	1,738,861
Total Assets	82,692,384	196,650,954	279,343,338	3,982,840
LIABILITIES				
Liabilities:				
Accounts payable	1,071,738	204,621	1,276,359	625,507
Accrued payroll	856,572	135,227	991,799	66,503
Contracts payable	1,756,482	183,490	1,939,972	
Taxes collected in advance	154,339		154,339	
Accrued interest payable		810,523	810,523	
Other liabilities	129,846	223,544	353,390	50,518
Unearned revenue	2,961,083		2,961,083	131,427
Noncurrent liabilities:				
Due within one year	1,334,835	6,051,293	7,386,128	
Due in more than one year	2,912,016	97,211,948	100,123,964	18,270
Total Liabilities	11,176,911	104,820,646	115,997,557	892,225
NET ASSETS				
Invested in capital assets, net of related debt	46,307,732	64,614,670	110,922,402	1,763,861
Restricted for law enforcement	501,658		501,658	
Restricted for rubbish and garbage collection	1,240,016		1,240,016	
Restricted for nonexpenable endowments	4,739,731		4,739,731	
Unrestricted	18,726,336	27,215,638	45,941,974	1,326,754
Net Assets	$ 71,515,473	$ 91,830,308	$ 163,345,781	$ 3,090,615

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

City of Port Huron

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

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	$ 3,210,760	$ 1,723,305	$	$
Public safety	12,289,894	408,184	160,723	277,165
Public works	9,209,602	205,906	2,476,795	2,340,550
Health and welfare	14,143			
Community and economic development	1,422,748	407,725	611,213	
Recreation, parks and culture	2,462,383	279,898		140,218
Total govermental activities	28,609,530	3,025,018	3,248,731	2,757,933
Business-type activities:				
Water	6,315,255	6,046,044		681,705
Wastewater	13,051,805	9,312,839		1,221,737
Land purchase	169,431	168,653	1,594,741	
Parking	189,966	81,536		
Senior citizens	92,697	25,246	32,399	
Marina	297,049	46,014	36,258	
Total business-type activities	20,116,203	15,680,332	1,663,398	1,903,442
Total primary government	$ 48,725,733	$ 18,705,350	$ 4,912,129	$ 4,661,375
Component units:				
Downtown development	$ 1,545,075	$ 98,550	$	$
Tax increment finance	2,929,548			
Local development finance	393,570			
Brownfield redevelopment	444,587			
McMorran	2,318,723	1,484,816	414,000	101,379
Total component units	$ 7,631,503	$ 1,583,366	$ 414,000	$ 101,379

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 (as restated)

NET ASSETS AT END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
$ (1,487,455)	$	$ (1,487,455)	$
(11,443,822)		(11,443,822)	
(4,186,351)		(4,186,351)	
(14,143)		(14,143)	
(403,810)		(403,810)	
(2,042,267)		(2,042,267)	
(19,577,848)		(19,577,848)	
	412,494	412,494	
	(2,517,229)	(2,517,229)	
	1,593,963	1,593,963	
	(108,430)	(108,430)	
	(35,052)	(35,052)	
	(214,777)	(214,777)	
	(869,031)	(869,031)	
$ (19,577,848)	$ (869,031)	$ (20,446,879)	$
$	$	$	$ (1,446,525)
			(2,929,548)
			(393,570)
			(444,587)
			(318,528)
$	$	$	$ (5,532,758)
$ 12,889,994	$	$ 12,889,994	$ 4,999,249
5,777,447		5,777,447	
3,872,453		3,872,453	
340,132	296,258	636,390	2,189
4,688	1,170,399	1,175,087	152,629
331,139		331,139	
(2,939,493)	2,939,493		
20,276,360	4,406,150	24,682,510	5,154,067
698,512	3,537,119	4,235,631	(378,691)
70,816,961	88,293,189	159,110,150	3,469,306
$ 71,515,473	$ 91,830,308	$ 163,345,781	$ 3,090,615

City of Port Huron

BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2009

EXHIBIT A-2

	General	Major Streets	Local Streets	Municipal Streets
ASSETS				
Assets:				
Cash and cash equivalents	$ 959,216	$ 48,712	$ 35,802	$ 1,318,924
Investments	3,370,758			4,634,795
Receivables (net of allowances for uncollectibles)	1,116,088			23,843
Due from other governmental units	163,109	162,831	39,003	20,199
Due from other funds				
Inventories				238,104
Prepaid and deferred items	34,099			
Total Assets	$ 5,643,270	$ 211,543	$ 74,805	$ 6,235,865
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 474,467	$ 4,436	$ 304	$ 9,652
Accrued payroll	480,534	17,079	8,321	16,465
Contracts payable	177,263	47,510		1,531,709
Taxes collected in advance	108,122			19,188
Due to other funds				
Unearned revenue				
Other liabilities	58,361			
Total Liabilities	1,298,747	69,025	8,625	1,577,014
Fund balances:				
Reserved for inventories				238,104
Reserved for prepaid items	34,099			
Reserved for endowments				
Unreserved:				
Designated for subsequent years' expenditures:				
General Fund	387,980			
Special Revenue Funds		17,813	1,362	1,500,069
Undesignated:				
General Fund	3,922,444			
Special Revenue Funds		124,705	64,818	2,920,678
Total Fund Balances	4,344,523	142,518	66,180	4,658,851
Total Liabilities And Fund Balances	$ 5,643,270	$ 211,543	$ 74,805	$ 6,235,865

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

Other Nonmajor Governmental Funds	Total Governmental Funds June 30, 2009	Total Governmental Funds June 30, 2008
$ 2,210,974	$ 4,573,628	$ 12,559,456
4,740,187	12,745,740	6,366,873
3,021,909	4,161,840	4,288,941
197,494	582,636	502,609
159,686	159,686	144,111
	238,104	229,600
	34,099	20,349
$ 10,330,250	$ 22,495,733	$ 24,111,939
$ 173,280	$ 662,139	$ 752,080
18,832	541,231	437,038
	1,756,482	1,369,294
27,029	154,339	304,578
159,686	159,686	144,111
2,961,083	2,961,083	2,972,287
71,485	129,846	109,744
3,411,395	6,364,806	6,089,132
	238,104	229,600
	34,099	20,349
4,739,731	4,739,731	5,181,164
	387,980	
619,247	2,138,491	2,176,346
	3,922,444	4,232,753
1,559,877	4,670,078	6,182,595
6,918,855	16,130,927	18,022,807
$ 10,330,250	$ 22,495,733	$ 24,111,939

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

June 30, 2009

EXHIBIT A-3

Total fund balances for governmental funds	$ 16,130,927
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	44,090,957
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	821,079
Internal Service Funds are included as part of governmental activities	10,472,510
Net assets of governmental activities	$ 71,515,473

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

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

Year Ended June 30, 2009

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	$ 14,554,108	$	$
Licenses and permits	571,834		
Grants	432,393	2,286,214	21,121
State shared revenues	4,038,506	1,940,967	536,824
Charges for services	720,736		
Fines and forfeits	169,200		
Investment income (loss)	406,976		
Rents	271,129		
Sale of property	4,150		
Other income			
Administrative charges	1,800,500		
Total Revenues	22,969,532	4,227,181	557,945
Expenditures:			
Current:			
General government	3,394,770		
Public safety	12,671,061		
Public works	1,687,588	1,612,960	932,246
Senior citizens	14,143		
Recreation, parks and culture	2,514,336		
General support services	340,894		
Capital outlay	312,526	3,450,379	728,958
Total Expenditures	20,935,318	5,063,339	1,661,204
Revenues over (under) Expenditures	2,034,214	(836,158)	(1,103,259)
Other financing sources (uses):			
Transfers in		1,250,000	1,063,397
Transfers out	(1,942,793)	(413,397)	
	(1,942,793)	836,603	1,063,397
Net Change in Fund Balances	91,421	445	(39,862)
Fund balances at beginning of year	4,253,102	142,073	106,042
FUND BALANCES AT END OF YEAR	$ 4,344,523	$ 142,518	$ 66,180

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

Municipal Streets	Other Nonmajor Governmental Funds	Total Governmental Funds June 30, 2009	Total Governmental Funds June 30, 2008
$ 1,982,269	$ 2,131,064	$ 18,667,441	$ 20,867,673
		571,834	632,314
	611,213	3,350,941	7,462,502
		6,516,297	6,545,693
	411,920	1,132,656	1,419,248
		169,200	208,584
70,310	(224,097)	253,189	807,733
		271,129	258,587
		4,150	2,657
			31,667
		1,800,500	1,853,621
2,052,579	2,930,100	32,737,337	40,090,279
		3,394,770	3,567,228
	33,963	12,705,024	12,897,969
53,949	2,617,754	6,904,497	6,861,503
		14,143	17,508
		2,514,336	2,561,153
469,415	246,733	1,057,042	1,252,839
	608,049	5,099,912	9,209,312
523,364	3,506,499	31,689,724	36,367,512
1,529,215	(576,399)	1,047,613	3,722,767
	258,276	2,571,673	2,248,150
(2,900,000)	(254,976)	(5,511,166)	(7,165,550)
(2,900,000)	3,300	(2,939,493)	(4,917,400)
(1,370,785)	(573,099)	(1,891,880)	(1,194,633)
6,029,636	7,491,954	18,022,807	19,217,440
$ 4,658,851	$ 6,918,855	$ 16,130,927	$ 18,022,807

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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, 2009

EXHIBIT A-5

Net changes in fund balances - total governmental funds		$ (1,891,880)
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		4,806,924
Depreciation expense		(3,441,161)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection		(167,049)
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	$ 5,495	
Street constuction financed with CDBG funds	33,215	
		38,710
Internal Service Funds are included as part of governmental activities - change in net assets		1,352,968
Change in net assets of governmental activities		$ 698,512

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, 2009

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2008 Actual
Revenues:					
Taxes:					
Real property taxes	$ 7,215,000	$ 7,215,000	$ 7,236,065	$ 21,065	$ 7,103,844
Personal property taxes	1,235,000	1,235,000	1,240,577	5,577	1,263,778
Income tax	6,575,000	6,225,000	5,777,447	(447,553)	8,172,561
Other	215,000	215,000	300,019	85,019	243,463
	15,240,000	14,890,000	14,554,108	(335,892)	16,783,646
Business licenses and permits:					
Cable television	290,000	290,000	316,292	26,292	302,231
Other	12,000	12,000	14,847	2,847	14,373
	302,000	302,000	331,139	29,139	316,604
Nonbusiness licenses and permits:					
Building	180,000	180,000	137,532	(42,468)	183,030
Electrical	45,000	45,000	32,387	(12,613)	48,393
Heating	45,000	45,000	37,625	(7,375)	48,302
Plumbing	30,000	30,000	23,740	(6,260)	29,335
Other	8,000	8,000	9,411	1,411	6,650
	308,000	308,000	240,695	(67,305)	315,710
Grants		75,000	432,393	357,393	188,489
State shared revenues	3,800,000	3,900,000	4,038,506	138,506	3,944,617
Charges for services:					
Recreation fees	274,000	324,000	279,898	(44,102)	219,278
Blue Water Bridge reimbursement	200,000	200,000	200,000		200,000
County parks millage	140,000	140,000	140,218	218	134,720
Other	56,000	106,000	100,620	(5,380)	95,496
	670,000	770,000	720,736	(49,264)	649,494
Fines and forfeits:					
Parking violations	90,000	90,000	76,933	(13,067)	97,882
Ordinance fines	110,000	110,000	92,267	(17,733)	110,702
	200,000	200,000	169,200	(30,800)	208,584
Investment income	225,000	350,000	406,976	56,976	691,866
Rents	260,000	260,000	271,129	11,129	258,587
Sale of property and equipment	3,400	3,400	4,150	750	2,657
Other income					31,667

(Continued on next page)

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

Year Ended June 30, 2009

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2008 Actual
Charges to other funds:					
Garbage and rubbish collection fund	$ 156,886	$ 156,886	$ 156,886	$	$ 132,161
Marina fund	16,932	16,932	16,932		55,713
Senior citizen housing fund	64,091	14,091	16,023	1,932	64,504
Parking fund	20,369	20,369	20,369		20,798
Water fund	617,047	617,047	617,047		596,564
Wastewater fund	681,185	681,185	681,185		661,350
Central stores fund	13,449	13,449	13,449		14,409
Data processing fund	76,806	76,806	76,806		83,398
Motor vehicle fund	201,803	201,803	201,803		224,724
	1,848,568	1,798,568	1,800,500	1,932	1,853,621
Total Revenues	22,856,968	22,856,968	22,969,532	112,564	25,245,542
Expenditures:					
Current:					
General government:					
City council	76,740	76,973	58,818	18,155	69,588
Charter commission		2,000	1,755	245	
City manager	303,083	309,583	309,286	297	345,258
Elections	92,279	101,922	101,028	894	69,783
Finance and accounting	670,714	678,136	673,052	5,084	655,288
Income tax	306,993	311,340	307,459	3,881	361,694
Assessor	380,617	386,574	347,493	39,081	389,908
Legal counsel	289,215	290,465	279,090	11,375	265,061
Clerk	233,071	223,951	210,452	13,499	248,809
Personnel	311,583	313,707	298,884	14,823	299,668
Purchasing	41,875	42,519	41,362	1,157	40,830
Board of review	2,450	2,450	2,395	55	2,302
Treasurer	213,274	215,850	209,317	6,533	219,297
Municipal office center	559,429	551,149	549,635	1,514	593,342
Promotional	23,000	5,000	4,744	256	6,400
	3,504,323	3,511,619	3,394,770	116,849	3,567,228
Public safety:					
Police administration	1,022,335	1,009,780	980,308	29,472	973,374
Detectives	930,273	931,856	909,496	22,360	905,964
Patrol	5,134,191	5,201,122	5,158,231	42,891	4,947,488
Communications	340,095	240,287	236,639	3,648	699,123
Fire	5,030,427	5,033,642	5,033,583	59	5,042,098
Public Safety - Equipment grants		355,000	352,804	2,196	187,854
	12,457,321	12,771,687	12,671,061	100,626	12,755,901
Public works:					
Inspection	386,495	393,234	390,566	2,668	378,796
Emergency management	13,009	29,009	28,211	798	7,132
Public works administration	209,237	210,579	210,078	501	208,205
Engineering	324,025	301,855	244,378	57,477	224,692
Street lighting	721,355	721,516	689,763	31,753	689,969
Blight	113,454	124,972	124,592	380	83,591
	1,767,575	1,781,165	1,687,588	93,577	1,592,385
Senior citizens:					
Discounts for senior citizens	5,000	5,000	1,739	3,261	2,228
Senior citizens transportation	12,404	12,404	12,404		15,280
	17,404	17,404	14,143	3,261	17,508

(Continued on next page)

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

Year Ended June 30, 2009

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2008 Actual
Recreation, parks and culture:					
Parks and forestry	$ 1,104,550	$ 1,022,850	$ 1,002,629	$ 20,221	$ 1,050,005
Recreation	649,694	592,245	591,424	821	633,201
20th and Court pool	98,030	107,030	106,705	325	100,663
Sanborn pool	114,551	128,551	128,478	73	120,060
Lighthouse park	13,197	13,197	7,137	6,060	39,229
Lakeside park	23,233	19,233	10,987	8,246	52,148
Palmer park recreation center	120,090	121,307	120,670	637	116,059
Lightship	12,562	12,562	11,094	1,468	10,787
McMorran complex	335,000	414,000	414,000		335,000
Library	8,000	8,000	8,000		8,000
Museum	99,030	114,030	113,212	818	96,001
	2,577,937	2,553,005	2,514,336	38,669	2,561,153
General support services:					
Planning	197,859	199,912	189,066	10,846	211,866
Telephone service	25,166	25,166	17,579	7,587	20,261
Contingencies	40,000	1,627		1,627	
Insurance, health and safety	162,590	142,590	129,614	12,976	199,931
Taxes written off	5,000	5,000	4,327	673	242
Demolitions	5,000	5,000	308	4,692	145
	435,615	379,295	340,894	38,401	432,445
Capital outlay	579,000	325,000	312,526	12,474	186,678
Total Expenditures	21,339,175	21,339,175	20,935,318	403,857	21,113,298
Revenues over (under) Expenditures	1,517,793	1,517,793	2,034,214	516,421	4,132,244
Other financing sources (uses):					
Transfers in:					
Enterprise funds:					
Land Purchase	425,000	425,000		425,000	
Transfers out:					
Special revenue funds:					
Cemetery Operating					(57,546)
Beautification Commission	(3,300)	(3,300)	(3,300)		(3,300)
Enterprise funds:					
Wastewater	(1,939,493)	(1,939,493)	(1,939,493)		(3,917,400)
	(1,942,793)	(1,942,793)	(1,942,793)		(3,978,246)
	(1,517,793)	(1,517,793)	(1,942,793)	425,000	(3,978,246)
Net Change in Fund Balance			91,421	91,421	153,998
Fund balance at beginning of year	4,253,102	4,253,102	4,253,102		4,099,104
FUND BALANCE AT END OF YEAR	$ 4,253,102	$ 4,253,102	$ 4,344,523	$ 91,421	$ 4,253,102

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, 2009

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2008 Actual
MAJOR STREETS:					
Revenues:					
Grants	$ 5,960,000	$ 5,960,000	$ 2,286,214	$ (3,673,786)	$ 6,013,922
State shared revenues	1,917,918	1,917,918	1,940,967	23,049	2,043,789
Total Revenues	7,877,918	7,877,918	4,227,181	(3,650,737)	8,057,711
Expenditures:					
Current:					
Public works	1,647,394	1,647,394	1,612,960	34,434	1,688,374
Capital outlay	7,327,800	7,327,800	3,450,379	3,877,421	7,490,882
Total Expenditures	8,975,194	8,975,194	5,063,339	3,911,855	9,179,256
Revenues over (under) Expenditures	(1,097,276)	(1,097,276)	(836,158)	261,118	(1,121,545)
Other financing sources (uses):					
Transfers in	1,525,000	1,525,000	1,250,000	(275,000)	1,425,000
Transfers out	(440,000)	(440,000)	(413,397)	26,603	(430,836)
	1,085,000	1,085,000	836,603	(248,397)	994,164
Net Change in Fund Balances	(12,276)	(12,276)	445	12,721	(127,381)
Fund balance at beginning of year	142,073	142,073	142,073		269,454
FUND BALANCE AT END OF YEAR	$ 129,797	$ 129,797	$ 142,518	$ 12,721	$ 142,073
LOCAL STREETS:					
Revenues:					
Grants	$ 145,000	$ 145,000	$ 21,121	$ (123,879)	$ 109,298
State shared revenues	529,000	529,000	536,824	7,824	557,287
Total Revenues	674,000	674,000	557,945	(116,055)	666,585
Expenditures:					
Current:					
Public works	864,090	934,090	932,246	1,844	928,995
Capital outlay	1,060,000	990,000	728,958	261,042	290,011
Total Expenditures	1,924,090	1,924,090	1,661,204	262,886	1,219,006
Revenues over (under) Expenditures	(1,250,090)	(1,250,090)	(1,103,259)	146,831	(552,421)
Other financing sources:					
Transfers in	1,240,000	1,240,000	1,063,397	176,603	505,836
Net Change in Fund Balances	(10,090)	(10,090)	(39,862)	29,772	(46,585)
Fund balance at beginning of year	106,042	106,042	106,042		152,627
FUND BALANCE AT END OF YEAR	$ 95,952	$ 95,952	$ 66,180	$ 29,772	$ 106,042

(Continued on next page)

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

Year Ended June 30, 2009

EXHIBIT A-7
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2008 Actual
MUNICIPAL STREETS:					
Revenues:					
Taxes - Streets	$ 1,490,000	$ 1,490,000	$ 1,512,854	$ 22,854	$ 1,502,995
Taxes - BWATC	475,000	475,000	469,415	(5,585)	463,982
Investment income	150,000	150,000	70,310	(79,690)	234,552
Total Revenues	2,115,000	2,115,000	2,052,579	(62,421)	2,201,529
Expenditures:					
Current:					
Public works	86,154	86,154	53,949	32,205	90,476
General support services - BWATC	475,000	475,000	469,415	5,585	463,982
Total Expenditures	561,154	561,154	523,364	37,790	554,458
Revenues over (under) Expenditures	1,553,846	1,553,846	1,529,215	(24,631)	1,647,071
Other financing sources (uses):					
Transfers out	(3,325,000)	(3,325,000)	(2,900,000)	425,000	(2,500,000)
Net Change in Fund Balances	(1,771,154)	(1,771,154)	(1,370,785)	400,369	(852,929)
Fund balance at beginning of year	6,029,636	6,029,636	6,029,636		6,882,565
FUND BALANCE AT END OF YEAR	$ 4,258,482	$ 4,258,482	$ 4,658,851	$ 400,369	$ 6,029,636

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, 2009

EXHIBIT A-8

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,942,044	$ 8,526,712	$ 2,713,073
Investments			4,500,000
Accounts receivable (net of allowances for uncollectibles)	1,483,154	2,231,165	7,656
Due from other governmental units	340,354	500,020	
Inventories	569,075	146,702	
Prepaid items			
Total Current Assets	4,334,627	11,404,599	7,220,729
Noncurrent assets:			
Restricted cash and cash equivalents		570,711	
Capital assets:			
Land	799,823	631,745	1,775,512
Land improvements			
Buildings	5,397,050	25,666,106	2,876,984
Systems	55,378,424	125,954,040	
Machinery and equipment		12,258,259	
Vehicles			
Construction in progress	925,799	1,728,092	
	62,501,096	166,238,242	4,652,496
Less accumulated depreciation	15,291,070	51,962,898	765,615
Total Capital Assets	47,210,026	114,275,344	3,886,881
Other noncurrent assets:			
Bond issuance costs (net of amortization)	459,283	618,695	
Total Noncurrent Assets	47,669,309	115,464,750	3,886,881
Total Assets	52,003,936	126,869,349	11,107,610
LIABILITIES			
Current liabilities:			
Accounts payable	51,327	138,846	1,135
Accrued payroll	58,462	74,940	
Contracts payable	76,963	78,393	2,053
Accrued interest payable	232,777	577,746	
Unearned revenue			
Other liabilities	210,544		
Current portion of long-term debt	1,979,439	4,071,854	
Claims and judgements payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	2,609,512	4,941,779	3,188
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)	30,530,889	66,681,059	
Claims and judgments payable (exclusive of current portion)			
Compensated absenses payable (exclusive of current portion)			
Total Noncurrent Liabilities	30,530,889	66,681,059	
Total Liabilities	33,140,401	71,622,838	3,188
NET ASSETS			
Invested in capital assets, net of related debt	14,699,698	44,093,142	3,886,881
Unrestricted	4,163,837	11,153,369	7,217,541
Total Net Assets	$ 18,863,535	$ 55,246,511	$ 11,104,422

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, 2009	June 30, 2008 (as restated)	June 30, 2009	June 30, 2008
$ 1,633,634	$ 14,815,463	$ 19,711,392	$ 6,558,838	$ 10,777,589
3,000,000	7,500,000		4,500,000	
9,910	3,731,885	3,758,054	1,854,509	210,740
36,258	876,632	44,175	150,214	146,914
	715,777	729,766	163,965	197,520
55,308	55,308	55,268		
4,735,110	27,695,065	24,298,655	13,227,526	11,332,763
	570,711	1,648,263		
1,564,178	4,771,258	5,586,973		
435,529	435,529	854,297	1,791,790	1,775,442
169,387	34,109,527	39,519,387		
	181,332,464	173,601,390		
1,110,311	13,368,570	14,070,424	732,980	688,386
			2,679,545	2,258,313
	2,653,891	5,920,822		
3,279,405	236,671,239	239,553,293	5,204,315	4,722,141
1,344,456	69,364,039	69,705,912	2,987,540	2,572,456
1,934,949	167,307,200	169,847,381	2,216,775	2,149,685
	1,077,978	1,029,837		
1,934,949	168,955,889	172,525,481	2,216,775	2,149,685
6,670,059	196,650,954	196,824,136	15,444,301	13,482,448
13,313	204,621	190,373	409,599	36,171
1,825	135,227	124,644	315,341	311,295
26,081	183,490	197,503		13,623
	810,523	854,995		
		14,526		
13,000	223,544	245,150		
	6,051,293	5,920,507		
			907,741	190,716
			427,094	408,800
54,219	7,608,698	7,547,698	2,059,775	960,605
	97,211,948	100,983,249		
			554,397	759,119
			2,357,619	2,643,182
	97,211,948	100,983,249	2,912,016	3,402,301
54,219	104,820,646	108,530,947	4,971,791	4,362,906
1,934,949	64,614,670	64,591,888	2,216,775	2,149,685
4,680,891	27,215,638	23,701,301	8,255,735	6,969,857
$ 6,615,840	$ 91,830,308	$ 88,293,189	$ 10,472,510	$ 9,119,542

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

Year Ended June 30, 2009

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	$ 6,046,044	$ 9,312,839	$
Rents			168,653
Total Operating Revenues	6,046,044	9,312,839	168,653
Operating expenses:			
Personal services	1,855,260	2,980,352	12,152
Supplies and materials	383,668	593,258	62
Contractual services	1,484,643	3,203,849	78,387
Depreciation	1,612,086	3,989,508	78,830
Total Operating Expenses	5,335,657	10,766,967	169,431
Operating Income (Loss)	710,387	(1,454,128)	(778)
Nonoperating revenues (expenses):			
Investment income	35,640	125,416	104,249
Interest expense	(979,598)	(2,284,838)	
Operating grants and contributions			1,594,741
Gain on sale of property and equipment			1,100
	(943,958)	(2,159,422)	1,700,090
Income (Loss) Before Capital Contributions and Transfers	(233,571)	(3,613,550)	1,699,312
Capital contributions:			
Grants and contributions received	681,705	908,136	
Infrastructure improvements donated		313,601	
	681,705	1,221,737	
Income (Loss) Before Transfers	448,134	(2,391,813)	1,699,312
Transfers in (out):			
Transfer in		5,234,493	
Transfer out			(2,496,769)
		5,234,493	(2,496,769)
Change in Net Assets	448,134	2,842,680	(797,457)
Net assets at beginning of year (as restated)	18,415,401	52,403,831	11,901,879
NET ASSETS AT END OF YEAR	$ 18,863,535	$ 55,246,511	$ 11,104,422

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, 2009	June 30, 2008	June 30, 2009	June 30, 2008
$ 82,483	$ 15,441,366	$ 16,219,080	$ 12,978,358	$ 14,316,685
70,313	238,966	828,925		
152,796	15,680,332	17,048,005	12,978,358	14,316,685
134,526	4,982,290	5,188,231	9,004,944	16,905,439
13,865	990,853	1,125,767	509,287	499,193
357,047	5,123,926	6,203,795	1,781,556	1,752,344
74,274	5,754,698	5,804,092	417,084	451,393
579,712	16,851,767	18,321,885	11,712,871	19,608,369
(426,916)	(1,171,435)	(1,273,880)	1,265,487	(5,291,684)
30,953	296,258	624,609	86,943	442,266
	(3,264,436)	(3,300,980)		
68,657	1,663,398	1,942,199		
1,169,299	1,170,399	25,925	538	32,425
1,268,909	(134,381)	(708,247)	87,481	474,691
841,993	(1,305,816)	(1,982,127)	1,352,968	(4,816,993)
	1,589,841	208,646		
	313,601	549,130		
	1,903,442	757,776		
841,993	597,626	(1,224,351)	1,352,968	(4,816,993)
201,769	5,436,262	7,427,375		
	(2,496,769)	(2,509,975)		
201,769	2,939,493	4,917,400		
1,043,762	3,537,119	3,693,049	1,352,968	(4,816,993)
5,572,078	88,293,189	84,600,140	9,119,542	13,936,535
$ 6,615,840	$ 91,830,308	$ 88,293,189	$ 10,472,510	$ 9,119,542

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	$ 6,193,316	$ 9,233,002	$ 133,812
Payments to suppliers for goods and services	(1,268,978)	(2,969,540)	(75,285)
Payments to employees for services	(1,850,445)	(2,969,374)	(13,344)
Payments connected with interfund services	(617,047)	(681,185)	
Net cash provided by (used in) operating activities	2,456,846	2,612,903	45,183
Cash flows from noncapital financing activities:			
Operating grants and contributions received			1,594,741
Transfers in		5,234,493	
Transfers out			(2,496,769)
Net cash provided by (used in) noncapital financing activities		5,234,493	(902,028)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,316,940)	(3,017,439)	
Proceeds from issuance of long-term debt	1,154,120	1,060,872	
Principal payments on long-term debt	(1,889,645)	(3,965,862)	
Interest paid	(993,835)	(2,315,073)	
Bond issuance costs	(67,627)	(53,417)	
Proceeds from sale of property and equipment			1,100
Capital contributions	347,387	408,116	
Net cash provided by (used in) capital and related financing activities	(3,766,540)	(7,882,803)	1,100
Cash flows from investing activities:			
Purchase of investments			(4,500,000)
Investment income	35,640	125,416	104,249
Net cash provided by (used in) investing activities	35,640	125,416	(4,395,751)
Net increase (decrease) in cash and cash equivalents	(1,274,054)	90,009	(5,251,496)
Cash and cash equivalents at beginning of year	3,216,098	9,007,414	7,964,569
Cash and cash equivalents at end of year	$ 1,942,044	$ 9,097,423	$ 2,713,073
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	$ 1,942,044	$ 8,526,712	$ 2,713,073
Restricted assets - cash and cash equivalents		570,711	
Total balance sheet classification	$ 1,942,044	$ 9,097,423	$ 2,713,073

(Continued on next page)

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
$ 110,239	$ 15,670,369	$ 16,864,805	$ 11,331,289	$ 14,299,599
(346,888)	(4,660,691)	(5,803,667)	(1,950,883)	(1,988,236)
(138,544)	(4,971,707)	(5,179,047)	(8,410,406)	(16,875,395)
(53,324)	(1,351,556)	(1,398,929)	(292,058)	(322,531)
(428,517)	4,686,415	4,483,162	677,942	(4,886,563)
76,574	1,671,315	1,965,986		
201,769	5,436,262	7,427,375		
	(2,496,769)	(2,509,975)		
278,343	4,610,808	6,883,386		
	(5,334,379)	(5,656,215)	(484,174)	(726,561)
	2,214,992	8,580,559		
	(5,855,507)	(5,397,937)		
	(3,308,908)	(3,265,191)		
	(121,044)	(69,625)		
3,581,281	3,582,381	25,925	538	32,425
	755,503	497,275		
3,581,281	(8,066,962)	(5,285,209)	(483,636)	(694,136)
(3,000,000)	(7,500,000)		(4,500,000)	
30,953	296,258	624,609	86,943	442,266
(2,969,047)	(7,203,742)	624,609	(4,413,057)	
462,060	(5,973,481)	6,705,948	(4,218,751)	(5,138,433)
1,171,574	21,359,655	14,653,707	10,777,589	15,916,022
$ 1,633,634	$ 15,386,174	$ 21,359,655	$ 6,558,838	$ 10,777,589
$ 1,633,634	$ 14,815,463	$ 19,711,392	$ 6,558,838	$ 10,777,589
	570,711	1,648,263		
$ 1,633,634	$ 15,386,174	$ 21,359,655	$ 6,558,838	$ 10,777,589

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

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)	$ 710,387	$ (1,454,128)	$ (778)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,612,086	3,989,508	78,830
Amortization of bond issuance costs	29,715	43,188	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	117,722	(79,837)	(2,391)
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventory	8,404	5,585	
Decrease (increase) in prepaid expenses			
Increase (decrease) in accounts payable	(55,833)	97,609	1,111
Increase (decrease) in accrued payroll	4,815	10,978	(1,192)
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable			2,053
Increase (decrease) in compensated absences payable			
Increase (decrease) in unearned revenue			
Increase (decrease) in other liabilities	29,550		(32,450)
Total Adjustments	1,746,459	4,067,031	45,961
Net cash provided by (used in) operating activities	$ 2,456,846	$ 2,612,903	$ 45,183

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2009, infrastructure improvements with an estimated value of $313,601 were constructed and funded by the Community Development Block Grant Fund and subsequently donated to the Wastewater Fund. Infrastructure improvements with an estimated value of $3,598 were constructed and funded by the Community Development Block Grant Fund and subsequently donated to the Water Fund. Also, the estimated value of infrastructure improvements received in prior years from tax increment authorities has been finalized, resulting in a correction (reduction) of $9,634.

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, 2009	June 30, 2008	June 30, 2009	June 30, 2008
$ (426,916)	$ (1,171,435)	$ (1,273,880)	$ 1,265,487	$ (5,291,684)
74,274	5,754,698	5,804,092	417,084	451,393
	72,903	72,518		
(9,325)	26,169	(139,843)	(1,643,769)	(21,452)
			(3,300)	4,366
	13,989	17,751	33,555	(58,656)
(40)	(40)	12,012		
(28,639)	14,248	31,225	27,970	(13,147)
(4,018)	10,583	9,184	4,046	(250,125)
			857,761	(3,500)
(621)	1,432	(6,540)	(13,623)	12,573
			(267,269)	283,669
(14,526)	(14,526)	(74,006)		
(18,706)	(21,606)	30,649		
(1,601)	5,857,850	5,757,042	(587,545)	405,121
$ (428,517)	$ 4,686,415	$ 4,483,162	$ 677,942	$ (4,886,563)

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

EXHIBIT A-11

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
ASSETS			
Cash and cash equivalents	$	$ 29,450	$ 455,224
Interest in pooled investments	4,837,810		
Accounts receivable	345,458		
Total Assets	5,183,268	29,450	$ 455,224
LIABILITIES			
Liabilities:			
Due to other governmental units			$ 112,223
Taxes collected in advance			343,001
Total Liabilities			$ 455,224
NET ASSETS			
Net assets held in trust	$ 5,183,268	$ 29,450	

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

FIDUCIARY FUNDS - STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2009

EXHIBIT A-12

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
Additions:		
Investment income (loss)	$ (1,220,683)	$ 400
Employer contributions	345,458	
Total Additions	(875,225)	400
Deductions:		
Supplies and materials		900
Total Deductions	0	900
Change in Net Assets	(875,225)	(500)
Net assets at beginning of year	6,058,493	29,950
NET ASSETS AT END OF YEAR	$ 5,183,268	$ 29,450

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, 2009

EXHIBIT A-13

	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	McMorran	Total
ASSETS						
Assets:						
Cash and cash equivalents	$ 628,012	$ 882,675	$	$ 445,379	$ 66,631	$ 2,022,697
Receivables (net of allowances for uncollectibles)	3,333	376		3,534	34,775	42,018
Inventories	4,175				11,830	16,005
Prepaid and deferred items	29,853				7,018	36,871
Restricted assets (cash and cash equivalents)					101,388	101,388
Capital assets (net of accumulated depreciation)					1,763,861	1,763,861
Total Assets	665,373	883,051		448,913	1,985,503	3,982,840
LIABILITIES						
Current Liabilities:						
Accounts payable	12,509	5,246		444,587	163,165	625,507
Accrued payroll	2,670				63,833	66,503
Other liabilities					50,518	50,518
Unearned revenue	30,039				101,388	131,427
Total Current Liabilities	45,218	5,246		444,587	378,904	873,955
Noncurrent Liabilities:						
Net other post-employment benefits obligation					18,270	18,270
Total Noncurrent Liabilities					18,270	18,270
Total Liabilities					397,174	892,225
NET ASSETS						
Invested in capital assets, net of related debt					1,763,861	1,763,861
Unrestricted (deficit)	620,155	877,805		4,326	(175,532)	1,326,754
Net Assets	$ 620,155	$ 877,805	$ 0	$ 4,326	$ 1,588,329	$ 3,090,615

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

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30, 2009

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	$ 1,545,075	$ 98,550	$	$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	198,922			
Taxes disbursed - not captured	2,730,626			
Total tax increment finance	2,929,548			
Local Development Finance:				
Governmental activities:				
Community and economic development	393,570			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	444,587			
McMorran:				
Business-type activities:				
McMorran	2,318,723	1,484,816	414,000	101,379
Total component units	$ 7,631,503	$ 1,583,366	$ 414,000	$ 101,379

General revenues:
Property taxes
Unrestricted investment income
Gain on sale of capital assets

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
$ (1,446,525)	$	$	$	$	$ (1,446,525)
	(198,922)				(198,922)
	(2,730,626)				(2,730,626)
	(2,929,548)				(2,929,548)
		(393,570)			(393,570)
			(444,587)		(444,587)
				(318,528)	(318,528)
(1,446,525)	(2,929,548)	(393,570)	(444,587)	(318,528)	(5,532,758)
1,325,950	2,834,935	393,570	444,794		4,999,249
441				1,748	2,189
152,629					152,629
1,479,020	2,834,935	393,570	444,794	1,748	5,154,067
32,495	(94,613)		207	(316,780)	(378,691)
587,660	972,418		4,119	1,905,109	3,469,306
$ 620,155	$ 877,805	$ 0	$ 4,326	$ 1,588,329	$ 3,090,615

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, 2009 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 McMorran Civic Center Authority (McMorran), formerly known as the Henry McMorran Memorial Auditorium Authority, which is an autonomous governmental entity, was incorporated on August 13, 1956. The management and control of McMorran is vested in a board of seven 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, 2009, 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, 2009, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2009, the DDA manages five plans (one of which no longer captures taxes), 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, 2008, the date of its latest audited financial statements, is as follows:

Total Assets	$ 13,450,610
Total Liabilities	390,844
Total Net Assets	$ 13,059,766
Invested in Capital Assets	11,195,467
Restricted	237,139
Unrestricted	1,627,160
Total Net Assets	$ 13,059,766
Total Operating Revenues	$ 6,039,386
Total Operating Expenses	6,240,180
Total Nonoperating Revenues	576,896
Total Nonoperating Expenses	
Change in Net Assets	$ 376,102

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, 2009 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, 2009 the total accrued liability ($2,784,713) 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 Civic Center Authority, a component unit, had negative unrestricted net assets as of June 30, 2009.

PENSION AND OTHER POST EMPLOYMENT BENEFIT COSTS

The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. For annual pension and OPEB costs, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any, in the insurance and fringe benefit fund (an internal service fund).

NEW ACCOUNTING STANDARD

In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The 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 new pronouncement causes the full accrual financial statements to recognize the cost of providing retiree health care expenses over the working life of the employee, rather than at the time the health care expenses are paid. The new standard had no impact on the expenditures or fund balance reported in the governmental or proprietary funds or on the expenses or net assets of the governmental activities.

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. 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, 2009, building department revenues and expenditures totaled $240,695 and $547,818 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled $3,156,579 and $4,946,731 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 four banks and one credit union for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other investments in accordance with the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City's deposit balance of $28,602,718 had $6,026,440 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	$ 3,113,782	9.3 years
U.S. Government Agency Notes	1,059	9.4 years
	3,114,841	
Other Items Reported as Investments:		
Governmental Funds		
Certificates of Deposit	8,005,553	
Internal Service Funds		
Certificates of Deposit	4,500,000	
Enterprise Funds		
Certificates of Deposit	7,500,000	
Cemetery Perpetual Care Fund		
Equities	1,625,346	
Total Other Items	21,630,899	
Total Investments – Primary Government	24,745,740	
Retiree Health Care Benefits Fund		
Interest in pooled investments	4,837,810	
	$ 29,583,550	

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, 2009 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	$ 1,740,030	AA
Corporate bonds	878,663	A
Corporate bonds	207,200	BBB
Corporate bonds	237,494	CCC
Corporate bonds	22,030	CC
Corporate bonds	28,365	C
Total	$ 3,113,782	
Interest in pooled investments	$ 4,837,810	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	$ 149,355	3.15%
GMAC - 6.75% 06-15-17	88,139	1.86
General Motors Corp. (GM) - 7.4% 09-01-25	28,365	.60
Total GM and related	$ 265,859	5.61%
Eli Lilly & Co. – 5.5% 03-15-27	$ 246,362	5.20%

NOTE D--RECEIVABLES

Receivables at June 30, 2009 consist of the following:

	General	Special Revenue/ Permanent	Total Governmental Funds	Internal Service	Total Governmental Activities	Business-type Activities (Enterprise)
Receivables:						
Income tax	$ 961,012	$	$ 961,012	$	$ 961,012	$
Interest receivable	32,685	37,394	70,079		70,079	
Property taxes	68,368	29,224	97,592		97,592	
Accounts	62,273	2,982,634	3,044,907	1,854,509	4,899,416	3,807,885
Gross Receivables	1,124,338	3,049,252	4,173,590	1,854,509	6,028,099	3,807,885
Less allowances for uncollectibles	8,250	3,500	11,750		11,750	76,000
Net total receivables	$1,116,088	$ 3,045,752	$ 4,161,840	$1,854,509	$ 6,016,349	$ 3,731,885

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	$ 137,711
	HOME	21,223
	Neighborhood Rehabilitation	752
		$ 159,686

NOTE F--CAPITAL ASSETS

The components of property and equipment at June 30, 2009 for the primary government's governmental activities are summarized as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Property and equipment not being depreciated:				
Land	$ 4,260,209	$	$	$ 4,260,209
Construction in progress	7,164,258	3,245,202	207,988	10,201,472
Total property and equipment not being depreciated	11,424,467	3,245,202	207,988	14,461,681
Property and equipment being depreciated:				
Land improvements	9,768,532	16,348		9,784,880
Buildings	10,565,377	222,252		10,787,629
Streets, bridges and sidewalks	49,304,233	1,127,755		50,431,988
Machinery and equipment	9,386,525	503,007		9,889,532
Vehicles	2,756,305	781,732	2,000	3,536,037
Total property and equipment being depreciated	81,780,972	2,651,094	2,000	84,430,066
Less accumulated depreciation:				
Land improvements	8,021,021	158,460		8,179,481
Buildings	7,619,004	260,168		7,879,172
Streets, bridges and sidewalks	24,380,086	2,559,256		26,939,342
Machinery and equipment	6,995,607	559,489		7,555,096
Vehicles	1,712,052	320,872	2,000	2,030,924
Total accumulated depreciation	48,727,770	3,858,245	2,000	52,584,015
Net property and equipment being depreciated	33,053,202	(1,207,151)		31,846,051
Net governmental property and equipment	$ 44,477,669	$ 2,038,051	$ 207,988	$ 46,307,732

The components of property and equipment at June 30, 2009 for the primary government's business-type activities are summarized as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Property and equipment not being depreciated:				
Land	$ 5,586,973	$	$ 815,715	$ 4,771,258
Construction in progress	5,920,822	1,502,714	4,769,645	2,653,891
Total property and equipment not being depreciated	11,507,795	1,502,714	5,585,360	7,425,149
Property and equipment being depreciated:				
Land improvements	854,297		418,768	435,529
Buildings	39,519,387	408,033	5,817,893	34,109,527
Systems	173,601,390	7,731,074		181,332,464
Machinery and equipment	14,070,424	754,323	1,456,177	13,368,570
Total property and equipment being depreciated	228,045,498	8,893,430	7,692,838	229,246,090
Less accumulated depreciation:				
Land improvements	777,396	19,358	414,297	382,457
Buildings	20,106,013	945,234	4,253,862	16,797,385
Systems	36,694,274	4,523,218		41,217,492
Machinery and equipment	12,128,229	266,888	1,428,412	10,966,705
Total accumulated depreciation	69,705,912	5,754,698	6,096,571	69,364,039
Net property and equipment being depreciated	158,339,586	3,138,732	1,596,267	159,882,051
Net business-type property and equipment	$ 169,847,381	$ 4,641,446	$ 7,181,627	$ 167,307,200

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

Governmental activities:	
General government	$ 724,102
Public safety	469,575
Public works	2,580,968
Recreation, parks and culture	83,600
Total governmental activities	$ 3,858,245
Business-type activities	
Water	$ 1,612,086
Wastewater	3,989,508
Land purchase	78,830
Parking	154
Senior citizens	16,199
Marina	57,921
Total business-type activities	$ 5,754,698

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	$ 1,250,000
Local Streets Fund from:	
Major Streets Fund	$ 413,397
Municipal Streets Fund	650,000
Total	$ 1,063,397
Transfers to major enterprise fund – Wastewater Fund – from:	
Major governmental funds:	
General Fund	$ 1,939,493
Municipal Streets Fund	1,000,000
Total governmental funds	2,939,493
Major enterprise funds:	
Land Purchase Fund	2,295,000
Total transfer to Wastewater Fund	$ 5,234,493
Transfers to nonmajor governmental funds from:	
General Fund (Beautification)	$ 3,300
Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)	254,976
Total	$ 258,276
Transfer to nonmajor enterprise funds - Marina Fund - from:	
Major enterprise fund	
Land Purchase Fund	$ 201,769

NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009	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 $160,996 and unamortized deferred charge on refunding of $265,342; amount of issue - $6,890,000	$ 6,756,168	$	$ (15,514)	$ 6,740,654	$ 490,514
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of $54,950; amount of issue - $3,000,000	2,623,875		(123,925)	2,499,950	128,925
3.40% to 5.25% 1999C Water Supply System Revenue Bonds (Limited Tax General Obligation); amount of issue - $10,000,000	440,206		(440,206)		

	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009	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	$ 5,992,355	$	$ (380,000)	$ 5,612,355	$ 390,000
Series 7105-01	1,305,336		(70,000)	1,235,336	70,000
Series 7110-01	2,649,976		(150,000)	2,499,976	155,000
Series 7113-01	1,430,000		(80,000)	1,350,000	80,000
Series 7119-01	1,900,630	49,073	(85,000)	1,864,703	85,000
Series 7132-01	411,230		(20,000)	391,230	20,000
Series 7147-01	1,600,245		(80,000)	1,520,245	85,000
Series 7150-01	441,504		(20,000)	421,504	20,000
Series 7167-01	1,611,470		(85,000)	1,526,470	85,000
Series 7168-01	1,558,577		(90,000)	1,468,577	95,000
Series 7169-01	357,532		(15,000)	342,532	20,000
Series 7185-01	1,107,598	62,455	(50,000)	1,120,053	50,000
Series 7186-01	775,821	756	(45,000)	731,577	45,000
Series 7187-01	561,688	1,355	(30,000)	533,043	30,000
Series 7188-01	595,293	59,616	(30,000)	624,909	30,000
Series 7220-01	1,126,349	586,346	(80,000)	1,632,695	80,000
Series 7221-01		394,519		394,519	20,000
Total Water Fund	33,245,853	1,154,120	1,889,645	32,510,328	1,979,439
Wastewater Fund:					
4.0% to 5.0% 2007B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $56,005; amount of issue - $4,985,000	4,926,568		(157,573)	4,768,995	117,565
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of $88,825 and unamortized deferred charge on refunding of $216,810; amount of issue – $5,500,000	5,335,380		(13,365)	5,322,015	418,365
3.5% to 4.2% 2005B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $81,872; amount of issue - $6,500,000	6,063,011		(194,883)	5,868,128	194,883
2.6% to 4.6% 2003B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $55,426; amount of issue - $5,500,000	4,640,615		(196,041)	4,444,574	246,041
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of $70,000; amount of issue - $10,000,000	8,450,000		(370,000)	8,080,000	395,000
4.875% to 5.25% 1999A Wastewater General Obligation Limited Tax Bonds; amount of issue - $8,000,000	369,000		(369,000)		

	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009	Due Within One Year
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	$ 3,253,192	$	$ (235,000)	$ 3,018,192	$ 245,000
Series 5006-02	2,841,635		(200,000)	2,641,635	190,000
Series 5006-03	6,670,000		(440,000)	6,230,000	450,000
Series 5006-04	5,294,559		(330,000)	4,964,559	330,000
Series 5006-05	290,903		(25,000)	265,903	20,000
Series 5006-06	2,427,776		(135,000)	2,292,776	140,000
Series 5006-07	2,625,000		(145,000)	2,480,000	150,000
Series 5006-08	1,236,781		(60,000)	1,176,781	65,000
Series 5006-09	2,752,532		(140,000)	2,612,532	135,000
Series 5006-10	1,020,000		(50,000)	970,000	55,000
Series 5006-11	1,822,853		(110,000)	1,712,853	115,000
Series 5006-12	1,557,324	107,497	(75,000)	1,589,821	75,000
Series 5006-13	1,259,458	1,141	(75,000)	1,185,599	75,000
Series 5006-14	1,060,966	2,400	(60,000)	1,003,366	60,000
Series 5006-15	1,640,350	949,834	(130,000)	2,460,184	130,000
Series 5177-01	8,120,000		(455,000)	7,665,000	465,000
Total Wastewater Fund	73,657,903	1,060,872	(3,965,862)	70,752,913	4,071,854
Total business-type activities	106,903,756	2,214,992	(5,855,507)	103,263,241	6,051,293
Governmental activities:					
Claims and judgements payable	949,835	707,955	(195,652)	1,462,138	907,741
Compensated absences payable	3,051,982	109,420	(376,689)	2,784,713	427,094
Total governmental activities	4,001,817	817,375	(572,341)	4,246,851	1,334,835
Total	$110,905,573	$ 3,032,367	$ (6,427,848)	$107,510,092	$7,386,128

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, 2009, there were no bonds outstanding, as $6.775 million of Water Fund bonds outstanding were retired May 1, 2009 and $5.325 million of Wastewater Fund bonds were retired October 1, 2008.

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, 2009, the City's debt limit amounted to $85,253,110 and indebtedness subject to the limitation totaled $23,269,724 after reduction for debt issued pursuant to an order, leaving an available debt limit of $61,983,386. 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 $11,989,657. During the current year, net revenues of the system were $2,358,113 compared to the annual debt requirements of $1,007,819.

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, 2009, 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, 2009, 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*	1,789,821	16th Avenue Area 3
March 30, 2006	DWRF	7185-01	1,255,053*	1,225,053	16th Avenue Area 3
March 30, 2006	SRF	5006-13	1,655,000	1,400,599	Erie South Area
March 30, 2006	DWRF	7186-01	1,025,000	861,577	Erie South Area
March 30, 2006	SRF	5006-14	1,325,000	1,178,366	Merchant Area
March 30, 2006	DWRF	7187-01	705,000	623,043	Merchant Area
June 22, 2006	DWRF	7188-01	724,909*	724,909	Woodstock Area 3, Canal
September 21, 2006	DWRF	7119-01	2,040,000	2,034,703	Filter Backwash
March 29, 2007	SRF	5006-15	3,040,000	2,590,184	Vanness Area
March 29, 2007	DWRF	7220-01	1,950,000	1,712,695	Vanness Area
March 29, 2007	DWRF	7221-01	495,000	394,519	Woodstock Area 4/5
April 17, 2009**	SRF	5006-16	3,000,000		21st Street Area Part 1
April 17, 2009**	DWRF	7275-01	2,637,000		21st Street Area Part 1
June 22, 2009**	SRF	5006-17	612,000		21st Street Area Part 1
June 29, 2009**	DWRF	7276-01	168,000		Stone Street-Glenwood to Lincoln
Total			$ 96,802,339	$87,898,925	

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).

The SRF and DWRF loans marked with a double asterisk (**) are, in part, supported by grant funding from the American Recovery and Reinvestment Act of 2009 (ARRA) and include loan principal forgiveness which will equal 40 percent of final allowable project costs, not to exceed 40 percent of the original approved amount. The loan amounts shown are net of the grants. The ARRA amounts are recognized as grant revenue as received and have not been included as loan additions or reductions or as amounts advanced in the schedules above. The grant revenues recognized as of June 30, 2009, are as follows:

		Grant Revenue			
Type	Series	Approved Amount	Current Year	Cummulative	
SRF	5006-16	$ 2,000,000	$ 735,758	$ 735,758	21st Street Area Part 1
DWRF	7275-01	1,758,000	687,741	687,741	21st Street Area Part 1
SRF	5006-17	408,000	14,016	14,016	21st Street Area Part 1
DWRF	7276-01	112,000			Stone Street-Glenwood to Lincoln
Total		$ 4,278,000	$ 1,437,515	$ 1,437,515	

Recorded in the Enterprise Funds are general obligation bonds amounting to $103,263,241 at June 30, 2009 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, 2009 are as follows:

	Business-Type Activities (Enterprise Funds)		
	Principal	Interest	Total
2010	$ 6,051,293	$ 3,143,983	$ 9,195,276
2011	6,151,293	2,969,534	9,120,827
2012	6,356,293	2,789,265	9,145,558
2013	6,511,293	2,602,309	9,113,602
2014	6,811,293	2,408,342	9,219,635
2015-2019	37,576,465	8,702,153	46,278,618
2020-2024	29,013,332	2,957,552	31,970,884
2025-2029	3,634,284	473,923	4,108,207
2030-2033	1,157,695	108,491	1,266,186
	$ 103,263,241	$ 26,155,552	$ 129,418,793

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	$	$ 570,711	$ 570,711	$
State grant account				78,511
Seeing Stars account				22,877
	$	$ 570,711	$ 570,711	$ 101,388

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 ($16,769,686) 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, 2009 are summarized as follows:

	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009
Commitment from Component Units:				
Downtown Development - On behalf of payments from primary government:				
General Fund	$ 551,166	$	$	$ 551,166
Land Purchase Fund	12,907,025		(1,123,982)	11,783,043
Total Downtown Development	13,458,191		(1,123,982)	12,334,209
Tax Increment Finance - On behalf of payments from primary government:				
General Fund	163,863			163,863
Land Purchase Fund	2,088,837		(80,682)	2,008,155
Total Tax Increment Finance	2,252,700		(80,682)	2,172,018
Local Development Finance - On behalf of payments from primary government:				
General Fund	391,297			391,297
Land Purchase Fund	3,368,565		(390,077)	2,978,488
Total Local Development Finance	3,759,862		(390,077)	3,369,785
Total Commitment from Component Units	$ 19,470,753	$	$ (1,594,741)	$ 17,876,012

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, 2009, 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 been notified by a local advocacy group that the group believes that certain of the City's construction projects may not have met applicable standards. While the legal process has been initiated, the City has entered into discussions with the group in an attempt to reach a mutually acceptable solution. The outcome of this matter is not presently determinable. The City administration expects that any liability subsequently determined will not have a material adverse effect on the City's financial condition.

The City of Port Huron had previously 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 believed the City was one of multiple users of the landfill. The DEQ proposed to allocate past and future response activity costs proportionally among the multiple users. The City administration was not able to document significant usage of the landfill and did not believe that the City disposed of hazardous materials. During the current year 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 270 retired employees and their beneficiaries receiving benefits. Substantially all 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 and 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.

For the year ended June 30, 2009 the City's annual Other Post Employment Benefit (OPEB) cost of $3,250,658 was equal to the required contribution. Prior to July 1, 2008 retiree health care costs were recognized when paid by the City on a "pay-as-you-go" basis. During the fiscal 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 the Retiree Health Care Benefits Fund invested with the Municipal Employees Retirement System of Michigan (MERS), which is reported in this financial statement as a Pension and Other Employee Benefit Trust Fund type. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2009 (no preceding years are available) were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 3,250,658	100%	$0

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

Valuation as of December 31, 2007:
(Dollar amounts in thousands)

Actuarial value of assets	6,058
Actuarial accrued liability	56,466
Unfunded AAL	50,408
Funded ratio	10.7%
Annual covered payroll	15,990
UAAL as a percentage to covered payroll	315.3%

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, 2007, 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, 2007, was thirty years.

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, 2009, 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 1.25%, 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, 2008.

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 $2,180,471 for the year ended June 30, 2009 and is expected to be $2,200,000 and $2,700,000 for the years ending June 30, 2010, and 2011, respectively, based upon projected wages.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2009 contributions totaling $2,432,562 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006. The City contributed $2,180,471 and employees contributed $252,091. Gross payroll subject to MERS for the year ended June 30, 2009, was $15,028,174. 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 27 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 ten 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
2007	$ 2,410,709	100%	$ 0
2008	2,376,181	100	0
2009	2,432,562	100	0

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2008, the most recent actuarial valuation date, the plan was 80.1 percent funded. The actuarial accrued liability for benefits was $125.5 million, and the actuarial value of assets was $100.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $25.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $14.5 million, and the ratio of the UAAL to the covered payroll was 172.3 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 and data processing equipment 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. Effective July 1, 2008 the City has an administrative service contract with the Blue Cross Blue Shield of Michigan (BCBSM) to provide third party administration of employee and retiree health care claims with stop loss coverage above certain limits. The City also participates in a third party administered retained risk program for workers compensation with reinsurance coverage provided for claims in excess of $350,000. The City is uninsured for acts of god and environmental cleanup losses.

The component units of the City, including the McMorran Civic Center 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, health care and workers compensation are as follows:

	Year ended June 30, 2009	Year ended June 30, 2008
Estimated liability, beginning of year	$ 949,835	$ 953,335
Estimated claims incurred including changes in estimates	5,192,036	123,836
Claim payments	4,679,733	(127,336)
Estimated liability, end of year	$ 1,462,138	$ 949,835

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, 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, 2009. The total contractual commitments outstanding as of June 30, 2009, aggregated approximately $13,500,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

NOTE Q--UPCOMING REPORTING CHANGE

In June, 2007, the Governmental Accounting Standards Board (GASB) released Statement Number 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for the City's fiscal year beginning July 1, 2010. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair value will be reported as deferrals in the statement of net assets, while changes in the fair value of the derivative instruments that do not qualify as effective hedges including investment derivative instruments, will be reported as investment income. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

NOTE R--PRIOR PERIOD ADJUSTMENT

The financial statements have been restated in order to reflect inventory on hand in the Water and Wastewater Funds that was previously not recorded. The effect of this correction was to increase inventory and unrestricted net assets in the Water and Wastewater Funds by $546,958 and $118,751, respectively, as of July 1, 2007. The impact on net income for the years ended June 30, 2009 and June 30, 2008 was not significant.

NOTE S--SUBSEQUENT EVENTS

On December 22, 2008, the City Council approved the terms of the sale of land related to Grandview Tower, (the Grandview Tower building was sold July 31, 2008) including a selling price of $175,000, subject to certain conditions. Grandview Tower comprises the senior citizen rental housing operations reported as the sole operation of the Senior Citizen Fund (a nonmajor enterprise fund). The sale is expected to close in late 2009.

On September 28, 2009, the City Council approved the terms of the sale of an industrial building, including a selling price of $950,000, subject to certain conditions. The industrial building was formerly leased and is reported in the Land Purchase Fund (a major enterprise fund). The sale is expected to close in late 2009 or early 2010.

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, 2009 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
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
2008	100,493	125,504	25,011	80.1	14,690	170.3

REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS
June 30, 2009

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
2005	$ 0	$ 55,051	$ 55,051	0%	$ 17,210	319.9%
2007	6,058	56,466	50,408	10.7%	15,990	315.3%

Employer contributions were as follows:

Fiscal Year Ended	Annual OPEB Cost	Estimated Premiums/Claims	Net Plan Contribution	Net OPEB Obligation
06/30/2008	$	$ 2,663*	$	$
06/30/2009	3,251	2,905	346	0

* made on a pay as you go basis

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007, 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 machinery and equipment 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.

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET
June 30, 2009

EXHIBIT C

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
ASSETS						
Assets:						
Cash and cash equivalents	$ 56,297	$ 514,575	$ 1,222,587	$ 282,918	$	$ 150
Investments						
Receivables	22,135		15,041		2,945,975	
Due from other governmental units						140,600
Due from other funds			159,686			
Total Assets	$ 78,432	$ 514,575	$ 1,397,314	$ 282,918	$ 2,945,975	$ 140,750
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$	$ 1,787	$ 124,504	$ 7,662	$	$ 225
Accrued payroll	2,478		5,765	7,467		2,814
Taxes collected in advance			27,029			
Due to other funds						137,711
Unearned revenue		11,130			2,945,975	
Other liabilities						
Total Liabilities	2,478	12,917	157,298	15,129	2,945,975	140,750
Fund balances:						
Reserved for endowments						
Unreserved:						
Designated for subsequent years' expenditures	12,067	100,000	436,726	48,454		
Undesignated	63,887	401,658	803,290	219,335		
Total Fund Balances	75,954	501,658	1,240,016	267,789		
Total Liabilities and Fund Balances	$ 78,432	$ 514,575	$ 1,397,314	$ 282,918	$ 2,945,975	$ 140,750

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2009	June 30, 2008
$	$ 3,978	$ 91,570	$ 5,264	$ 33,635	$ 2,210,974	$ 3,228,650
				4,740,187	4,740,187	4,366,873
		1,364		37,394	3,021,909	3,011,566
55,834	1,060				197,494	196,412
					159,686	144,111
$ 55,834	$ 5,038	$ 92,934	$ 5,264	$ 4,811,216	$ 10,330,250	$ 10,947,612
$ 34,611	$	$ 2,404	$ 2,087	$	$ 173,280	$ 201,868
	308				18,832	20,043
					27,029	53,339
21,223	752				159,686	144,111
	3,978				2,961,083	2,972,287
				71,485	71,485	64,010
55,834	5,038	2,404	2,087	71,485	3,411,395	3,455,658
				4,739,731	4,739,731	5,181,164
		20,000	2,000		619,247	382,826
		70,530	1,177		1,559,877	1,927,964
		90,530	3,177	4,739,731	6,918,855	7,491,954
$ 55,834	$ 5,038	$ 92,934	$ 5,264	$ 4,811,216	$ 10,330,250	$ 10,947,612

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

Year Ended June 30, 2009

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	$	$	$ 2,131,064	$	$	$
Grants						458,950
Charges for services	165,080	38,984		120,547		100
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	$ 165,080	$ 38,984	$ 2,131,064	$ 120,547	$	$ 459,050
Expenditures:						
Current:						
Public safety	$	$ 33,963	$	$	$	$
Public works			2,208,792	353,548		
General support services	168,635					45,736
Capital outlay		67,298		2,389		413,314
Total Expenditures	168,635	101,261	2,208,792	355,937		459,050
Revenue over (under) Expenditures	(3,555)	(62,277)	(77,728)	(235,390)		
Other financing sources (uses):						
Transfers in				254,976		
Transfers out						
				254,976		
Net Change in Fund Balances	(3,555)	(62,277)	(77,728)	19,586		
Fund balances at beginning of year	79,509	563,935	1,317,744	248,203		
FUND BALANCES AT END OF YEAR	$ 75,954	$ 501,658	$ 1,240,016	$ 267,789	$ 0	$ 0

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2009	June 30, 2008
$	$	$	$	$	$ 2,131,064	$ 2,117,050
149,363	2,900				611,213	1,150,793
1,850		47,719		37,640	411,920	769,754
				254,976	254,976	256,468
				(479,073)	(479,073)	(375,153)
$ 151,213	$ 2,900	$ 47,719	$	$ (186,457)	$ 2,930,100	$ 3,918,912
$	$	$	$	$	$ 33,963	$ 142,068
		55,414			2,617,754	2,561,273
26,165	2,900		3,297		246,733	356,412
125,048					608,049	1,241,741
151,213	2,900	55,414	3,297		3,506,499	4,301,494
		(7,695)	(3,297)	(186,457)	(576,399)	(382,582)
			3,300		258,276	317,314
				(254,976)	(254,976)	(256,468)
			3,300	(254,976)	3,300	60,846
		(7,695)	3	(441,433)	(573,099)	(321,736)
		98,225	3,174	5,181,164	7,491,954	7,813,690
$ 0	$ 0	$ 90,530	$ 3,177	$ 4,739,731	$ 6,918,855	$ 7,491,954

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

Year Ended June 30, 2009

EXHIBIT C-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RENTAL CERTIFICATION:				
Revenues:				
Charges for services	$ 160,285	$ 160,285	$ 165,080	$ 4,795
Expenditures:				
Current:				
General support services	170,006	170,006	168,635	1,371
Revenues over (under) Expenditures	(9,721)	(9,721)	(3,555)	6,166
Fund balance at beginning of year	79,509	79,509	79,509	
FUND BALANCE AT END OF YEAR	$ 69,788	$ 69,788	$ 75,954	$ 6,166
LAW ENFORCEMENT:				
Revenues:				
Grants	$ 100,000	$ 100,000	$	$ (100,000)
Charges for services	199,450	199,450	38,984	(160,466)
Total Revenues	299,450	299,450	38,984	(260,466)
Expenditures:				
Current:				
Public safety	59,450	59,450	33,963	25,487
Capital outlay	240,000	240,000	67,298	172,702
Total Expenditures	299,450	299,450	101,261	198,189
Revenues over (under) Expenditures			(62,277)	(62,277)
Fund balance at beginning of year	563,935	563,935	563,935	
FUND BALANCE AT END OF YEAR	$ 563,935	$ 563,935	$ 501,658	$ (62,277)
RUBBISH AND GARBAGE COLLECTION:				
Revenues:				
Taxes	$ 2,130,000	$ 2,130,000	$ 2,131,064	$ 1,064
Expenditures:				
Current:				
Public works	2,481,105	2,481,105	2,208,792	272,313
Revenues over (under) Expenditures	(351,105)	(351,105)	(77,728)	273,377
Fund balance at beginning of year	1,317,744	1,317,744	1,317,744	
FUND BALANCE AT END OF YEAR	$ 966,639	$ 966,639	$ 1,240,016	$ 273,377

(Continued on next page)

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

Year Ended June 30, 2009

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY:				
Revenues:				
Charges for services	$ 146,655	$ 146,655	$ 120,547	$ (26,108)
Expenditures:				
Current:				
Public works	393,155	393,155	353,548	39,607
Capital outlay	8,500	8,500	2,389	6,111
Total Expenditures	401,655	401,655	355,937	45,718
Revenues over (under) Expenditures	(255,000)	(255,000)	(235,390)	19,610
Other financing sources (uses):				
Transfers in	255,000	255,000	254,976	(24)
Net Change in Fund Balance			19,586	19,586
Fund balance at beginning of year	248,203	248,203	248,203	
FUND BALANCE AT END OF YEAR	$ 248,203	$ 248,203	$ 267,789	$ 19,586
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	$ 850,677	$ 850,677	$ 458,950	$ (391,727)
Charges for services			100	100
Total Revenues	850,677	850,677	459,050	(391,627)
Expenditures:				
Current:				
General support services	75,000	75,000	45,736	29,264
Capital outlay	775,677	775,677	413,314	362,363
Total Expenditures	850,677	850,677	459,050	391,627
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, 2009

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOME:				
Revenues:				
Grants	$ 261,646	$ 261,646	$ 149,363	$ (112,283)
Charges for services			1,850	1,850
Total Revenues	261,646	261,646	151,213	(110,433)
Expenditures:				
Current:				
General support services	26,165	26,165	26,165	
Capital outlay	235,481	235,481	125,048	110,433
Total Expenditures	261,646	261,646	151,213	110,433
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 0	$ 0
NEIGHBORHOOD REHABILITATION:				
Revenues:				
Grants	$ 100,000	$ 100,000	$ 2,900	$ (97,100)
Expenditures:				
Current:				
General support services		5,000	2,900	2,100
Capital outlay	100,000	95,000		95,000
Total Expenditures	100,000	100,000	2,900	97,100
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	$ 50,000	$ 50,000	$ 47,719	$ (2,281)
Expenditures:				
Current:				
Public works	70,000	70,000	55,414	14,586
Revenues over Expenditures	(20,000)	(20,000)	(7,695)	12,305
Fund balance at beginning of year	98,225	98,225	98,225	
FUND BALANCE AT END OF YEAR	$ 78,225	$ 78,225	$ 90,530	$ 12,305

(Continued on next page)

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

Year Ended June 30, 2009

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	3,297	4,003
Revenues over (under) Expenditures	(5,300)	(5,300)	(3,297)	2,003
Other financing sources:				
Transfers in	3,300	3,300	3,300	
Net Change in Fund Balance	(2,000)	(2,000)	3	2,003
Fund balance at beginning of year	3,174	3,174	3,174	
FUND BALANCE AT END OF YEAR	$ 1,174	$ 1,174	$ 3,177	$ 2,003

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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. Grandview Tower, which comprises the senior citizens housing operation was sold July 31, 2008.

Marina Fund - This fund accounts for the operation of the various marinas located within the City. The City has entered into a contract with an independent proprietor to operate the River Street Marina. The Water Street Marina was sold in June, 2009.

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF NET ASSETS

June 30, 2009

EXHIBIT D

	Parking	Senior Citizens	Marina
ASSETS			
Current assets:			
Cash and cash equivalents	$ 99,149	$ 1,161,157	$ 373,328
Investments		3,000,000	
Accounts receivable (net of allowances for uncollectibles)			9,910
Due from other governmental units			36,258
Prepaid expenses			55,308
Total Current Assets	99,149	4,161,157	474,804
Capital assets:			
Land	861,665		702,513
Land improvements	263,033		172,496
Buildings			169,387
Equipment	3,370		1,106,941
	1,128,068		2,151,337
Less accumulated depreciation	266,173		1,078,283
Total Capital Assets	861,895		1,073,054
Total Assets	961,044	4,161,157	1,547,858
LIABILITIES			
Current liabilities:			
Accounts payable	525		12,788
Accrued payroll	1,349		476
Contracts payable			26,081
Unearned revenue			
Other liabilities	13,000		
Total Current Liabilities	14,874		39,345
NET ASSETS			
Invested in capital assets	861,895		1,073,054
Unrestricted	84,275	4,161,157	435,459
Total Net Assets	$ 946,170	$ 4,161,157	$ 1,508,513

Totals	
June 30, 2009	June 30, 2008
$ 1,633,634	$ 1,171,574
3,000,000	
9,910	585
36,258	44,175
55,308	55,268
4,735,110	1,271,602
1,564,178	2,379,893
435,529	854,297
169,387	5,987,280
1,110,311	2,566,488
3,279,405	11,787,958
1,344,456	7,366,753
1,934,949	4,421,205
6,670,059	5,692,807
13,313	41,952
1,825	5,843
26,081	26,702
	14,526
13,000	31,706
54,219	120,729
1,934,949	4,421,205
4,680,891	1,150,873
$ 6,615,840	$ 5,572,078

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

Year Ended June 30, 2009

EXHIBIT D-1

	Parking	Senior Citizens	Marina
Operating revenues:			
Charges for services	$ 81,536	$	$ 947
Rents		25,246	45,067
Total Operating Revenues	81,536	25,246	46,014
Operating expenses:			
Personal services	105,355		29,171
Supplies and materials	11,185	330	2,350
Contractual services	73,272	76,168	207,607
Depreciation	154	16,199	57,921
Total Operating Expenses	189,966	92,697	297,049
Operating Income (Loss)	(108,430)	(67,451)	(251,035)
Nonoperating revenues (expenses):			
Investment income		30,953	
Operating grants		32,399	36,258
Gain (loss) on sale of property and equipment		1,933,794	(764,495)
		1,997,146	(728,237)
Income (Loss) Before Operating Transfers	(108,430)	1,929,695	(979,272)
Transfers in (out):			
Transfer in			201,769
Transfer out			
			201,769
Change in Net Assets	(108,430)	1,929,695	(777,503)
Net assets at beginning of year	1,054,600	2,231,462	2,286,016
NET ASSETS AT END OF YEAR	$ 946,170	$ 4,161,157	$ 1,508,513

Totals	
June 30, 2009	June 30, 2008
$ 82,483	$ 319,340
70,313	500,661
152,796	820,001
134,526	250,002
13,865	164,355
357,047	1,221,973
74,274	265,328
579,712	1,901,658
(426,916)	(1,081,657)
30,953	
68,657	473,847
1,169,299	
1,268,909	473,847
841,993	(607,810)
201,769	300,000
	(9,975)
201,769	290,025
1,043,762	(317,785)
5,572,078	5,889,863
$ 6,615,840	$ 5,572,078

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	$ 81,536	$ 6,919	$ 21,784
Payments to suppliers for goods and services	(64,307)	(94,799)	(187,782)
Payments to employees for services	(106,554)		(31,990)
Payments connected with interfund services	(20,369)	(16,023)	(16,932)
Net cash provided by (used in) operating activities	(109,694)	(103,903)	(214,920)
Cash flows from noncapital financing activities:			
Operating grants received		32,399	44,175
Transfers in			201,769
Transfers out			
Net cash provided by (used in) noncapital financing activities		32,399	245,944
Cash flows from capital and related financing activities:			
Proceeds from sale of property and equipment		3,296,612	284,669
Net cash provided by (used in) capital and related financing activities		3,296,612	284,669
Cash flows from investing activities:			
Purchase of investments		(3,000,000)	
Investment income		30,953	
Net cash provided by (used in) investing activities		(2,969,047)	
Net increase (decrease) in cash and cash equivalents	(109,694)	256,061	315,693
Cash and cash equivalents at beginning of year	208,843	905,096	57,635
Cash and cash equivalents at end of year	$ 99,149	$ 1,161,157	$ 373,328
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (108,430)	$ (67,451)	$ (251,035)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	154	16,199	57,921
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables		379	(9,704)
Decrease (increase) in inventory			
Decrease (increase) in prepaid expenses			(40)
Increase (decrease) in accounts payable	(219)	(34,324)	5,904
Increase (decrease) in accrued payroll	(1,199)		(2,819)
Increase (decrease) in contracts payable			(621)
Increase (decrease) in unearned revenue			(14,526)
Increase (decrease) in other liabilities		(18,706)	
Total Adjustments	(1,264)	(36,452)	36,115
Net cash provided by (used in) operating activities	$ (109,694)	$ (103,903)	$ (214,920)

Totals	
June 30, 2009	June 30, 2008
$ 110,239	$ 784,880
(346,888)	(1,216,920)
(138,544)	(251,998)
(53,324)	(141,015)
(428,517)	(825,053)
76,574	497,634
201,769	300,000
	(9,975)
278,343	787,659
3,581,281	
3,581,281	
(3,000,000)	
30,953	
(2,969,047)	
462,060	(37,394)
1,171,574	1,208,968
$ 1,633,634	$ 1,171,574
$ (426,916)	$ (1,081,657)
74,274	265,328
(9,325)	29,121
	37,565
(40)	12,012
(28,639)	(14,644)
(4,018)	(1,996)
(621)	(6,540)
(14,526)	(74,006)
(18,706)	9,764
(1,601)	256,604
$ (428,517)	$ (825,053)

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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.

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET ASSETS
June 30, 2009

EXHIBIT E

	Governmental Activities		
	Central Stores	Motor Vehicle	Data Processing
ASSETS			
Current assets:			
Cash and cash equivalents	$ 40,068	$ 1,893,680	$ 489,688
Investments			
Accounts receivable			
Due from other governmental units			
Inventories	42,994	91,779	29,192
Total Current Assets	83,062	1,985,459	518,880
Capital assets:			
Land improvements		1,791,790	
Machinery and equipment	34,366	340,912	357,702
Vehicles		2,679,545	
	34,366	4,812,247	357,702
Less accumulated depreciation	23,846	2,626,909	336,785
Total Capital Assets	10,520	2,185,338	20,917
Total Assets	93,582	4,170,797	539,797
LIABILITIES			
Current liabilities:			
Accounts payable	11,044	34,978	650
Accrued payroll		18,078	14,406
Contracts payable			
Claims and judgements payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	11,044	53,056	15,056
Noncurrent liabilities:			
Claims and judgments payable (exclusive of current portion)			
Compensated absences payable (exclusive of current portion)			
Total Noncurrent Liabilities			
Total Liabilities	11,044	53,056	15,056
NET ASSETS			
Invested in capital assets	10,520	2,185,338	20,917
Unrestricted	72,018	1,932,403	503,824
Total Net Assets	$ 82,538	$ 4,117,741	$ 524,741

Insurance and Fringe Benefit	Totals June 30, 2009	Totals June 30, 2008
$ 4,135,402	$ 6,558,838	$ 10,777,589
4,500,000	4,500,000	
1,854,509	1,854,509	210,740
150,214	150,214	146,914
	163,965	197,520
10,640,125	13,227,526	11,332,763
	1,791,790	1,775,442
	732,980	688,386
	2,679,545	2,258,313
	5,204,315	4,722,141
	2,987,540	2,572,456
	2,216,775	2,149,685
10,640,125	15,444,301	13,482,448
362,927	409,599	36,171
282,857	315,341	311,295
		13,623
907,741	907,741	190,716
427,094	427,094	408,800
1,980,619	2,059,775	960,605
554,397	554,397	759,119
2,357,619	2,357,619	2,643,182
2,912,016	2,912,016	3,402,301
4,892,635	4,971,791	4,362,906
	2,216,775	2,149,685
5,747,490	8,255,735	6,969,857
$ 5,747,490	$ 10,472,510	$ 9,119,542

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

Year Ended June 30, 2009

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	$ 95,634	$ 2,145,976	$ 873,712
Operating expenses:			
Personal services	12,265	716,446	474,990
Supplies and materials	29,127	415,277	64,449
Contractual services	81,299	834,606	148,128
Depreciation	3,818	386,783	26,483
Total Operating Expenses	126,509	2,353,112	714,050
Operating Income (Loss)	(30,875)	(207,136)	159,662
Nonoperating revenues:			
Investment income			
Gain on sale of property and equipment		538	
Total Nonoperating Revenues		538	
Change in Net Assets	(30,875)	(206,598)	159,662
Net assets at beginning of year	113,413	4,324,339	365,079
NET ASSETS AT END OF YEAR	$ 82,538	$ 4,117,741	$ 524,741

Insurance and Fringe Benefit	Totals June 30, 2009	Totals June 30, 2008
$ 9,863,036	$ 12,978,358	$ 14,316,685
7,801,243	9,004,944	16,905,439
434	509,287	499,193
717,523	1,781,556	1,752,344
	417,084	451,393
8,519,200	11,712,871	19,608,369
1,343,836	1,265,487	(5,291,684)
86,943	86,943	442,266
	538	32,425
86,943	87,481	474,691
1,430,779	1,352,968	(4,816,993)
4,316,711	9,119,542	13,936,535
$ 5,747,490	$ 10,472,510	$ 9,119,542

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows from operating activities:			
Receipts from customers	$ 95,634	$ 2,145,976	$ 874,192
Payments to suppliers for goods and services	(96,128)	(998,457)	(142,739)
Payments to employees for services	(12,265)	(713,079)	(471,322)
Payments connected with interfund services	(13,449)	(201,803)	(76,806)
Net cash provided by (used in) operating activities	(26,208)	232,637	183,325
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(476,024)	(8,150)
Proceeds from sale of equipment		538	
Net cash provided by (used in) capital and related financial activities		(475,486)	(8,150)
Cash flows from investing activities:			
Purchase of investments			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(26,208)	(242,849)	175,175
Cash and cash equivalents at beginning of year	66,276	2,136,529	314,513
Cash and cash equivalents at end of year	$ 40,068	$ 1,893,680	$ 489,688
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (30,875)	$ (207,136)	$ 159,662
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	3,818	386,783	26,483
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			480
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	(5,155)	42,756	(4,046)
Increase (decrease) in accounts payable	6,004	20,490	(2,922)
Increase (decrease) in accrued payroll		3,367	3,668
Increase (decrease) in claims and judgements payable			
Increase (decrease) in contracts payable		(13,623)	
Increase (decrease) in compensated absences payable			
Total adjustments	4,667	439,773	23,663
Net cash provided by (used in) operating activities	$ (26,208)	$ 232,637	$ 183,325

Insurance and Fringe Benefit	Totals June 30, 2009	Totals June 30, 2008
$ 8,215,487	$ 11,331,289	$ 14,299,599
(713,559)	(1,950,883)	(1,988,236)
(7,213,740)	(8,410,406)	(16,875,395)
	(292,058)	(322,531)
288,188	677,942	(4,886,563)
	(484,174)	(726,561)
	538	32,425
	(483,636)	(694,136)
(4,500,000)	(4,500,000)	
86,943	86,943	442,266
(4,413,057)	(4,413,057)	442,266
(4,124,869)	(4,218,751)	(5,138,433)
8,260,271	10,777,589	15,916,022
$ 4,135,402	$ 6,558,838	$ 10,777,589
$ 1,343,836	$ 1,265,487	$ (5,291,684)
	417,084	451,393
(1,644,249)	(1,643,769)	(21,452)
(3,300)	(3,300)	4,366
	33,555	(58,656)
349,856	373,428	(13,147)
(2,989)	4,046	(250,125)
512,303	512,303	(3,500)
	(13,623)	12,573
(267,269)	(267,269)	283,669
(1,055,648)	(587,545)	405,121
$ 288,188	$ 677,942	$ (4,886,563)

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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. 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.

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, 2009

EXHIBIT F

	Trust Funds		Totals	
	Retiree Health Care Benefits	Senior Citizens	June 30, 2009	June 30, 2008
ASSETS				
Cash and cash equivalents	$	$ 29,450	$ 29,450	$ 29,950
Interest in pooled investments	4,837,810		4,837,810	6,058,493
Accounts receivable	345,458		345,458	
Total Assets	$ 5,183,268	$ 29,450	$ 5,212,718	$ 6,088,443
LIABILITIES				
Other liabilities				
NET ASSETS				
Net assets held in trust	$ 5,183,268	$ 29,450	$ 5,212,718	$ 6,088,443

City of Port Huron

FIDUCIARY FUNDS - COMBINING
STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2009

EXHIBIT F-1

	Trust Funds		Totals	
	Retiree Health Care Benefits	Senior Citizens	June 30, 2009	June 30, 2008
Additions:				
Investment income (loss)	$ (1,220,683)	$ 400	$ (1,220,283)	$ 59,598
Employer contributions	345,458		345,458	6,000,000
Total Additions	(875,225)	400	(874,825)	6,059,598
Deductions:				
Supplies and materials		900	900	900
Total Deductions		900	900	900
Change in Net Assets	(875,225)	(500)	(875,725)	6,058,698
Net assets at beginning of year	6,058,493	29,950	6,088,443	29,745
NET ASSETS AT END OF YEAR	$ 5,183,268	$ 29,450	$ 5,212,718	$ 6,088,443

City of Port Huron

AGENCY FUND - STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2009

EXHIBIT F-2

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and cash equivalents	$ 718,493	$ 35,081,181	$ 35,344,450	$ 455,224
LIABILITIES				
Due to other governmental units	$ 71,006	$ 20,591,469	$ 20,550,252	$ 112,223
Taxes collected in advance	647,487	343,001	647,487	343,001
Total Liabilities	$ 718,493	$ 20,934,470	$ 21,197,739	$ 455,224

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.

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS -
TAX INCREMENT AUTHORITIES - COMBINING BALANCE SHEET SCHEDULE
June 30, 2009

EXHIBIT G

	Special Revenue Funds				
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Totals
ASSETS					
Cash and cash equivalents	$ 628,012	$ 882,675	$	$ 445,379	$ 1,956,066
Receivables	3,333	376		3,534	7,243
Inventories	4,175				4,175
Prepaid items	29,853				29,853
Total Assets	$ 665,373	$ 883,051	$ 0	$ 448,913	$ 1,997,337
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 12,509	$ 5,246	$	$ 444,587	$ 462,342
Accrued payroll	2,670				2,670
Unearned revenue	30,039				30,039
Total Liabilities	45,218	5,246		444,587	495,051
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	548,000	210,000			758,000
Undesignated	72,155	667,805		4,326	744,286
Total Fund Balances	620,155	877,805		4,326	1,502,286
Total Liabilities and Fund Balances	$ 665,373	$ 883,051	$ 0	$ 448,913	$ 1,997,337

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

Year Ended June 30, 2009 EXHIBIT G-1

	Special Revenue Funds				
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Totals
Revenues:					
Taxes	$ 1,325,950	$ 2,834,935	$ 393,570	$ 444,794	$ 4,999,249
Charges for services	98,550				98,550
Investment income	441				441
Total Revenues	1,424,941	2,834,935	393,570	444,794	5,098,240
Expenditures:					
Current:					
Taxes disbursed - not captured		2,730,626			2,730,626
General support services	391,093	80,349	41,267	444,587	957,296
Capital outlay	30,000	37,891	(37,774)		30,117
Total Expenditures	421,093	2,848,866	3,493	444,587	3,718,039
Revenues over (under) Expenditures	1,003,848	(13,931)	390,077	207	1,380,201
Other financing sources (uses):					
Proceeds from sale of property	152,629				152,629
Transfers in:					
Primary government					
Transfers out:					
Primary government	(1,123,982)	(80,682)	(390,077)		(1,594,741)
	(971,353)	(80,682)	(390,077)		(1,442,112)
Net Change in Fund Balances	32,495	(94,613)		207	(61,911)
Fund balances at beginning of year	587,660	972,418		4,119	1,564,197
FUND BALANCES AT END OF YEAR	$ 620,155	$ 877,805	$ 0	$ 4,326	$ 1,502,286

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2009

EXHIBIT G-2

				Special Revenue
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
ASSETS				
Cash and cash equivalents	$ 212,234	$ 156,202	$ 242,089	$
Receivables	816			
Inventories	4,175			
Prepaid items	24,945			
Total Assets	$ 242,170	$ 156,202	$ 242,089	$ 0
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 12,509	$	$	$
Accrued payroll	2,670			
Unearned revenue	30,039			
Total Liabilitites	45,218			
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	150,000	156,000	242,000	
Undesignated	46,952	202	89	
Total Fund Balances	196,952	156,202	242,089	
Total Liabilities and Fund Balances	$ 242,170	$ 156,202	$ 242,089	$ 0

Funds

Mainstreet	Water Street	Totals
$ 17,487	$	$ 628,012
2,515	2	3,333
		4,175
4,908		29,853
$ 24,910	$ 2	$ 665,373
$	$	$ 12,509
		2,670
		30,039
		45,218
		548,000
24,910	2	72,155
24,910	2	620,155
$ 24,910	$ 2	$ 665,373

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

Year Ended June 30, 2009

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	$ 87,678	$ 28,042	$ 40,562	$ 581,190
Charges for services	98,550			
Investment income	441			
Total Revenues	186,669	28,042	40,562	581,190
Expenditures:				
Current:				
General support services	390,457			455
Capital outlay				
Total Expenditures	390,457			455
Revenues over (under) Expenditures	(203,788)	28,042	40,562	580,735
Other financing sources (uses):				
Proceeds from sale of property	152,629			
Transfers out:				
Primary government				(580,735)
	152,629			(580,735)
Net Change in Fund Balances	(51,159)	28,042	40,562	
Fund balances at beginning of year	248,111	128,160	201,527	
FUND BALANCES AT END OF YEAR	$ 196,952	$ 156,202	$ 242,089	$ 0

Mainstreet	Water Street	Totals
$ 45,229	$ 543,249	$ 1,325,950
		98,550
		441
45,229	543,249	1,424,941
181		391,093
30,000		30,000
30,181		421,093
15,048	543,249	1,003,848
		152,629
	(543,247)	(1,123,982)
	(543,247)	(971,353)
15,048	2	32,495
9,862		587,660
$ 24,910	$ 2	$ 620,155

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2009

EXHIBIT G-4

	Special Revenue Funds				
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
ASSETS					
Cash and cash equivalents	$ 632,057	$ 179,864	$ 65,508	$ 5,246	$ 882,675
Receivables				376	376
Total Assets	$ 632,057	$ 179,864	$ 65,508	$ 5,622	$ 883,051
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$	$	$	$ 5,246	$ 5,246
Total Liabilities				5,246	5,246
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	110,000	75,000	25,000		210,000
Undesignated	522,057	104,864	40,508	376	667,805
Total Fund Balances	632,057	179,864	65,508	376	877,805
Total Liabilities and Fund Balances	$ 632,057	$ 179,864	$ 65,508	$ 5,622	$ 883,051

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

Year Ended June 30, 2009

EXHIBIT G-5

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
Revenues:					
Taxes	$ 1,616,236	$ 493,610	$ 620,780	$ 104,309	$ 2,834,935
Expenditures:					
Current:					
Taxes disbursed - not captured	1,616,236	493,610	620,780		2,730,626
General support services	80,057	292			80,349
Capital outlay	(37,423)		52,063	23,251	37,891
Total Expenditures	1,658,870	493,902	672,843	23,251	2,848,866
Revenues over (under) Expenditures	(42,634)	(292)	(52,063)	81,058	(13,931)
Other financing sources (uses):					
Transfers out - primary government				(80,682)	(80,682)
Net Change in Fund Balances	(42,634)	(292)	(52,063)	376	(94,613)
Fund balances at beginning of year	674,691	180,156	117,571		972,418
FUND BALANCES AT END OF YEAR	$ 632,057	$ 179,864	$ 65,508	$ 376	$ 877,805

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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 Seven 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	20,371,878	24,859,716	22,439,504
Total Net Assets	89,870,340	88,582,042	86,986,839
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	37,434,576	42,572,462	41,193,740
TOTAL NET ASSETS	$ 148,769,428	$ 150,302,841	$ 150,676,652

June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
$ 37,917,205	$ 39,143,574	$ 44,477,669	$ 46,307,732
8,395,407	7,756,905	7,076,526	6,481,405
20,930,937	24,441,973	19,262,766	18,726,336
67,243,549	71,342,452	70,816,961	71,515,473
62,988,238	65,911,126	64,591,888	64,614,670
1,135,607			
20,645,596	18,689,014	23,701,301	27,215,638
84,769,441	84,600,140	88,293,189	91,830,308
100,905,443	105,054,700	109,069,557	110,922,402
9,531,014	7,756,905	7,076,526	6,481,405
41,576,533	43,130,987	42,964,067	45,941,974
$ 152,012,990	$ 155,942,592	$ 159,110,150	$ 163,345,781

City of Port Huron

CHANGES IN NET ASSETS
Last Seven 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	Year Ended June 30, 2009
$ 4,352,715	$ 3,294,266	$ 4,414,041	$ 3,210,760
12,870,592	12,775,838	15,945,019	12,289,894
8,033,049	8,822,339	10,397,388	9,209,602
18,171	17,851	17,508	14,143
2,111,966	2,396,732	2,298,805	1,422,748
2,922,958	2,628,408	3,163,955	2,462,383
30,309,451	29,935,434	36,236,716	28,609,530
6,143,152	6,296,545	6,414,288	6,315,255
12,852,702	13,269,918	13,201,522	13,051,805
833,578	193,013	105,397	169,431
202,593	185,541	200,970	189,966
866,645	889,992	777,558	92,697
1,004,366	813,049	923,130	297,049
21,903,036	21,648,058	21,622,865	20,116,203
52,212,487	51,583,492	57,859,581	48,725,733
2,407,797	1,636,600	1,768,932	1,723,305
825,494	673,556	697,377	408,184
263,250	246,799	239,394	205,906
762,589	723,750	557,277	407,725
123,254	183,387	203,358	279,898
63,337	89,077	21,964	160,723
2,586,679	2,570,537	2,593,958	2,476,795
1,166,245	1,454,286	1,150,793	611,213
1,323,802	532,389	472,876	277,165
836,753	1,547,572	6,266,508	2,340,550
125,626	127,832	134,720	140,218
$ 10,484,826	$ 9,785,785	$ 14,107,157	$ 9,031,682

City of Port Huron

CHANGES IN NET ASSETS
Last Seven 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

Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009
$ 5,542,397	$ 5,601,863	$ 6,372,676	$ 6,046,044
8,783,025	8,942,423	9,527,064	9,312,839
251,600	307,432	328,264	168,653
187,623	188,225	171,730	81,536
375,771	377,665	316,059	25,246
561,154	471,840	332,212	46,014
1,230,828	1,893,862	1,468,352	1,594,741
456,525	439,507	429,672	32,399
	67,962	44,175	36,258
	107,153	33,119	681,705
779,138	1,139,982	724,657	1,221,737
405,910			
18,573,971	19,537,914	19,747,980	19,247,172
29,058,797	29,323,699	33,855,137	28,278,854
(19,824,625)	(20,149,649)	(22,129,559)	(19,577,848)
(3,329,065)	(2,110,144)	(1,874,885)	(869,031)
(23,153,690)	(22,259,793)	(24,004,444)	(20,446,879)
11,863,700	12,214,363	12,695,112	12,889,994
6,142,537	6,404,789	8,172,561	5,777,447
4,101,722	3,979,187	4,020,443	3,872,453
1,209,797	2,272,546	1,249,999	340,132
4,074	18,176	35,082	4,688
306,531	391,798	348,271	331,139
	(332,307)		
(250,000)	(700,000)	(4,917,400)	(2,939,493)
23,378,361	24,248,552	21,604,068	20,276,360
851,667	873,039	624,517	296,258
	362,734	25,925	1,170,399
10,000	5,070	92	
250,000	700,000	4,917,400	2,939,493
1,111,667	1,940,843	5,567,934	4,406,150
24,490,028	26,189,395	27,172,002	24,682,510
3,553,736	4,098,903	(525,491)	698,512
(2,217,398)	(169,301)	3,693,049	3,537,119
$ 1,336,338	$ 3,929,602	$ 3,167,558	$ 4,235,631

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Seven 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	June 30, 2009
$ 5,728	$ 5,133	$ 20,349	$ 34,099
3,895,856	4,093,971	4,232,753	4,310,424
3,901,584	4,099,104	4,253,102	4,344,523
5,393,331	5,723,863	5,410,764	4,977,835
9,813,947	9,394,473	8,358,941	6,808,569
120,772			
15,328,050	15,118,336	13,769,705	11,786,404
$ 19,229,634	$ 19,217,440	$ 18,022,807	$ 16,130,927

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Seven 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	Year Ended June 30, 2009
$ 8,049,963	$ 8,286,548	$ 8,611,085	$ 8,776,661
1,401,182	1,444,684	1,502,995	1,512,854
438,891	448,195	463,982	469,415
1,973,664	2,034,936	2,117,050	2,131,064
11,863,700	12,214,363	12,695,112	12,889,994
6,142,537	6,404,789	8,172,561	5,777,447
18,006,237	18,619,152	20,867,673	18,667,441
764,635	736,935	632,314	571,834
3,418,137	2,075,752	7,462,502	3,350,941
6,689,794	6,630,858	6,545,693	6,516,297
1,533,599	1,416,319	1,419,248	1,132,656
203,515	211,878	208,584	169,200
822,544	1,657,250	807,733	253,189
240,776	251,090	258,587	271,129
1,044	6,943	2,657	4,150
	75,000	31,667	
1,616,251	1,720,005	1,853,621	1,800,500
33,296,532	33,401,182	40,090,279	32,737,337
3,691,208	3,885,773	3,567,228	3,394,770
13,750,871	13,528,954	12,897,969	12,705,024
6,517,340	6,929,700	6,861,503	6,904,497
18,171	17,851	17,508	14,143
2,916,950	2,776,161	2,561,153	2,514,336
1,365,483	1,290,166	1,252,839	1,057,042
4,156,366	3,952,464	9,209,312	5,099,912
32,416,389	32,381,069	36,367,512	31,689,724
880,143	1,020,113	3,722,767	1,047,613
2,004,731	3,058,374	2,248,150	2,571,673
(2,254,731)	(3,758,374)	(7,165,550)	(5,511,166)
(250,000)	(700,000)	(4,917,400)	(2,939,493)
	(332,307)		
$ 630,143	$ (12,194)	$ (1,194,633)	$ (1,891,880)

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
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
2009-2010	478,448,720	142,683,936	52,197,578	673,330,234	108,991,300	782,321,534

ASSESSED AND EQUALIZED VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	Residential	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem
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
2009-2010	527,950,200	161,551,600	54,038,000	743,539,800	108,991,300	852,531,100

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
$ 18,833,575	$ 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
11,050,234	31,059,900	64,603	42,174,737	824,496,271	46.06

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
$ 18,833,575	$ 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
11,433,600	31,059,900	67,200	42,560,700	895,091,800	1,790,183,600

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 $794,198,375 and the abated taxable valuation of $43,282,774 as of December 31, 2007 were used as the basis for determining the fiscal 2008-2009 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, 2009

Taxpayer	2009 Ad Valorem Taxable Valuation	2009 Industrial Facilities Taxable Value	2009 Total Taxable Valuation	Percent of Total Taxable Valuation	2009 Rank
Acheson Ventures/ Acheson Foundation	$ 25,095,439	$	$ 25,095,439	3.04%	1
Domtar (E.B. Eddy Paper)	17,990,184	3,642,000	21,632,184	2.62	2
Mueller Brass Company	14,714,845	921,800	15,636,645	1.90	3
Acheson Industries, Inc.	14,205,047		14,205,047	1.72	4
SMW Automotive	4,132,900	6,808,400	10,941,300	1.33	5
H.P. Pelzer	4,059,493	6,643,900	10,703,393	1.30	6
DTE Energy (Detroit Edison)	10,181,458		10,181,458	1.23	7
I.A.C. (formerly Lear Corporation)	4,848,900	2,444,738	7,293,638	.88	8
Port Huron Molded Products (Blue Water Automotive)	4,465,700	2,335,800	6,801,500	.83	9
Sportrack (Advanced Accessory)	4,595,076	1,764,000	6,359,076	.77	10
Royal Oak Boring	3,510,600	1,958,700	5,469,300	.66	11
GMA Cover Corp.	1,959,400	3,460,600	5,420,000	.66	12
JCIM (formerly Plastech and LDM)	4,478,574	708,800	5,187,374	.63	13
SEMCO Energy Company	5,037,988		5,037,988	.61	14
Cross Hueller Ex-Cell-O-Lamb	4,029,300	406,800	4,436,100	.54	15
ALD Thermal	964,800	3,362,800	4,327,600	.53	16
Citizen's First Savings Bank	4,211,932		4,211,932	.51	17
Orthopedic Associates	4,071,520		4,071,520	.49	18
Thomas Edison Inn	4,041,609		4,041,609	.49	19
Parkview Property Management	4,015,765		4,015,765	.49	20
Blue Water Fiber					
Crown Vantage (now Dunn Paper)					
Petri, Inc.					
Davidson Interior Trim (became Collins & Aikman)					
Huron Inc.					
U. S. Manufacturing					
Sombur Machine & Tool Inc.					
Times Herald Company					
	$ 140,610,530	$ 34,458,338	$ 175,068,868	21.23%	

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

2000 Total Taxable Valuation	Percent of Total Taxable Valuation	2000 Rank
$	%	
24,225,925	3.81	1
14,893,817	2.34	2
9,158,777	1.44	7
3,195,931	.50	18
13,288,489	2.09	3
8,183,919	1.29	8
3,885,166	.61	15
5,288,050	.83	12
6,975,010	1.10	9
5,339,370	.84	11
3,439,951	.54	17
3,121,901	.49	19
10,747,756	1.69	4
9,716,922	1.53	5
9,471,448	1.49	6
5,721,950	.90	10
4,751,400	.75	13
4,295,900	.68	14
3,507,803	.55	16
2,955,753	.46	20
$ 152,165,238	23.93%	

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
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
2008-2009	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
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
2008-2009	7.3022	.1938	2.3113	.9245	10.7318	1.8891

	SCHOOL			STATE	GRAND TOTAL	
Year	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2008-2009	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	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000-2001	$ 8,005,244	$ 7,821,649	97.71%	$ 110,840	$ 7,932,489	99.09%
2001-2002	8,818,979	8,607,836	97.61%	210,503	8,818,339	99.99%
2002-2003	9,898,702	9,757,069	98.57%	137,342	9,894,411	99.96%
2003-2004	10,169,583	10,044,095	98.77%	123,607	10,167,702	99.98%
2004-2005	10,546,910	10,420,479	98.80%	124,734	10,545,213	99.98%
2005-2006	11,159,317	11,053,387	99.05%	104,035	11,157,422	99.98%
2006-2007	11,536,724	11,527,805	99.92%	6,566	11,534,371	99.98%
2007-2008	11,944,370	11,921,415	99.81%	11,046	11,932,461	99.90%
2008-2009	12,099,994	12,024,506	99.38%		12,024,506	99.38%
2009-2010	11,890,507					

Amounts include Operating, Streets, and Rubbish and Garbage Collection (exclusive of taxes captured by component units).

The total tax levy for the upcoming fiscal year is an estimated amount. The upcoming levy is subject to change due to Michigan Tax Tribunal, State Tax Commission and/or Board of Review adjustments. This estimated tax levy is presented to facilitate continuing disclosure requirements.

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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, 2012	Year 2009
May, 2013	Year 2010

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, 2000	June 30, 2001	June 30, 2002	June 30, 2003
Direct Bonded Debt:				
Business-type Activities:				
Housing General Obligation Bonds	$ 600,000	$ 400,000	$ 200,000	$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	9,804,105	9,563,914	9,273,708	8,933,502
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,686,000	17,392,003	17,148,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	5,149,961	15,316,626	24,135,518	30,851,191
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds			5,542,099	10,305,341
Total Direct Bonded Debt	$ 23,434,066	$ 32,966,540	$ 56,543,328	$ 67,238,037
Total Taxable Valuation	$ 622,110,680	$ 635,861,072	$ 665,881,850	$ 693,951,853
Ratio of Bonded Debt to Taxable Value	3.77%	5.18%	8.49%	9.69%
Population	32,338	32,338	32,338	32,338
Per Capita Direct Bonded Debt	$ 724.66	$ 1,019.44	$ 1,748.51	$ 2,079.23

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

June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
$	$	$	$	$	$
11,667,882	11,238,740	10,754,609	10,344,893	9,820,249	9,240,604
22,033,775	21,298,738	26,891,480	25,951,299	29,784,574	28,483,712
38,741,738	42,954,918	44,302,998	44,946,322	43,873,329	42,269,201
13,049,520	16,526,916	20,046,128	22,478,620	23,425,604	23,269,724
$ 85,492,915	$ 92,019,312	$ 101,995,215	$ 103,721,134	$ 106,903,756	$ 103,263,241
$ 706,152,647	$ 725,001,239	$ 771,813,515	$ 794,443,800	$ 821,511,082	$ 837,481,149
12.11%	12.69%	13.22%	13.06%	13.01%	12.33%
32,338	32,338	32,338	32,338	32,338	32,338
$ 2,643.73	$ 2,845.55	$ 3,154.04	$ 3,207.41	$ 3,305.82	$ 3,193.25

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2009

DIRECT BONDED DEBT:		
Water Supply System Revenue Bonds (Limited Tax General Obligation)		$ 9,240,604
Wastewater General Obligation Limited Tax Bonds		28,483,712
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		42,269,201
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		23,269,724
Total Direct Bonded Debt		103,263,241
Less self-supporting general obligation bonds		
Water Supply System Revenue Bonds (Limited Tax General Obligation)	$ 9,240,604	
Wastewater General Obligation Limited Tax Bonds	28,483,712	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	42,269,201	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	23,269,724	103,263,241
Net Direct Bonded Debt		0
OVERLAPPING BONDED DEBT:		
13.05% of St. Clair County Regional Educational Service Agency debt	677,948	
13.14% of St. Clair County Community College debt	522,972	
12.25% of St. Clair County debt	6,945,841	
38.39% of Port Huron Area School District debt	9,086,913	
Overlapping Bonded Debt		17,233,674
NET DIRECT AND OVERLAPPING BONDED DEBT		$ 17,233,674

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	$ .00	.00%
Net Direct and Overlapping Bonded Debt	$532.92	2.02%

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, 2009

STATE EQUALIZED VALUATION AT DECEMBER 31, 2008 $ 852,531,100

		Legal Margin		
	Actual Net Debt	Percentage of State Equalized Valuation	Amount	Legal Debt Margin Totals
General obligation debt	$ 94,022,637			
Portion issued under order	70,752,913			
Balance	$ 23,269,724	10%	$ 85,253,110	$ 61,983,386
Emergency bonds	None	3/8 of 1%	$ 3,196,992	$ 3,196,992
Special assessment bonds	None	12	$ 102,303,732	$ 102,303,732

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 ($852,531,100), 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, 2008 of $782,321,534 will be used as a basis for determining the fiscal 2009-2010 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN
Last Ten Fiscal Years

	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
Direct Bonded Debt:				
Housing General Obligation Bonds	$ 600,000	$ 400,000	$ 200,000	$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	9,804,105	9,563,914	9,273,708	8,933,502
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,686,000	17,392,003	17,148,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	5,149,961	15,316,626	24,135,518	30,851,191
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds			5,542,099	10,305,341
Total Direct Bonded Debt	$ 23,434,066	$ 32,966,540	$ 56,543,328	$ 67,238,037
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds (Limited Tax General Obigation)	$ 9,804,105	$ 9,563,914	$ 9,273,708	$ 8,933,502
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	7,880,000	7,686,000	17,392,003	17,148,003
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	5,149,961	15,316,626	24,135,518	30,851,191
Total Excluded	$ 22,834,066	$ 32,566,540	$ 50,801,229	$ 56,932,696
Net debt applicable to limit	$ 600,000	$ 400,000	$ 5,742,099	$ 10,305,341
Debt limit	64,931,700	69,901,155	75,563,445	78,358,575
Legal debt margin	$ 64,331,700	$ 69,501,155	$ 69,821,346	$ 68,053,234
Total net debt applicable to the limit as a percentage of debt limit	0.92%	0.57%	7.60%	13.15%

June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
$	$	$	$	$	$
11,667,882	11,238,740	10,754,609	10,344,893	9,820,249	9,240,604
22,033,775	21,298,738	26,891,480	25,951,299	29,784,574	28,483,712
38,741,738	42,954,918	44,302,998	44,946,322	43,873,329	42,269,201
13,049,520	16,526,916	20,046,128	22,478,620	23,425,604	23,269,724
$ 85,492,915	$ 92,019,312	$ 101,995,215	$ 103,721,134	$ 106,903,756	$ 103,263,241
$ 11,667,882	$ 11,238,740	$ 10,754,609	$ 10,344,893	$ 9,820,249	$ 9,240,604
22,033,775	21,298,738	26,891,480	25,951,299	29,784,574	28,483,712
38,741,738	42,954,918	44,302,998	44,946,322	43,873,329	42,269,201
$ 72,443,395	$ 75,492,396	$ 81,949,087	$ 81,242,514	$ 83,478,152	$ 79,993,517
$ 13,049,520	$ 16,526,916	$ 20,046,128	$ 22,478,620	$ 23,425,604	$ 23,269,724
80,215,495	86,060,385	89,952,610	91,798,940	91,626,770	85,253,110
$ 67,165,975	$ 69,533,469	$ 69,906,482	$ 69,320,320	$ 68,201,166	$ 61,983,386
16.27%	19.20%	22.29%	24.49%	25.57%	27.29%

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	
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
2008-2009	6,081,684	3,723,571	2,358,113	579,645	428,174	1,007,819	2.34

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:	269 regular budgeted, 253 regular filled, 22 part-time filled, 150 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, 2000		6.0%
	State of Michigan	2001		8.7%
		2002		10.3%
		2003		12.0%
		2004		10.8%
		2005		11.6%
		2006		10.6%
		2007		12.9%
		2008		14.8%
		2009		26.3%

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, 2009

Firm Name	Product/Service	2009 Approximate Number of Employees	2009 Rank
Port Huron Hospital	Health care services	1,365	1
*Port Huron Area School District	Public education	1,000	2
Mercy Hospital	Health care services	670	3
AT&T	Telephone service (call center)	360	4
* St. Clair County	Public government	300	5
Mueller Brass	Copper and brass tubing	280	6
City of Port Huron	Public government	253	7
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	235	8
J.C.I.M. (formerly Plastech Engineered Products)	Automotive suppliers/plastics	220	9
* Citizen's First Savings Bank	Bank	205	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: City of Port Huron Finance Department inquires of employers

Note: In-City labor force is not available. As a result, the percentage of the labor force is not presented.

2000 Approximate Number of Employees	2000 Rank
1,000	1
750	2
650	3
600	4
400	7
400	7
318	9
300	10
500	5
450	6

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

Function/Program	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
General government:				
City manager	3.00	2.00	2.00	3.00
City attorney	3.00	3.00	2.00	2.00
City clerk/elections	3.00	3.00	3.00	3.00
Finance/purchasing	7.00	7.00	7.00	7.00
Income tax	3.00	3.00	3.00	3.00
Assessing	4.00	4.00	4.00	5.00
City treasurer/water office	5.80	5.80	5.80	5.80
Data processing	7.00	7.00	7.00	7.00
Personnel	3.00	3.00	3.25	3.25
Health and safety/marinas	0.70	1.70	1.95	1.95
Public safety:				
Police	72.00	72.00	73.00	73.00
Fire	53.70	55.70	55.70	52.70
Public works:				
DPW administration	1.80	1.80	1.80	1.80
MOC grounds	2.00	2.00	2.00	2.00
Engineering	7.00	6.00	7.00	6.10
Streets	21.20	21.20	23.20	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	11.75
Utilities - water distribution	10.75	10.75	10.75	10.75
Water meter	4.25	4.25	4.25	4.25
Water reclamation facility	27.00	27.00	27.00	27.00
Utilities - sewer collection	11.25	11.25	11.25	11.15
Community and economic development	15.50	14.50	14.00	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	14.30
	318.00	318.00	321.00	317.00

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, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
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	6.80
3.00	3.00	3.00	3.00	3.00	3.00
5.00	5.00	5.00	5.00	4.00	4.00
4.91	4.91	4.91	4.91	4.91	4.20
6.00	6.00	6.00	5.00	5.00	5.00
2.90	2.90	2.90	2.90	2.90	2.90
1.50	1.50	1.50	1.50	0	0
70.00	71.00	69.00	70.00	58.00 *	57.00
50.70	48.70	50.70	48.70	42.70	44.70
1.80	1.80	1.80	1.80	1.80	1.80
3.00	3.00	3.00	3.00	3.00	3.00
6.10	6.10	6.10	5.10	5.00	5.10
20.20	20.20	20.20	20.20	19.20	17.04
0.125	0.125	0.125	0.125	0.125	0.125
10.875	10.875	10.875	8.875	8.875	8.875
12.75	12.75	12.75	12.75	12.75	10.75
10.85	10.85	9.85	10.05	8.05	7.35
4.25	5.25	5.25	5.25	5.25	5.25
24.90	26.90	24.90	24.20	20.20	22.06
11.15	11.15	11.15	9.65	9.75	10.65
13.50	13.50	13.50	13.50	12.00	11.00
6.10	6.10	6.10	6.10	6.10	5.10
5.00	5.00	5.00	4.00	3.10	2.35
1.09	1.09	1.09	1.09	1.09	0.50
12.30	12.30	12.30	11.30	8.20	9.45
303.00	305.00	302.00	292.00	259.00	253.00

City of Port Huron

OPERATING INDICATORS
Last Ten Fiscal Years

Function/Program	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
Election data:				
Registered voters - November	20,911	20,936	20,806	20,604
Voters (at the polls or absentee) - November	4,191	11,233	4,933	8,294
Percent voting	20.0%	53.7%	23.7%	40.3%
Police:				
Physical arrests*	3,364	2,960	2,900	2,835
Traffic violations*	5,566	5,613	4,979	7,867
Police reports*	6,664	6,986	7,037	6,430
Calls for service*	23,171	24,207	22,791	19,108
Fire:				
Fire runs*	187	159	139	201
Emergency medical runs*	1,156	1,473	1,707	1,744
Other*	671	689	746	669
Public works:				
Miles of streets resurfaced	0.28	1.76	2.19	1.02
Miles of streets reconstructed	2.07	12.32	8.69	9.92
Water:				
Accounts:				
City - regular	12,454	12,545	12,605	12,653
Port Huron Township	3,060	3,141	3,244	3,259
Fort Gratiot - regular	85	85	85	85
Fort Gratiot - Water District No. F	4,010	4,090	4,276	4,432
Kimball Township	1,343	1,289	1,451	1,550
Clyde Township				
Average daily pumpage (gallons per day)	8,300,000	8,300,000	8,200,000	8,100,000
Sewer:				
Equivalent connected population	56,900	56,900	56,900	56,900
Average daily sewage treatment (gallons per day)	10,000,000	10,000,000	10,000,000	9,840,000
Building construction:				
Residential:				
New construction permits	41	34	33	32
Estimated value	$ 5,115,800	$ 5,019,220	$ 3,236,000	$ 3,432,399
Alterations/additions/demo permits	627	686	764	714
Estimated value	$ 3,779,706	$ 3,876,538	$ 4,233,099	$ 4,006,185
Commercial:				
New construction permits	16	4	4	3
Estimated value	$ 11,752,125	$ 10,627,584	$ 3,170,000	$ 2,100,000
Alterations/additions/demo permits	100	70	66	75
Estimated value	$ 4,826,729	$ 13,851,894	$ 3,976,498	$ 10,989,902

*All information as of December 31st

June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
20,376	20,831	21,245	20,445	20,551	21,151
3,277	12,418	3,543	8,875	3,742	12,471
16.1%	59.6%	16.7%	43.4%	18.2%	59.0%
3,107	2,770	2,773	2,325	2,940	2,113
6,162	4,715	4,513	5,339	5,434	4,476
6,837	6,546	6,584	6,879	6,499	6,566
19,112	18,151	18,840	19,120	18,827	25,970
127	207	137	137	312	287
2,025	2,390	2,615	2,712	2,975	2,653
783	628	869	872	754	915
0.00	0.00	0.26	1.65	0.13	0.00
6.53	6.24	2.65	4.53	5.06	4.00
12,689	12,726	12,770	12,814	12,814	12,878
3,275	3,355	3,392	3,350	3,350	3,350
85	85	137	136	136	136
4,539	4,544	4,971	4,858	4,858	4,858
1,550	1,640	1,668	1,993	1,993	1,993
		736	743	743	743
7,300,000	7,300,000	7,000,000	6,800,000	6,800,000	6,200,000
64,100	64,571	64,571	65,556	65,556	63,889
11,220,000	11,300,000	11,730,000	11,800,000	11,800,000	11,500,000
31	49	28	15	5	2
$ 4,496,760	$ 4,739,625	$ 3,733,400	$ 1,203,050	$ 1,940,000	$ 360,000
716	879	828	707	595	432
$ 5,704,903	$ 5,097,170	$ 5,027,022	$ 4,694,740	$ 2,783,536	$ 2,632,927
2	1	5	1	1	1
$ 22,500,000	$ 2,000,000	$ 17,465,103	$ 1,145,112	$ 5,461,844	$ 3,000,000
109	114	90	95	77	90
$ 4,868,829	$ 4,004,686	$ 9,686,362	$ 5,917,878	$ 2,839,665	$ 5,799,025

CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

Function/Program	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
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	105	67	112
Transient boat wells*	406	404	442	397
Wells out of service				
Public works:				
Streets (miles):				
Major streets	43.220	43.220	43.220	43.220
Local streets	91.070	91.370	91.340	91.370
Trunkline	10.076	10.076	10.080	10.080
Streetlights	2,551	2,551	3,096	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 - metered lots	888	888	880	880
Unmetered lots				
Spaces - unmetered lots				
Permit only lot - spaces	33	33	33	33
Seasonal attended lot - spaces	464	464	464	464
Permit only spaces in metered/unmetered lots	150	117	236	121
Seasonal unattended lots - spaces				73
ADA marked spaces in City lots				
Free lot - spaces	228	228	228	228
Street meters - spaces	555	546	540	533
Street meters - government zone				
Street meters - shopping/entertainment zone				
Water:				
Watermains (miles)	163.0	163.0	163.2	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)	1,233	1,250	1,263	1,269
Fire hydrants (private)	128	128	128	129
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	194.0	222.0	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

* Water Street Marina sold June, 2009

June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
1	1	1	1	1	1
3	3	3	3	3	3
7	7	6	6	6	6
1	1	1	1	1	1
1	1				
		1	1	1	1
1	1	1	1	1	1
1	1				
123	129	118	122	122	54
302	296	307	303	303	77
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	10.076	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	3
865	865	866	867	867	227
					10
					770
33	33	33	33	33	
460	460	460	460	460	460
135	135	168	168	168	121
73	73	73	73	73	73
		48	48	48	46
228	228				
533	547	479	484	328	
					250
					370
163.6	164.0	164.3	165.0	165.0	169.0
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
1,314	1,314	1,369	1,394	1,374	1,421
129	129	129	129	128	128
234.0	238.0	243.9	253.0	242.0	244.0
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, 2009

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)	$	$ 677,188	$ 2,050,456	$ 2,727,644
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	257,252			257,252 ****
Riverside Drive – Part I	509,960	195,695	7,990	713,645 ****
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	150,445	23,484		173,929 ****
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 ****
19th Avenue Area	255,020	153,627	153,282	561,929
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	1,987,038	110,076	117,855	2,214,969 ****
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)	71,490	1,294,443	3,247,311	4,613,244 ***
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
Vanness Area (CSO)		1,978,650	3,993,080	5,971,730 *
Military Electric Area (CSO)	302,197	1,849,918	1,555,647	3,707,762
Military - Reid to Black River	56,154	2,212,189	423,566	2,691,909
Rural Area (CSO)	213,626	2,177,856	4,898,545	7,290,027 ***

(Continued on next page)

City of Port Huron

PUBLIC WORKS PROJECTS
COMPLETED PROJECTS
June 30, 2009

	Streets and Other Funds	Water Fund	Wastewater Fund	Total	
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	*
Palmer Court Area (CSO)		873,326	3,161,520	4,034,846	
Stone Street - Washington to Pine Grove	191,159	75,074	118,302	384,535	
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	
Woodstock Area Part IV and V	398,254	522,688	569,823	1,490,765	
Holland Avenue - Stone to Gratiot	374,910			374,910	****
Holland Avenue - Pine Grove to Stone	1,270,102	432,382	490,854	2,193,338	****
McNeil Creek - Jones Place			546,966	546,966	
Erie Area South (CSO)	177,465	1,218,107	2,037,049	3,432,621	
Sanborn Street - 12th to Appomattox	170,773	19,956	24,813	215,542	
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 - WWTP			10,384,121	10,384,121	
Total public works projects	$ 27,723,002	$ 45,512,741	$ 116,554,824	$ 189,790,567	

* 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, 2009

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, 2009 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 2008-2009 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Merchant Bike Path	$ 51,251	$	$	$ 51,251
19th Avenue Area	252,029	153,627	150,290	555,946
Sanborn Street - 12th to Appomattox	143,970	19,956	24,813	188,739
21st Street Area Part I (CSO)	108,270	511,035	888,771	1,508,076
Gratiot Avenue - Krafft to Keewahdin	39,554	2,191	2,346	44,091
16th Avenue Area Part III (CSO)	650	11,773	29,534	41,957
Vanness Area (CSO)		505,290	716,474	1,221,764
Stone Street - Washington to Pine Grove	179,825	75,074	118,302	373,201
Woodstock Area Part IV and V	357,358	514,111	561,930	1,433,399
LaSalle Area			54,888	54,888
Erie Area North (CSO)		24,431	57,005	81,436
7th Street Bridge	2,845,014			2,845,014
10th Street Bridge	75,791			75,791
Other contracts	93,278	18,465	12,503	124,246
Total public works projects	$ 4,146,990	$ 1,835,953	$ 2,616,856	$ 8,599,799

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

Total public works projects above	$ 4,146,990	$ 1,835,953	$ 2,616,856
Other capital additions		419,367	754,323
Change in contracts payable		55,584	(40,139)
Projects recorded in other funds:			
Community Development Block Grant	(33,215)	(3,599)	(313,601)
Tax Increment Finance Authority	65,562	9,635	
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	$ 4,179,337		
Acquisition and construction of capital assets (Exhibit A-10)		$ 2,316,940	$ 3,017,439

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, 2009, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated December 3, 2009. These basic financial statements are the responsibility of the City of Port Huron, Michigan's management. Our responsibility is to express opinions on these 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 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.

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 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, 2009

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, 2009, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated December 3, 2009. We have 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be a material weakness.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as Finding 2009-A to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-A to be a material weakness.

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.*

The City of Port Huron, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Port Huron, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, 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, 2009

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance 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, 2009. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 of a federal 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 federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of 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 that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, 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, 2009

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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	$ 1,565
Program year 2006		B-06-MC-26-0038	921,402	14,576
Program year 2007		B-07-MC-26-0038	806,023	151,998
Program year 2008		B-08-MC-26-0038	1,320,584	290,811
Total				458,950
Home Investment Partnership Program:	14.239			
Program year 2005		M-05-MC-260217	289,838	2,788
Program year 2006		M-06-MC-260217	272,286	81,610
Program year 2007		M-07-MC-260217	270,141	64,964
Total				149,362
Economic Development Initiative Special Project Grant:	14.246			
Program year 2005		B-05-SPMI-0127	347,200	0
Program year 2006		B-06-SPMI-0127	247,500	1,839
Total				1,839
Section 8 New Construction and Substantial Rehabilitation	14.182	MI-28-8023-004	32,399	32,399
Neighborhood Stabilization Program	14.256	NSP-2008-0306-ENT	500,000	1,060
Total U.S. Department of Housing and Urban Development				643,610
U.S. Department of Homeland Security - Assistance to Firefighters Grant:	97.044			
Program year 2007		EMW-2007-FO-01276	164,537	164,537
Fire Prevention and Safety Grant	97.044	EMW-2007-FP-01422	9,075	9,075
Total				173,612
U.S. Department of Homeland Security – Passed through Michigan Department of State Police, Emergency Management Division – Passed through St. Clair County; Homeland Security Clusters:				
Operation Stonegarden	97.067	N/A	21,397	21,397
Urban Areas Security Initiative	97.008	N/A		170
Homeland Security Grant Program	97.067	N/A		283
Total				21,850
U.S. Department of Homeland Security - Passed through Michigan Department of State Police, Emergency Management Division; - Passed through Oakland County – Passed through St. Clair County; Homeland Security Cluster:				
Homeland Security Grant Program:	97.067			
Program year 2006		N/A	9,244	9,244

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Homeland Security – Passed through Michigan Department of State Police, Emergency Management Division:				
Bufferzone Protection Plan	97.078	N/A	188,600	188,600
Total U.S. Department of Homeland Security				392,676
U.S. Department of Justice - Bureau of Justice				
Bulletproof Vest Partnership Program	16.607	N/A		4,425
Total U.S. Department of Justice				4,425
U.S. Department of Transportation – Passed through Michigan Department of State Police, Emergency Management Division; - Passed through St. Clair County:				
Michigan Drive Safely	20.600	N/A		18,738
Total U.S. Department of Transportation				18,738
U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality; Capitalization Grants for State Revolving Funds Cluster:				
Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-12			2,955,000	17,081*
Project number 5006-13			1,655,000	181*
Project number 5006-14			1,325,000	381*
Project number 5006-15			3,040,000	151,963*
ARRA – Capitalization Grants for State Revolving Funds:	66.458			
Project number 5006-16			5,000,000	735,758
Project number 5006-17			1,020,000	14,016
Total				919,380
U.S. Environmental Protection Agency – Passed through Michigan Department of Environmental Quality; Capitalization Grants for Drinking Water State Revolving Funds Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7119-01			2,040,000	39,548*
Project number 7185-01			1,355,000	50,417*
Project number 7186-01			1,025,000	609*
Project number 7187-01			705,000	1,092*
Project number 7188-01			715,000	48,144*
Project number 7220-01			3,070,000	472,990*
Project number 7221-01			495,000	318,517*
ARRA – Capitalization Grants for Drinking Water State Revolving Funds:	66.468			
Project number 7275-01			4,395,000	687,741
Total				1,619,058

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality				2,538,438
Total federal awards				$ 3,598,517

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, 2009

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	$ 34,611
Economic Development Initiative Special Project Grant	14.246	1,840
Total		$ 36,451

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? __X__ Yes ____ 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 auditor's report issued on compliance for major program(s): Unqualified

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants
66.458	U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality - Capitalization Grants for State Revolving Funds Cluster
66.468	U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Funds Cluster

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

Reference Number	Findings
2009-A	**Finding Type** - Material weakness **Criteria** - Proper valuation of assets is a critical part of the financial reporting process. Such a process should include annual review of inventory for proper valuation in year end financial reporting. **Condition** - In previous years, the City did not record the value of certain inventory held at a remote location for the water and sewer department. **Context** - During the year, the City had a change in personnel in the water and sewer department, which resulted in the identification of a significant amount of inventory that had not been valued and recorded in the financial statements in previous years. In total for the water and wastewater funds, approximately $675,000 in inventory had not been recorded in the financial statements in prior years. **Cause** - In prior years, the City's procedures did not result in proper valuation of all inventory on hand. **Effect** - Beginning of year net assets of the water and wastewater funds were restated to record the value of the inventory identified. **Recommendation** - We recommend that the City review current procedures to ensure all assets continue to be properly valued and reflected in the financial statements. **Views of Responsible Officials and Planned Corrective Actions** - The identification of the inventory in the water and wastewater funds was done by the City and, once discovered, the inventory was recorded by the City for the year ended June 30, 2009, and for any prior period presented in the financial statements. The City has also established procedures to monitor and adjust such inventories on an ongoing basis so that the values will be properly recorded currently and in the future.

Section III - Federal Program Audit Findings

None