

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



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, 2012

CITY COUNCIL

Pauline M. Repp - Mayor

Sherry L. Archibald

Alan R. Lewandowski

Rachel L. Cole

Brian J. Moeller

Kenneth D. Harris

Rico A. Ruiz

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

C. A. Lopiccolo - Assessor

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

City of Port Huron
 Comprehensive Annual Financial Report
 Year Ended June 30, 2012

TABLE OF CONTENTS

<u>EXHIBIT</u>		<u>PAGE</u>
INTRODUCTORY SECTION		
	Letter of Transmittal	5
	GFOA Certificate of Achievement	13
	Organizational Chart	14
FINANCIAL SECTION		
	Independent Auditor's Report	16
	Management's Discussion and Analysis	18
	Basic Financial Statements:	
	Government-wide Financial Statements:	
A	Statement of Net Assets	27
A-1	Statement of Activities	28
	Fund Financial Statements:	
A-2	Balance Sheet - Governmental Funds	30
A-3	Reconciliation of Fund Balances to Statement of Net Assets - Governmental Funds	33
A-4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	34
A-5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
A-6	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	38
A-7	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Special Revenue Funds	42
A-8	Statement of Net Assets - Proprietary Funds	44
A-9	Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	46
A-10	Statement of Cash Flows - Proprietary Funds	48
A-11	Statement of Fiduciary Net Assets - Fiduciary Funds	52
A-12	Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	53
	Combining Units:	
A-13	Combining Statement of Net Assets - Discretely Presented Component Units	55
A-14	Combining Statement of Activities - Discretely Presented Component Units	56
A-15	Notes to the Financial Statements	58
	Required Supplementary Information:	
B	Schedule of Funding Progress - Agent Multiple - Employer Plan - Municipal Employees' Retirement System of Michigan (MERS)	80
B-1	Schedule of Funding Progress - Post Employment Health Care Benefits	81

City of Port Huron
 Comprehensive Annual Financial Report
 Year Ended June 30, 2012

TABLE OF CONTENTS

<u>EXHIBIT</u>		<u>PAGE</u>
	Combining and Individual Fund Statements and Schedules:	
C	Combining Balance Sheet - Nonmajor Governmental Funds	84
C-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	86
C-2	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget And Actual - Nonmajor Special Revenue Funds	88
D	Combining Statement of Net Assets - Nonmajor Enterprise Funds	94
D-1	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds	96
D-2	Combining Statement of Cash Flows - Nonmajor Enterprise Funds	98
E	Combining Statement of Net Assets - Internal Service Funds	102
E-1	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	104
E-2	Combining Statement of Cash Flows - Internal Service Funds	106
F	Statement of Net Assets - Fiduciary Funds	110
F-1	Statement of Changes in Net Assets - Fiduciary Funds	111
F-2	Statement of Changes in Assets and Liabilities - Agency Fund	112
	Discretely Presented Governmental Component Units:	
G	Tax Increment Authorities - Combining Balance Sheet Schedule.	114
G-1	Tax Increment Authorities - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	115
G-2	Downtown Development Authority - Balance Sheet Schedule.	116
G-3	Downtown Development Authority - Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	118
G-4	Tax Increment Finance Authority - Balance Sheet Schedule	120
G-5	Tax Increment Finance Authority - Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	121
 STATISTICAL SECTION 		
	Financial Trends:	
	Net Assets by Component	124
	Changes in Net Assets	126
	Fund Balances of Governmental Funds	130
	Changes in Fund Balances of Governmental Funds	132
	Revenue Capacity:	
	Taxable, Assessed and Equalized and Estimated Actual Valuation of Property	134
	Principal Property Taxpayers	136
	Property Tax Levies and Collections	138
	Direct and Overlapping Property Tax Rates	140
	Tax Information	141

City of Port Huron
 Comprehensive Annual Financial Report
 Year Ended June 30, 2012

TABLE OF CONTENTS

EXHIBIT

PAGE

STATISTICAL SECTION (Continued)

Debt Capacity:

Ratios of Outstanding Debt by Type	142
Direct and Overlapping Bonded Debt	144
Computation of Legal Debt Margin	145
Legal Debt Margin	146
Revenue Bond Coverage	148

Water and Wastewater Information:

Water and Wastewater – Current Rates in Effect	149
Water and Wastewater – History of Residential Utility Rates	150
Principal Water and Wastewater Customers	151

Demographic and Economic Information:

Demographic and Economic Statistics	153
Principal Employers	154

Operation Information:

Full-time Equivalent Government Employees	156
Operating Indicators	158
Capital Asset Statistics	160
Public Works Projects - Completed Projects	162
Public Works Projects - Current Year Projects	164

SINGLE AUDIT SECTION

Independent Auditor’s Report	167
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	168
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	170
Schedule of Expenditures of Federal Awards	172
Notes to Schedule of Expenditures of Federal Awards	175
Schedule of Findings and Questioned Costs	176



November 29, 2012



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, 2012. 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, 2012. 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, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

The City of Port Huron, incorporated in 1857, is located in southeastern Michigan, on the western shore of Lake Huron where it flows into the St. Clair River. The City of Port Huron occupies a land area of approximately eight square miles and serves a population of 30,184 (2010 census).

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 six at large members and an elected 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. As a result of the adoption of a new charter, which took effect January 1, 2011, council members serve four year terms, with three council members elected every two years. The Mayor is elected separately for a two year term.

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. The newly adopted Charter does not change any budget related provisions. 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 third busiest overall Ontario crossing. Based upon recently available statistics, on an average day, approximately 6,000 commercial and 8,000 passenger vehicles travel across the twin spans. Total annual bridge traffic is 5.12 million vehicles, an annual increase of approximately 8%. 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 has improved a two and half mile portion of the I-94/I-69 corridor leading to the bridge. 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. The revised plaza has included the relocation of over one hundred homes and twenty businesses, which has negatively impacted tax and utility revenues. On the other hand, local jobs and activities will increase during construction and, after completion, 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. 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 three major facilities; the Carnegie Center; the retired Coast Guard lightship, the Huron; the Thomas Edison Depot Museum and a variety of other maritime attractions. The County recreation commission has acquired 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. The Fort Gratiot Lighthouse is now open to the public and is also operated by the Port Huron Museum.

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 local philanthropist has donated a 4,300 foot strip of riverfront shoreline to the local community foundation for the development of a River Walk.

In October, 2011, an extensive public/private partnership was announced to renovate an existing hotel on the St. Clair River with a view of Lake Huron and the Blue Water Bridge. The project will include renovation of the hotel, creation of a new waterfront restaurant, an extensive expansion of conference facilities and a new culinary institute, with a future potential for student housing. To paraphrase the developers, the proposed project is an excellent example of a public/private partnership. St. Clair County and the City continue to work together with the private sector to facilitate this significant project. The developer and the restaurant owner along with a national hotel group plan a collaborative relationship with a local college to provide students with experience in the food and hospitality/convention atmosphere, maximizing the proximity of the culinary school and location of the restaurant and convention center. The combination of a newly renovated hotel, restaurant, culinary school and convention center will bring together all the resources necessary for a successful public/private partnership. Construction on the various phases of the project started in the summer of 2012.

Developers have also announced plans to renovate and restore several downtown buildings. The plans include use of second and third floors for lofts and improved retail and commercial space on the first floors. The plans include a variety of financing and tax incentives. The City's Brownfield Redevelopment Authority has approved certain of the plans, including a plan to renovate the City's historic downtown anchor building. The developers have received federal and state historic tax credits and the development includes HUD grants and loans. A plan from another development group includes four building groupings, three in one downtown block and the other adjacent to the historic anchor building. A third developer has recently completed several loft projects and has started construction on another.

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 every third year, most recently in 2010. Port Huron was the third municipality in Michigan to receive this honor. The department has now reached meritorious status with fifteen years of continuous

accreditations. 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.

OTHER 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. In 2011 the tenant in the one remaining leased building reached an agreement with the City to expand the building at the tenant's expense to facilitate improved business activity. Construction of the expansion has been completed.
- City Council approved a contract with a private marina manager to operate the River Street Marina. This initiative has improved operations and usage and reduced annual costs to the City.
- In June, 2009, the Water Street Marina was sold to a developer for the construction of a hotel and restaurant on the site. As a result of financing issues, the developer was unable to continue the project. The City will reacquire the property in late 2012 and expects to resell the property to another developer in early 2013.
- 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 continues to work with elected officials and citizens to review and restructure City operations, significantly reducing the work force and compensation costs while maintaining services.

LEGACY COSTS - 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 with a reduced multiplier and a 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.

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 280 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 each subsequent year the City has made the actuarially required contribution into the Retiree Health Care Benefits Fund set up to provide these benefits in the future. As of June 30, 2012, the value in the fund is almost \$9.4 million. 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 maximum 2% contribution matched by the City and will be able to purchase retiree health care from the City using their balance in the health care savings plan.

RISK MANAGEMENT

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 (MMRMA) for its general liability coverage, including auto and public official liability. There is third party coverage for claims in excess of \$150,000. The MMRMA also provides training and other assistance to reduce risk and has a risk avoidance grant program (RAP) which has allowed the City to purchase safety and other equipment at reduced costs. The City has also provided for worker's compensation claims within the Fringe Benefit Fund with third party coverage for claims above \$350,000 (\$450,000 effective July 1, 2012). 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, 2011. This was the thirty-seventh 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

This page is intentionally left blank.

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, 2011

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.



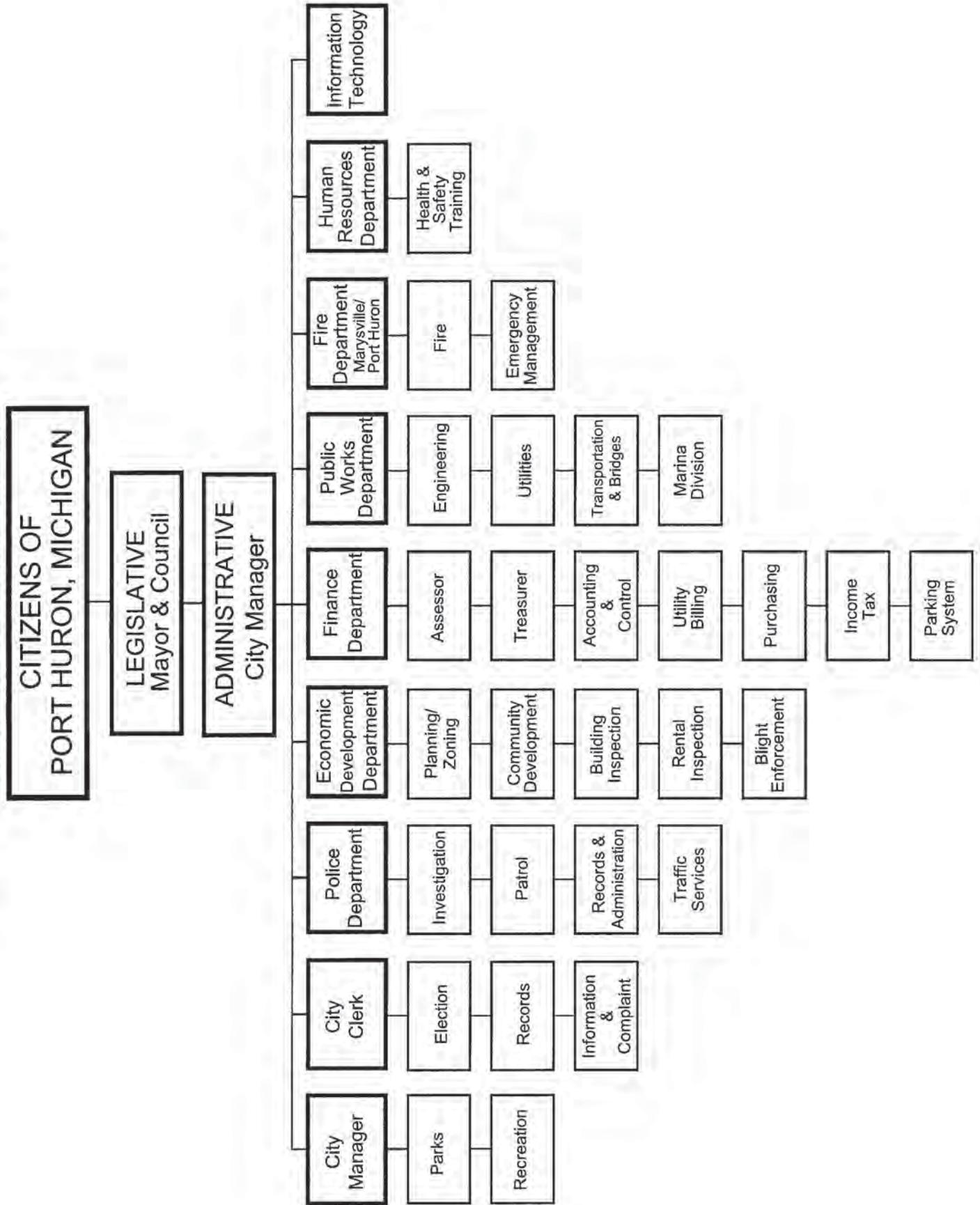
Linda C. Sandison

President

Jeffrey R. Emswiler

Executive Director

PORT HURON CITY GOVERNMENT ORGANIZATIONAL CHART



FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan (the "City") as of and for the year ended June 30, 2012, 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, 2011 financial statements and, in our report dated November 28, 2011, 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, 2012 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, 2011, from which such partial summarized information was derived.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Huron, Michigan's basic financial statements. The management's discussion and analysis and retirement system and healthcare plan schedules 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying combining and individual fund statements and schedules section and discretely presented governmental 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 the basic financial statements taken as a whole.

The accompanying introductory section and statistical section, 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 do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2012

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, 2012. 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 \$167,922,293 (net assets). Of this amount, \$39,574,598 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$1,372,724. This decrease is primarily the result of planned expenditure of fund balances which had been accumulated in prior years and the depreciation of governmental capital assets.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$15,037,350, a decrease of \$666,872 in comparison with the prior year. Approximately 27 percent of this total amount, \$4,134,696, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,134,696, or 19.6 percent of total general fund expenditures and transfers.
- The City of Port Huron's total bonded and installment debt (net of repayments and refundings) increased by \$4,236,287 (3.8 percent) during the current fiscal year. The key factors in this increase were several new borrowings. These borrowings provided funds to continue the City's ongoing infrastructure improvement projects. Additional information can be found in Note H on pages 69 through 74 of this report.

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 (limited activity due to sale of building in 2008), 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 in 2008), 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, energy performance services and insurance and employee fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

Individual fund data for the remaining enterprise funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

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

FIDUCIARY FUNDS

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

The basic fiduciary fund financial statements can be found on pages 52 and 53 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 58 through 78 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Port Huron's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 80 and 81 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 through 107 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Huron, assets exceeded liabilities by \$167,922,293 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net assets (71.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Huron uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Huron's investment in its capital assets is reported net of related debt, (if applicable) it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PORT HURON'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 33,894,903	\$ 36,224,573	\$ 31,467,946	\$ 34,283,763	\$ 65,362,849	\$ 70,508,336
Capital assets	<u>51,203,332</u>	<u>52,188,999</u>	<u>180,627,184</u>	<u>174,231,723</u>	<u>231,830,516</u>	<u>226,420,722</u>
Total assets	<u>85,098,235</u>	<u>88,413,572</u>	<u>212,095,130</u>	<u>208,515,486</u>	<u>297,193,365</u>	<u>296,929,058</u>
Long-term liabilities	5,662,665	6,056,314	105,336,182	101,491,858	110,998,847	107,548,172
Other liabilities	<u>9,079,307</u>	<u>9,890,885</u>	<u>9,192,918</u>	<u>10,194,984</u>	<u>18,272,225</u>	<u>20,085,869</u>
Total liabilities	<u>14,741,972</u>	<u>15,947,199</u>	<u>114,529,100</u>	<u>111,686,842</u>	<u>129,271,072</u>	<u>127,634,041</u>
Net assets:						
Invested in capital assets, net of related debt	47,589,593	48,571,987	72,865,287	73,500,530	120,454,880	122,072,517
Restricted	7,892,815	7,539,484			7,892,815	7,539,484
Unrestricted	<u>14,873,855</u>	<u>16,354,902</u>	<u>24,700,743</u>	<u>23,328,114</u>	<u>39,574,598</u>	<u>39,683,016</u>
Total net assets	<u>\$ 70,356,263</u>	<u>\$ 72,466,373</u>	<u>\$ 97,566,030</u>	<u>\$ 96,828,644</u>	<u>\$167,922,293</u>	<u>\$169,295,017</u>

An additional portion of the City of Port Huron's net assets (4.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$39,574,598) 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 decreased by \$1,372,724 during the current fiscal year. This decrease primarily represents planned expenditure of fund balances which had been accumulated in prior years and the depreciation of governmental capital assets.

CITY OF PORT HURON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,562,217	\$ 3,261,279	\$ 16,073,534	\$ 16,188,055	\$ 19,635,751	\$ 19,449,334
Operating grants and contributions	4,654,235	4,624,614	1,157,659	1,425,748	6,535,251	6,050,362
Capital grants and contributions	945,149	634,780	2,478,642	1,894,696	2,700,434	2,529,476
General revenues:						
Property taxes	10,766,285	11,554,089			10,766,285	11,554,089
Income taxes	5,818,786	5,781,024			5,818,786	5,781,024
State shared revenue	3,123,392	3,447,475			3,123,392	3,447,475
Gain on sale of capital assets	1,600	354,928	(105,912)	353,689	(104,312)	708,617
Investment income	887,990	1,050,535	242,754	272,892	1,130,744	1,323,427
Other	341,635	352,181			341,635	352,181
Total revenues	<u>30,101,289</u>	<u>31,060,905</u>	<u>19,846,677</u>	<u>20,135,080</u>	<u>49,947,966</u>	<u>51,195,985</u>
Expenses:						
General government	3,335,078	3,263,183			3,335,078	3,263,183
Public safety	13,163,254	13,780,456			13,163,254	13,780,456
Public works	9,530,837	10,484,294			9,530,837	10,484,294
Health and welfare	13,875	12,964			13,875	12,964
Community and economic development	2,530,839	2,722,409			2,530,839	2,722,309
Recreation, parks and culture	2,637,516	2,401,142			2,637,516	2,401,142
Water			6,121,010	6,217,770	6,121,010	6,217,770
Wastewater			13,172,270	12,662,562	13,172,270	12,662,562
Land purchase			555,416	470,322	555,416	470,322
Parking			104,312	133,305	104,312	133,305
Marina			156,283	185,932	156,283	185,932
Total expenses	<u>31,211,399</u>	<u>32,664,348</u>	<u>20,109,291</u>	<u>19,669,891</u>	<u>51,320,690</u>	<u>52,334,239</u>
Increase (decrease) in net assets before transfers	(1,110,110)	(1,603,443)	(262,614)	465,189	(1,372,724)	(1,138,254)
Transfers	<u>(1,000,000)</u>	<u>(993,024)</u>	<u>1,000,000</u>	<u>993,024</u>		
Increase (decrease) in net assets	(2,110,110)	(2,596,467)	737,386	1,458,213	(1,372,724)	(1,138,254)
Net assets - beginning of year	<u>72,466,373</u>	<u>75,062,840</u>	<u>96,828,644</u>	<u>95,370,431</u>	<u>169,295,017</u>	<u>170,433,271</u>
Net assets - end of year	<u>\$70,356,263</u>	<u>\$72,466,373</u>	<u>\$97,566,030</u>	<u>\$96,828,644</u>	<u>\$167,922,293</u>	<u>\$169,295,017</u>

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City of Port Huron's net assets by \$2,110,110. As discussed above, the decrease in net assets attributable to governmental activities is primarily the result of planned expenditure of fund balances which were accumulated in prior years and the decrease in net investments in infrastructure and the corresponding grants received for these improvements. A summary of the changes follows:

- Property taxes decreased by \$787,804 (6.8 percent) during the year, primarily the result of decreases in taxable value due to the downturn in the housing market.
- Income tax revenue increased by \$37,762 (0.7 percent), a small increase from the prior year.
- State revenue sharing payments decreased by \$324,083, primarily due to the State's continuing budget balancing efforts.
- Operating grants and contributions increased by \$29,621, primarily due to increases in development grant activity.
- Capital grants and contributions increased by \$310,369, due to a increase in grants related to infrastructure projects initiated by the State of Michigan and other infrastructure improvements.
- Investment income decreased by \$162,545, primarily due to declining investment returns.

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 \$1,452,949 is primarily the result of various measures undertaken to reduce annual costs of operations. Among these measures is a current year decrease in pension costs, due to employees contributing an increased percentage of their wages to the City's pension plan. Also, the cost of health insurance has decreased in the current year as a result of increased employee cost sharing (primarily higher deductibles and co-pays) and reduced employer costs due, in part, to an emphasis on preventative care.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net assets by \$737,386. Key elements affecting business-type activities are as follows:

- Charges for services decreased by \$114,521 (0.7 percent) during the year. The decrease was primarily due to adjustments to wholesale users as a result of bond borrowings which partially funded prior year capital expenditures.
- Operating grants and contributions decreased \$268,089 during the year. Most of this decrease was the result of a reduction in captured property taxes being repaid to the Land Purchase Fund which were used to facilitate infrastructure improvements in prior years.
- Capital grants and contributions increased \$583,946 during the year. The increase was primarily the result of a riverbank restoration grant received from the Environmental Protection Agency.
- Expenses have increased by \$439,400, compared to the prior year primarily as the result of increases in interest and depreciation in the Wastewater Fund.

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, assigned and unassigned fund balances 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 \$15,037,350, a decrease of \$666,872 in comparison with the prior year. Of this amount, 27 percent (\$4,134,696) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is recorded as nonspendable, restricted or committed to indicate that it is not available for new spending because it has already been 1) obligated to generate income to pay for the perpetual care of the municipal cemetery (\$6,062,783), 2) restricted or committed for a variety of other specific purposes (\$4,482,707), or 3) converted to nonspendable form (\$357,164).

The general fund is the chief operating fund of the City of Port Huron. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,134,696, while total fund balance reached \$4,373,926. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.63 percent of total general fund expenditures, while total fund balance represents 20.77 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by \$12,058 during the current fiscal year. Key factors in the changes in the General Fund are as follows:

- Income tax revenue increased by 0.7% primarily due to increases in local economic activity. Current year property tax revenues decreased by 5.9% as a result of declines in property values. Other property tax related revenue, primarily delinquent taxes, penalties and interest, decreased by \$109,012. Overall tax revenue decreased by \$517,068.
- State shared revenues increased by \$21,591 primarily due to increased sales tax collections by the State.
- Grants increased by \$265,011 primarily due to an increase in grants received for recreation, parks and culture.
- Total revenues decreased by \$204,310 or 1%. The overall revenue decrease is primarily due to the decrease in overall tax revenue discussed above.
- General government expenditures increased by \$55,528, primarily due to increased investment in energy efficient lighting.
- Public safety expenditures decreased by \$301,366, (2.3%), primarily due to the elimination of four full-time positions in the Police and Fire Departments.
- Recreation, parks and culture decreased by \$141,203 primarily due to cost containment efforts and reduced expenditures for both the McMorran Complex and the Museum.
- In the aggregate, general fund expenditures decreased by \$296,550 or 1.4% primarily as a result of the elimination of several full-time positions and other cost containment efforts.
- Transfers to the Wastewater Fund declined by \$500,000 as a result of the various revenue declines discussed above.

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 fund balances of the three funds was \$3,092,940, a decrease of \$993,487 during the fiscal year, primarily as a result of a transfer from the Municipal Streets Fund to the Wastewater Fund of \$1 million to assist in infrastructure costs and mitigate rate increases. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements decreased by 7.0% due to taxable valuation decreases discussed above.
- State shared revenues decreased by \$70,619, a decrease of 2.8%.
- Public works expenses decreased by 10.7% primarily as a result of decreased winter maintenance costs.
- Capital outlay, net of applicable grants, increased by 4.6% due to increased local street construction.

The Municipal Streets Fund committed fund balance of \$2,066,102 is designated for subsequent years' expenditures primarily to fund ongoing construction projects and a transfer to the Wastewater Fund to mitigate rate increases (\$685,000).

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 \$23,674,276, net assets for the Wastewater Fund were \$58,967,445 and net assets for the Land Purchase Fund were \$7,767,121. The total change in net assets for the Water, Wastewater and Land Purchase funds was \$2,068,072, (\$681,278) and (\$737,667), respectively, with the loss for the Wastewater Fund primarily due to the planned use of net assets and 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 \$4,723,368, unrestricted net assets for the Wastewater Fund were \$10,338,828 and unrestricted net assets for the Land Purchase Fund were \$4,310,717. Unrestricted net assets for the Land Purchase funds decreased by \$1,133,540. Unrestricted net assets for the Water and Wastewater Funds increased by \$448,115 and \$1,936,357 respectively. The increase for the Water Fund was primarily the result of capital asset acquisitions and debt repayments. The increase for the Wastewater Fund was primarily due to bond borrowing which partially funded prior year capital expenditures. The decrease for the Land Purchase Fund was primarily the result of transfers out to the utility funds to mitigate rate increases. 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 minimal, primarily to provide minor budgeting adjustments. The most significant changes were to increase State shared revenues due to higher than expected revenues once the State budget was finalized and to increase the police patrol and detective budgets to reflect new programs and increased overtime. Year end transfers to the Land Purchase Fund in prior years have resulted in \$893,024 available at June 30, 2012, for capital purchases and significant maintenance and repair items. During the year ended June 30, 2012, there were no expenditures from this account.

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, 2012, amounts to \$231,830,516 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, systems, machinery and equipment, streets, bridges and sidewalks. The total increase in the City of Port Huron's investment in capital assets for the current fiscal year was \$5,409,794 (a 1.9 percent decrease for governmental activities and a 3.7 percent increase for business-type activities).

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

- A variety of sewer separation and infrastructure improvements continued; construction in progress as of the end of the current fiscal year was approximately \$2.1 million for streets, \$2.8 million for water and \$3.7 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,260,209	\$ 4,260,209	\$ 4,394,296	\$ 4,638,258	\$ 8,654,505	\$ 8,898,467
Construction in progress	2,057,610	4,936,751	6,502,949	18,015,847	8,560,559	22,952,598
Land improvements	10,395,851	10,240,720	1,356,945	504,587	11,752,796	10,745,307
Buildings	11,152,814	11,133,830	33,456,622	33,395,372	44,609,436	44,529,202
Machinery and equipment	14,481,693	10,326,011	17,813,702	14,985,157	32,295,395	25,311,168
Vehicles	5,020,937	4,612,188			5,020,937	4,612,188
Infrastructure	<u>69,230,398</u>	<u>67,808,075</u>	<u>203,484,831</u>	<u>182,578,121</u>	<u>272,715,229</u>	<u>250,386,196</u>
Total	\$116,599,512	\$113,317,784	\$267,009,345	\$254,117,342	\$383,608,857	\$367,435,126
Less accumulated depreciation	<u>65,396,180</u>	<u>61,128,785</u>	<u>86,382,161</u>	<u>79,885,619</u>	<u>151,778,341</u>	<u>141,014,404</u>
Total	<u>\$ 51,203,332</u>	<u>\$ 52,188,999</u>	<u>\$180,627,184</u>	<u>\$174,231,723</u>	<u>\$231,830,516</u>	<u>\$226,420,722</u>

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

LONG-TERM DEBT

At the end of the current fiscal year, the City of Port Huron had total bonded debt outstanding of \$107,960,304. Of this amount \$93,737,553 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 primarily also backed by the full faith and credit of the government. During the prior fiscal year, the City of Port Huron entered into long-term purchase contracts for Energy Services and Water Meter Upgrades. The outstanding debt on these purchase contracts as of June 30, 2012 is \$3,613,739 and \$4,743,461, respectively. At the end of the current fiscal year, the City of Port Huron had total debt outstanding of \$116,317,504.

CITY OF PORT HURON’S OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$	\$	\$ 93,737,553	\$ 88,382,500	\$ 93,737,553	\$ 88,382,500
Revenue bonds			14,222,751	14,882,190	14,222,751	14,882,190
Purchase contracts	<u>3,613,739</u>	<u>3,868,559</u>	<u>4,743,461</u>	<u>4,947,968</u>	<u>8,357,200</u>	<u>8,816,527</u>
Total	<u>\$ 3,613,739</u>	<u>\$ 3,868,559</u>	<u>\$112,703,765</u>	<u>\$108,212,658</u>	<u>\$116,317,504</u>	<u>\$112,081,217</u>

The City of Port Huron’s total bonded and installment debt (net of repayments and refundings) increased by \$4,236,287 (3.8 percent) during the current fiscal year. The key factor in this increase was several new borrowings to provide funds to continue the City’s ongoing infrastructure improvement projects.

On October 20, 2011, the City of Port Huron’s bond rating was downgraded from an “AA-” rating to an “A+” rating by Fitch Ratings for general obligation debt. On May 3, 2010, the City of Port Huron’s bond rating had been recalibrated from an “A” rating to an “AA-” rating. The City had an “A+” rating from the fall of 2005 to November, 2009, when it was downgraded to an “A”. Prior to 2005 the rating had been an “A” rating. On June 22, 2011, the City of Port Huron received an “A” rating from Standard and Poors for the Water Fund revenue bond offering.

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 \$64,376,320. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$42,999,139. Debt issued as a result of an order, which would include \$72,360,372 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 74 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

As of September 30, 2012, the unemployment rate for the City of Port Huron was 14.9 percent, a decrease of 2.1 percentage points from the year before. This compares to the county’s average unemployment rate of 10.6 percent, the state’s average unemployment rate of 8.2 percent and the national average rate of 7.6 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. Currently, developers are attempting to assemble the necessary financing to upgrade and redevelop that property and several other downtown buildings. 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, assigned fund balance in the Municipal Street Fund decreased to \$2.5 million. 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. The City of Port Huron has appropriated this amount for spending in the 2012/2013 fiscal year budget. It is intended that this use of available fund balance will allow for street construction and a transfer to the Wastewater Fund.

For the 2011/2012 budget year, both total equalized valuation and taxable valuation decreased from the 2011/2012 fiscal year, resulting in a decrease in budgeted property tax revenue of approximately 7.1%. As a result of a declining housing market, this trend is expected to continue for 2013/2014 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 2013/2014 and beyond. Additional information is available in the Statistical Section, pages 134 and 135.

All of these factors were considered in preparing the City of Port Huron's budget for the 2012/2013 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 McMorrin Boulevard, Port Huron, Michigan 48060.

City of Port Huron

STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT A

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Assets:				
Cash and cash equivalents	\$ 15,131,513	\$ 17,600,580	\$ 32,732,093	\$ 1,574,530
Investments	10,603,982	2,500,000	13,103,982	
Receivables (net of allowances for uncollectibles)	5,957,732	4,093,101	10,050,833	50,495
Due from other governmental units	1,503,581	65,889	1,569,470	
Inventories	457,675	642,428	1,100,103	9,064
Prepaid and deferred items	46,992	1,624,080	1,671,072	16,695
Restricted assets (cash and cash equivalents)	193,428	4,941,868	5,135,296	29,789
Capital assets:				
Non-depreciable (land and construction in progress)	6,317,819	10,897,245	17,215,064	25,000
Depreciable property and equipment (net of accumulated depreciation)	44,885,513	169,729,939	214,615,452	953,559
Total Assets	85,098,235	212,095,130	297,193,365	2,659,132
LIABILITIES				
Liabilities:				
Accounts payable	920,938	63,418	984,356	281,356
Accrued payroll	1,133,808	180,717	1,314,525	34,153
Contracts payable	1,864,811	380,110	2,244,921	226,123
Taxes collected in advance	170,421		170,421	
Accrued interest payable	130,118	900,984	1,031,102	
Other liabilities	117,165	300,106	417,271	174,249
Unearned revenue	3,353,990		3,353,990	114,119
Noncurrent liabilities:				
Due within one year	1,388,056	7,367,583	8,755,639	
Due in more than one year	5,662,665	105,336,182	110,998,847	62,810
Total Liabilities	14,741,972	114,529,100	129,271,072	892,810
NET ASSETS				
Invested in capital assets, net of related debt	47,589,593	72,865,287	120,454,880	978,559
Restricted for street improvements	716,596		716,596	
Restricted for law enforcement	373,797		373,797	
Restricted for rubbish and garbage collection	620,892		620,892	
Restricted for streetscape maintenance	118,747		118,747	
Restricted for nonexpendable endowments	6,062,783		6,062,783	
Unrestricted	14,873,855	24,700,743	39,574,598	787,763
Net Assets	\$ 70,356,263	\$ 97,566,030	\$ 167,922,293	\$ 1,766,322

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

City of Port Huron

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

EXHIBIT A-1

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,335,078	\$ 1,889,219	\$ 32,532	\$
Public safety	13,163,254	456,490	221,809	76,808
Public works	9,530,837	280,098	2,441,961	646,931
Health and welfare	13,875			
Community and economic development	2,530,839	617,037	1,753,969	
Recreation, parks and culture	2,637,516	319,373	203,964	221,410
Total governmental activities	<u>31,211,399</u>	<u>3,562,217</u>	<u>4,654,235</u>	<u>945,149</u>
Business-type activities:				
Water	6,121,010	6,587,975		554,986
Wastewater	13,172,270	9,160,568	1,685	1,071,298
Land purchase	555,416	234,578	1,152,999	852,358
Parking	104,312	53,129	2,495	
Senior citizens		1,462		
Marina	156,283	35,822	480	
Total business-type activities	<u>20,109,291</u>	<u>16,073,534</u>	<u>1,157,659</u>	<u>2,478,642</u>
Total primary government	<u>\$ 51,320,690</u>	<u>\$ 19,635,751</u>	<u>\$ 5,811,894</u>	<u>\$ 3,423,791</u>
Component units:				
Downtown development	\$ 1,605,708	\$ 471,675	\$ 200,000	\$
Tax increment finance	2,527,990			
Local development finance	340,651			
Brownfield redevelopment	242,955			
McMorran	1,669,862	1,243,205	200,000	50,000
Total component units	<u>\$ 6,387,166</u>	<u>\$ 1,714,880</u>	<u>\$ 400,000</u>	<u>\$ 50,000</u>
General revenues:				
Property taxes				
Income tax				
Unrestricted state-shared revenues				
Unrestricted investment income				
Gain (loss) on sale of capital assets				
Unrestricted cable fees and other income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
NET ASSETS AT END OF YEAR				

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (1,413,327)	\$	\$ (1,413,327)	\$
(12,408,147)		(12,408,147)	
(6,161,847)		(6,161,847)	
(13,875)		(13,875)	
(159,833)		(159,833)	
(1,892,769)		(1,892,769)	
<u>(22,049,798)</u>		<u>(22,049,798)</u>	
	1,021,951	1,021,951	
	(2,938,719)	(2,938,719)	
	1,684,519	1,684,519	
	(48,688)	(48,688)	
	1,462	1,462	
	<u>(119,981)</u>	<u>(119,981)</u>	
	<u>(399,456)</u>	<u>(399,456)</u>	
<u>(22,049,798)</u>	<u>(399,456)</u>	<u>(22,449,254)</u>	
			(934,033)
			(2,527,990)
			(340,651)
			(242,955)
			<u>(176,657)</u>
			<u>(4,222,286)</u>
10,766,285		10,766,285	3,738,200
5,818,786		5,818,786	
3,123,392		3,123,392	
887,990	242,754	1,130,744	421
1,600	(105,912)	(104,312)	
341,635		341,635	
<u>(1,000,000)</u>	<u>1,000,000</u>		
<u>19,939,688</u>	<u>1,136,842</u>	<u>21,076,530</u>	<u>3,738,621</u>
<u>(2,110,110)</u>	<u>737,386</u>	<u>(1,372,724)</u>	<u>(483,665)</u>
<u>72,466,373</u>	<u>96,828,644</u>	<u>169,295,017</u>	<u>2,249,987</u>
<u>\$ 70,356,263</u>	<u>\$ 97,566,030</u>	<u>\$ 167,922,293</u>	<u>\$ 1,766,322</u>

City of Port Huron

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2012

EXHIBIT A-2

ASSETS	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
Assets:			
Cash and cash equivalents	\$ 3,186,267	\$ 17,311	\$ 43,772
Investments	1,078,167		
Receivables (net of allowances for uncollectibles)	1,650,215		
Due from other governmental units	178,381	171,247	40,317
Due from other funds			
Inventories			
Prepaid and deferred items	46,992		
Total Assets	<u>\$ 6,140,022</u>	<u>\$ 188,558</u>	<u>\$ 84,089</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 606,637	\$ 4,206	\$ 126
Accrued payroll	651,422	33,762	16,104
Contracts payable	35,692	2,650	2,649
Taxes collected in advance	119,388		
Due to other funds			
Unearned revenue	352,957		
Other liabilities			
Total Liabilities	<u>1,766,096</u>	<u>40,618</u>	<u>18,879</u>
Fund balances:			
Nonspendable:			
Inventories			
Prepaid items	46,922		
Endowments			
Restricted:			
Streets		147,940	65,210
Law enforcement			
Rubbish and garbage collection			
Streetscape maintenance			
Committed:			
Subsequent year's expenditures	192,308		
Municipal streets			
Nonmajor governmental funds			
Unassigned	4,134,696		
Total Fund Balances	<u>4,373,926</u>	<u>147,940</u>	<u>65,210</u>
Total Liabilities and Fund Balances	<u>\$ 6,140,022</u>	<u>\$ 188,558</u>	<u>\$ 84,089</u>

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

Municipal Streets	Other Nonmajor Governmental Activities	Total Governmental Funds	
		June 30, 2012	June 30, 2011
\$ 2,154,518	\$ 1,649,651	\$ 7,051,519	\$ 5,452,889
2,000,000	6,025,815	9,103,982	11,238,680
7,300	3,038,760	4,696,275	4,816,196
	199,399	589,344	1,026,838
	191,355	191,355	286,206
310,242		310,242	174,234
		46,992	180,319
<u>\$ 4,472,060</u>	<u>\$ 11,104,980</u>	<u>\$ 21,989,709</u>	<u>\$ 23,175,362</u>
\$ 8,571	\$ 186,982	\$ 806,522	\$ 628,373
9,489	29,316	740,093	657,894
1,531,822		1,572,813	2,252,048
21,188	29,845	170,421	263,343
	191,355	191,355	286,206
21,200	2,979,833	3,353,990	3,300,026
	117,165	117,165	83,250
<u>1,592,270</u>	<u>3,534,496</u>	<u>6,952,359</u>	<u>7,471,140</u>
310,242		310,242	174,234
		46,922	180,319
	6,062,783	6,062,783	5,653,910
503,446		716,596	717,047
	373,797	373,797	376,082
	620,892	620,892	792,445
	118,747	118,747	103,632
2,066,102	3,001	2,261,411	1,864,333
			1,344,732
	391,264	391,264	315,939
		4,134,696	4,181,549
<u>2,879,790</u>	<u>7,570,484</u>	<u>15,037,350</u>	<u>15,704,222</u>
<u>\$ 4,472,060</u>	<u>\$ 11,104,980</u>	<u>\$ 21,989,709</u>	<u>\$ 23,175,362</u>

This page is intentionally left blank.

City of Port Huron

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

June 30, 2012

EXHIBIT A-3

Total fund balances for governmental funds	\$ 15,037,350
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	44,682,064
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	751,068
Certain contracts payable are not due and payable in the current fiscal year and, therefore, these amounts are not reported in the funds	(98,570)
Internal Service Funds are included as part of governmental activities	<u>9,984,351</u>
Net assets of governmental activities	<u><u>\$ 70,356,263</u></u>

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

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	\$ 13,163,385	\$	\$
Licenses and permits	667,464		
Grants	590,186	430,350	
State shared revenues	3,379,551	1,904,605	531,327
Charges for services	813,239		
Fines and forfeits	120,052		
Investment income (loss)	164,946		
Rents	354,064		
Sale of property	1,600		
Other income	96		
Administrative charges	1,815,505		
Total Revenues	<u>21,070,088</u>	<u>2,334,955</u>	<u>531,327</u>
Expenditures:			
Current:			
General government	3,318,936		
Public safety	12,693,947		
Public works	1,730,004	1,326,330	900,868
Senior citizens	13,875		
Recreation, parks and culture	2,172,985		
General support services	448,171		
Capital outlay	596,812	1,157,454	667,378
Total Expenditures	<u>20,974,730</u>	<u>2,483,784</u>	<u>1,568,246</u>
Revenues over (under) Expenditures	<u>95,358</u>	<u>(148,829)</u>	<u>(1,036,919)</u>
Other financing sources (uses):			
Transfers in		575,000	1,042,832
Transfers out	(83,300)	(417,832)	
	<u>(83,300)</u>	<u>157,168</u>	<u>1,042,832</u>
Net Change in Fund Balances	12,058	8,339	5,913
Fund balances at beginning of year	<u>4,361,868</u>	<u>139,601</u>	<u>59,297</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 4,373,926</u></u>	<u><u>\$ 147,940</u></u>	<u><u>\$ 65,210</u></u>

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

Municipal Streets	Other Nonmajor Governmental Funds	Total Governmental Funds	
		June 30, 2012	June 30, 2011
\$ 1,641,221	\$ 1,755,857	\$ 16,560,463	\$ 17,335,113
		667,464	577,045
	1,720,768	2,741,304	2,352,355
		5,815,483	5,864,511
	632,352	1,445,591	1,255,850
		120,052	132,271
6,964	574,785	746,695	889,675
		354,064	343,812
		1,600	342,487
296		392	
		1,815,505	1,874,558
<u>1,648,481</u>	<u>4,683,762</u>	<u>30,268,613</u>	<u>30,967,677</u>
		3,318,936	3,263,408
	64,830	12,758,777	13,081,810
60,818	2,303,242	6,321,262	6,913,499
		13,875	12,964
		2,172,985	2,314,188
395,402	402,856	1,246,429	1,380,749
	1,601,577	4,023,221	3,686,301
<u>456,220</u>	<u>4,372,505</u>	<u>29,855,485</u>	<u>30,652,919</u>
<u>1,192,261</u>	<u>311,257</u>	<u>413,128</u>	<u>314,758</u>
	242,927	1,860,759	2,193,627
(2,200,000)	(239,627)	(2,940,759)	(3,186,651)
<u>(2,200,000)</u>	<u>3,300</u>	<u>(1,080,000)</u>	<u>(993,024)</u>
(1,007,739)	314,557	(666,872)	(678,266)
<u>3,887,529</u>	<u>7,255,927</u>	<u>15,704,222</u>	<u>16,382,488</u>
<u>\$ 2,879,790</u>	<u>\$ 7,570,484</u>	<u>\$ 15,037,350</u>	<u>\$ 15,704,222</u>

This page is intentionally left blank.

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-5

Net changes in fund balances - total governmental funds		\$	(666,872)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:			
Capital outlay expenditures			2,121,781
Depreciation expense			(3,780,080)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection			(200,226)
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	\$	38,311	
Street construction donated from tax increment authorities		<u>216,581</u>	254,892
Internal Service Funds are included as part of governmental activities - change in net assets			<u>160,395</u>
Change in net assets of governmental activities		\$	<u><u>(2,110,110)</u></u>

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

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2011 Actual
Revenues:					
Taxes:					
Real property taxes	\$ 6,005,000	\$ 6,005,000	\$ 6,059,241	\$ 54,241	\$ 6,511,488
Personal property taxes	1,065,000	1,065,000	1,079,405	14,405	1,072,886
Income tax	5,775,000	5,775,000	5,818,786	43,786	5,781,024
Other	285,000	285,000	205,953	(79,047)	315,055
	<u>13,130,000</u>	<u>13,130,000</u>	<u>13,163,385</u>	<u>33,385</u>	<u>13,680,453</u>
Business licenses and permits:					
Cable television	320,000	320,000	321,394	1,394	326,043
Other	25,000	25,000	19,849	(5,151)	26,138
	<u>345,000</u>	<u>345,000</u>	<u>341,243</u>	<u>(3,757)</u>	<u>352,181</u>
Nonbusiness licenses and permits:					
Building	150,000	150,000	143,176	(6,824)	113,253
Electrical	50,000	50,000	39,716	(10,284)	32,326
Heating	55,000	55,000	98,678	43,678	39,433
Plumbing	40,000	40,000	26,193	(13,807)	32,463
Other	5,000	5,000	18,458	13,458	7,389
	<u>300,000</u>	<u>300,000</u>	<u>326,221</u>	<u>26,221</u>	<u>224,864</u>
Grants	545,000	545,000	590,186	45,186	325,175
State shared revenues	2,840,000	3,200,000	3,379,551	179,551	3,357,960
Charges for services:					
Recreation fees	311,000	311,000	319,373	8,373	293,247
Blue Water Bridge reimbursement	275,000	275,000	275,000		200,000
County parks millage	125,000	125,000	135,931	10,931	145,618
Other	94,000	94,000	82,935	(11,065)	103,073
	<u>805,000</u>	<u>805,000</u>	<u>813,239</u>	<u>8,239</u>	<u>741,938</u>
Fines and forfeits:					
Parking violations	65,000	65,000	38,854	(26,146)	51,140
Ordinance fines	80,000	80,000	81,198	1,198	81,131
	<u>145,000</u>	<u>145,000</u>	<u>120,052</u>	<u>(24,948)</u>	<u>132,271</u>
Investment income	200,000	200,000	164,946	(35,054)	228,229
Rents	335,000	335,000	354,064	19,064	343,812
Sale of property and equipment	6,282	6,282	1,600	(4,682)	12,957
Other income			96	96	
Charges to other funds:					
Garbage and rubbish collection fund	135,634	135,634	107,793	(27,841)	153,965
Marina fund	17,156	17,156	17,156		17,311
Parking fund	10,969	10,969	10,969		14,923
Water fund	611,301	611,301	611,301		629,272
Wastewater fund	812,794	812,794	812,794		788,594
Central stores fund	10,831	10,831	10,831		11,243
Data processing fund	59,359	59,359	59,359		69,358
Motor vehicle fund	185,302	185,302	185,302		189,892
	<u>1,843,346</u>	<u>1,843,346</u>	<u>1,815,505</u>	<u>(27,841)</u>	<u>1,874,558</u>
Total Revenues	<u>20,494,628</u>	<u>20,854,628</u>	<u>21,070,088</u>	<u>215,460</u>	<u>21,274,398</u>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2011 Actual
Expenditures:					
Current:					
General government:					
City council	\$ 72,251	\$ 72,251	\$ 48,779	\$ 23,472	\$ 52,354
Charter commission					7,083
City manager	268,280	303,280	299,126	4,154	262,184
Elections	98,404	83,404	80,332	3,072	76,322
Finance and accounting	661,865	656,865	654,231	2,634	672,019
Income tax	306,371	307,371	306,969	402	313,763
Assessor	292,461	282,461	281,471	990	354,712
Legal counsel	170,000	155,000	153,552	1,448	150,885
Clerk	225,508	225,508	222,477	3,031	223,705
Personnel	293,891	258,891	258,191	700	282,671
Purchasing	40,087	40,087	39,830	257	38,032
Board of review	2,600	2,600	2,331	269	2,239
Treasurer	189,995	188,995	181,760	7,235	195,839
Municipal office center	576,013	695,013	694,591	422	557,349
Promotional	45,000	96,000	95,296	704	74,251
	<u>3,242,726</u>	<u>3,367,726</u>	<u>3,318,936</u>	<u>48,790</u>	<u>3,263,408</u>
Public safety:					
Police administration	926,535	900,535	900,496	39	1,053,596
Detectives	989,712	1,182,231	1,179,334	2,897	1,054,086
Patrol	5,038,611	5,202,092	5,199,053	3,039	5,376,796
Communications	112,414	85,414	85,188	226	116,539
Fire	5,274,447	5,305,447	5,304,525	922	5,361,840
Public Safety - Equipment grants		26,000	25,351	649	32,456
	<u>12,341,719</u>	<u>12,701,719</u>	<u>12,693,947</u>	<u>7,772</u>	<u>12,995,313</u>
Public works:					
Inspection	275,250	272,250	268,824	3,426	282,046
Emergency management	14,274	11,274	8,493	2,781	5,899
Public works administration	205,959	207,959	206,993	966	207,003
Engineering	322,229	233,229	232,834	395	258,323
Street lighting	827,463	918,463	917,955	508	894,597
Blight	93,854	95,854	94,905	949	101,443
	<u>1,739,029</u>	<u>1,739,029</u>	<u>1,730,004</u>	<u>9,025</u>	<u>1,749,311</u>
Senior citizens:					
Discounts for senior citizens	3,000	2,000	1,922	78	1,433
Senior citizens transportation	11,531	12,531	11,953	578	11,531
	<u>14,531</u>	<u>14,531</u>	<u>13,875</u>	<u>656</u>	<u>12,964</u>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2011 Actual
Recreation, parks and culture:					
Parks and forestry	\$ 1,050,240	\$ 1,017,240	\$ 981,766	\$ 35,474	\$ 966,446
Recreation	502,854	502,854	490,593	12,261	502,950
20th and Court pool	71,149	71,149	66,286	4,863	74,688
Sanborn pool	107,550	112,550	111,687	863	124,204
Lighthouse park	2,684	2,684	2,208	476	2,380
Lakeside park	11,698	14,698	13,978	720	8,605
Palmer park recreation center	122,555	144,555	144,243	312	129,713
Lightship		3,000	2,769	231	6,941
McMorran complex	250,000	250,000	250,000		320,000
Library	8,000	8,000	8,000		8,000
Museum	105,326	105,326	101,455	3,871	170,261
	<u>2,232,056</u>	<u>2,232,056</u>	<u>2,172,985</u>	<u>59,071</u>	<u>2,314,188</u>
General support services:					
Planning	94,593	124,593	122,133	2,460	126,509
Mitigation grant expenditures	100,000	45,000	44,798	202	57,272
Telephone service	13,024	13,024	11,880	1,144	8,696
Contingencies	40,000				
Insurance, health and safety	133,650	113,650	111,812	1,838	120,769
Taxes written off	15,000	50,000	48,661	1,339	4,420
Demolition	150,000	110,000	108,887	1,113	145,066
	<u>546,267</u>	<u>456,267</u>	<u>448,171</u>	<u>8,096</u>	<u>462,732</u>
Capital outlay	<u>780,000</u>	<u>665,000</u>	<u>596,812</u>	<u>68,188</u>	<u>473,364</u>
Total Expenditures	<u>20,896,328</u>	<u>21,176,328</u>	<u>20,974,730</u>	<u>201,598</u>	<u>21,271,280</u>
Revenues over (under) Expenditures	<u>(401,700)</u>	<u>(321,700)</u>	<u>95,358</u>	<u>417,058</u>	<u>3,118</u>
Other financing sources (uses):					
Transfers in:					
Enterprise funds:					
Land Purchase	<u>405,000</u>	<u>405,000</u>		<u>(405,000)</u>	<u>506,976</u>
Transfers out:					
Special revenue funds:					
Beautification Commission	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>		<u>(3,300)</u>
Enterprise funds:					
Wastewater fund					<u>(500,000)</u>
Internal service funds:					
Motor vehicle fund		<u>(80,000)</u>	<u>(80,000)</u>		
	<u>(3,300)</u>	<u>(83,300)</u>	<u>(83,300)</u>		<u>(503,300)</u>
	<u>401,700</u>	<u>321,700</u>	<u>(83,300)</u>	<u>(405,000)</u>	<u>3,676</u>
Net Change in Fund Balance			12,058	12,058	6,794
Fund balance at beginning of year	<u>4,361,868</u>	<u>4,361,868</u>	<u>4,361,868</u>		<u>4,355,074</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,361,868</u>	<u>\$ 4,361,868</u>	<u>\$ 4,373,926</u>	<u>\$ 12,058</u>	<u>\$ 4,361,868</u>

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

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

This page is intentionally left blank.

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2011 Actual
MAJOR STREETS:					
Revenues:					
Grants	\$ 895,000	\$ 895,000	\$ 430,350	\$ (464,650)	\$ 199,530
State shared revenues	1,890,943	1,890,943	1,904,605	13,662	1,979,546
Sale of property					66,661
Total Revenues	<u>2,785,943</u>	<u>2,785,943</u>	<u>2,334,955</u>	<u>(450,988)</u>	<u>2,245,737</u>
Expenditures:					
Current:					
Public works	1,448,764	1,448,764	1,326,330	122,434	1,579,752
Capital outlay	1,820,000	1,820,000	1,157,454	662,546	895,437
Total Expenditures	<u>3,268,764</u>	<u>3,268,764</u>	<u>2,483,784</u>	<u>784,980</u>	<u>2,475,189</u>
Revenues over (under) Expenditures	<u>(482,821)</u>	<u>(482,821)</u>	<u>(148,829)</u>	<u>333,992</u>	<u>(229,452)</u>
Other financing sources (uses):					
Transfers in	900,000	900,000	575,000	(325,000)	650,000
Transfers out	(430,000)	(430,000)	(417,832)	12,168	(412,618)
	<u>470,000</u>	<u>470,000</u>	<u>157,168</u>	<u>(312,832)</u>	<u>237,382</u>
Net Change in Fund Balances	(12,821)	(12,821)	8,339	21,160	7,930
Fund balance at beginning of year	<u>139,601</u>	<u>139,601</u>	<u>139,601</u>		<u>131,671</u>
FUND BALANCE AT END OF YEAR	<u>\$ 126,780</u>	<u>\$ 126,780</u>	<u>\$ 147,940</u>	<u>\$ 21,160</u>	<u>\$ 139,601</u>
LOCAL STREETS:					
Revenues:					
State shared revenues	\$ 509,000	\$ 509,000	\$ 531,327	\$ 22,327	\$ 527,005
Sale of property					262,869
Total Revenues	<u>509,000</u>	<u>509,000</u>	<u>531,327</u>	<u>22,327</u>	<u>789,874</u>
Expenditures:					
Current:					
Public works	799,516	999,516	900,868	98,648	940,869
Capital outlay	1,305,000	1,105,000	667,378	437,622	637,148
Total Expenditures	<u>2,104,516</u>	<u>2,104,516</u>	<u>1,568,246</u>	<u>536,270</u>	<u>1,578,017</u>
Revenues over (under) Expenditures	<u>(1,595,516)</u>	<u>(1,595,516)</u>	<u>(1,036,919)</u>	<u>558,597</u>	<u>(788,143)</u>
Other financing sources (uses):					
Transfers in	1,580,000	1,580,000	1,042,832	(537,168)	787,618
Net Change in Fund Balances	(15,516)	(15,516)	5,913	21,429	(525)
Fund balance at beginning of year	<u>59,297</u>	<u>59,297</u>	<u>59,297</u>		<u>59,822</u>
FUND BALANCE AT END OF YEAR	<u>\$ 43,781</u>	<u>\$ 43,781</u>	<u>\$ 65,210</u>	<u>\$ 21,429</u>	<u>\$ 59,297</u>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-7
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2011 Actual
MUNICIPAL STREETS:					
Revenues:					
Taxes - Streets	\$ 1,250,000	\$ 1,250,000	\$ 1,245,819	\$ (4,181)	\$ 1,341,699
Taxes - BWATC	460,000	460,000	395,402	(64,598)	423,543
Investment income	25,000	25,000	6,964	(18,036)	13,880
Other income			296	296	
Total Revenues	<u>1,735,000</u>	<u>1,735,000</u>	<u>1,648,481</u>	<u>(86,519)</u>	<u>1,779,122</u>
Expenditures:					
Current:					
Public works	75,414	75,414	60,818	14,596	41,177
General support services-BWATC	460,000	460,000	395,402	64,598	423,543
Total Expenditures	<u>535,414</u>	<u>535,414</u>	<u>456,220</u>	<u>79,194</u>	<u>464,720</u>
Revenues over (under) Expenditures	1,199,586	1,199,586	1,192,261	(7,325)	1,314,402
Other financing sources (uses):					
Transfers out	<u>(3,050,000)</u>	<u>(3,050,000)</u>	<u>(2,200,000)</u>	<u>850,000</u>	<u>(2,025,000)</u>
Net Change in Fund Balances	(1,850,414)	(1,850,414)	(1,007,739)	842,675	(710,598)
Fund balance at beginning of year	<u>3,887,529</u>	<u>3,887,529</u>	<u>3,887,529</u>		<u>4,598,127</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,037,115</u>	<u>\$ 2,037,115</u>	<u>\$ 2,879,790</u>	<u>\$ 842,675</u>	<u>\$ 3,887,529</u>

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, 2012

EXHIBIT A-8

		Business-Type Activities -		
ASSETS		Water	Wastewater	Land Purchase
Current assets:				
Cash and cash equivalents		\$ 2,684,006	\$ 7,833,308	\$ 2,798,713
Investments				1,500,000
Accounts receivable (net of allowances for uncollectibles)		1,742,087	2,304,747	10,445
Due from other governmental units			1,563	64,107
Inventories		516,476	125,952	
Prepaid items				
Current portion of land contract receivable				
Total Current Assets		<u>4,942,569</u>	<u>10,265,570</u>	<u>4,373,265</u>
Noncurrent assets:				
Restricted cash and cash equivalents		<u>3,079,546</u>	<u>1,862,322</u>	
Capital assets:				
Land		799,823	631,745	1,398,550
Land improvements				921,416
Buildings		6,130,422	25,666,106	1,490,707
Systems		67,084,543	136,400,288	
Machinery and equipment			16,703,391	
Vehicles				
Construction in progress		2,823,756	3,679,193	
		<u>76,838,544</u>	<u>183,080,723</u>	<u>3,810,673</u>
Less accumulated depreciation		20,623,789	63,954,056	354,269
Total Capital Assets		<u>56,214,755</u>	<u>119,126,667</u>	<u>3,456,404</u>
Other noncurrent assets:				
Bond issuance costs (net of amortization)		504,043	1,101,885	
Total Noncurrent Assets		<u>59,798,344</u>	<u>122,090,874</u>	<u>3,456,404</u>
Total Assets		<u>64,740,913</u>	<u>132,356,444</u>	<u>7,829,669</u>
LIABILITIES				
Current liabilities:				
Accounts payable		16,662	40,419	1,040
Accrued payroll		72,920	107,298	
Contracts payable		10,349	303,133	61,508
Accrued interest payable		327,057	573,927	
Other liabilities		296,256	3,850	
Current portion of long-term debt		2,516,491	4,851,092	
Claims and judgments payable (current portion)				
Compensated absences payable (current portion)				
Total Current Liabilities		<u>3,239,735</u>	<u>5,879,719</u>	<u>62,548</u>
Noncurrent liabilities:				
Long-term debt (exclusive of current portion)		37,826,902	67,509,280	
Claims and judgments payable (exclusive of current portion)				
Compensated absences payable (exclusive of current portion)				
Total Noncurrent Liabilities		<u>37,826,902</u>	<u>67,509,280</u>	
Total Liabilities		<u>41,066,637</u>	<u>73,388,999</u>	<u>62,548</u>
NET ASSETS				
Invested in capital assets, net of related debt		18,950,908	48,628,617	3,456,404
Unrestricted		4,723,368	10,338,828	4,310,717
Total Net Assets		<u>\$ 23,674,276</u>	<u>\$ 58,967,445</u>	<u>\$ 7,767,121</u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
\$ 4,284,553	\$ 17,600,580	\$ 15,833,121	\$ 8,079,994	\$ 8,206,982
1,000,000	2,500,000	5,000,000	1,500,000	3,000,000
35,822	4,093,101	3,641,085	1,261,457	613,736
219	65,889	350,746	163,169	162,011
	642,428	529,017	147,433	149,847
18,152	18,152	44,606		
		255,971		
<u>5,338,746</u>	<u>24,920,150</u>	<u>25,654,546</u>	<u>11,152,053</u>	<u>12,132,576</u>
	4,941,868	7,481,465	193,428	251,547
1,564,178	4,394,296	4,638,258		
435,529	1,356,945	504,587	1,809,426	1,809,426
169,387	33,456,622	33,395,372		
	203,484,831	182,578,121		
1,110,311	17,813,702	14,985,157	4,852,755	805,042
	6,502,949	18,015,847	4,130,034	3,721,285
<u>3,279,405</u>	<u>267,009,345</u>	<u>254,117,342</u>	<u>10,792,215</u>	<u>9,956,699</u>
1,450,047	86,382,161	79,885,619	4,270,947	3,754,601
<u>1,829,358</u>	<u>180,627,184</u>	<u>174,231,723</u>	<u>6,521,268</u>	<u>6,202,098</u>
	1,605,928	1,147,752		
<u>1,829,358</u>	<u>187,174,980</u>	<u>182,860,940</u>	<u>6,714,696</u>	<u>6,453,645</u>
<u>7,168,104</u>	<u>212,095,130</u>	<u>208,515,486</u>	<u>17,866,749</u>	<u>18,586,221</u>
5,297	63,418	143,751	114,416	36,996
499	180,717	159,270	393,715	617,975
5,120	380,110	2,115,581	193,428	193,428
	900,984	790,245	130,118	139,243
	300,106	265,337		164,798
	7,367,583	6,720,800	131,501	254,820
			992,610	982,932
			263,945	315,759
<u>10,916</u>	<u>9,192,918</u>	<u>10,194,984</u>	<u>2,219,733</u>	<u>2,705,951</u>
	105,336,182	101,491,858	3,482,238	3,613,739
			163,111	332,714
			2,017,316	2,109,861
	<u>105,336,182</u>	<u>101,491,858</u>	<u>5,662,665</u>	<u>6,056,314</u>
<u>10,916</u>	<u>114,529,100</u>	<u>111,686,842</u>	<u>7,882,398</u>	<u>8,762,265</u>
1,829,358	72,865,287	73,500,530	2,907,529	2,585,086
5,327,830	24,700,743	23,328,114	7,076,822	7,238,870
<u>\$ 7,157,188</u>	<u>\$ 97,566,030</u>	<u>\$ 96,828,644</u>	<u>\$ 9,984,351</u>	<u>\$ 9,823,956</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 6,587,975	\$ 9,160,568	\$
Rents			234,578
Total Operating Revenues	<u>6,587,975</u>	<u>9,160,568</u>	<u>234,578</u>
Operating expenses:			
Personal services	1,538,702	2,941,221	
Supplies and materials	134,525	471,881	
Contractual services	1,339,584	2,948,719	292,883
Depreciation	1,889,654	4,510,917	62,533
Total Operating Expenses	<u>4,902,465</u>	<u>10,872,738</u>	<u>355,416</u>
Operating Income (Loss)	<u>1,685,510</u>	<u>(1,712,170)</u>	<u>(120,838)</u>
Nonoperating revenues (expenses):			
Investment income	21,021	32,441	113,826
Interest expense	(1,218,545)	(2,299,532)	
Operating grants and contributions		1,685	1,152,999
Gain (loss) on sale of property and equipment	100		(106,012)
Operating assistance - component units			(200,000)
	<u>(1,197,424)</u>	<u>(2,265,406)</u>	<u>960,813</u>
Income (Loss) Before Capital Contributions and Transfers	<u>488,086</u>	<u>(3,977,576)</u>	<u>839,975</u>
Capital contributions:			
Grants and contributions received	554,986	1,071,298	852,358
Infrastructure improvements donated			
	<u>554,986</u>	<u>1,071,298</u>	<u>852,358</u>
Income (Loss) Before Transfers	<u>1,043,072</u>	<u>(2,906,278)</u>	<u>1,692,333</u>
Transfers in (out):			
Transfer in	1,025,000	2,225,000	
Transfer out			(2,430,000)
	<u>1,025,000</u>	<u>2,225,000</u>	<u>(2,430,000)</u>
Change in Net Assets	<u>2,068,072</u>	<u>(681,278)</u>	<u>(737,667)</u>
Net assets at beginning of year	<u>21,606,204</u>	<u>59,648,723</u>	<u>8,504,788</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 23,674,276</u></u>	<u><u>\$ 58,967,445</u></u>	<u><u>\$ 7,767,121</u></u>

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

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
\$ 54,591	\$ 15,803,134	\$ 15,888,429	\$ 12,794,210	\$ 12,994,687
35,822	270,400	299,626		
90,413	16,073,534	16,188,055	12,794,210	12,994,687
22,722	4,502,645	4,802,739	9,962,178	10,808,826
6,362	612,768	877,365	516,098	447,526
198,073	4,779,259	4,533,826	1,524,914	1,853,678
33,438	6,496,542	6,179,441	703,207	453,268
260,595	16,391,214	16,393,371	12,706,397	13,563,298
(170,182)	(317,680)	(205,316)	87,813	(568,611)
75,466	242,754	272,892	141,295	160,860
	(3,518,077)	(3,026,520)	(148,713)	
2,975	1,157,659	1,425,748		
	(105,912)	353,689		12,441
	(200,000)	(250,000)		
78,441	(2,423,576)	(1,224,191)	(7,418)	173,301
(91,741)	(2,741,256)	(1,429,507)	80,395	(395,310)
	2,478,642	1,894,696		
	2,478,642	1,894,696		
(91,741)	(262,614)	465,189	80,395	(395,310)
180,000	3,430,000	3,969,186	80,000	
	(2,430,000)	(2,976,162)		
180,000	1,000,000	993,024	80,000	
88,259	737,386	1,458,213	160,395	(395,310)
7,068,929	96,828,644	95,370,431	9,823,956	10,219,266
\$ 7,157,188	\$ 97,566,030	\$ 96,828,644	\$ 9,984,351	\$ 9,823,956

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	\$ 6,404,740	\$ 8,969,859	\$ 225,391
Payments to suppliers for goods and services	(995,884)	(2,556,410)	(31,059)
Payments to employees for services	(1,529,171)	(2,929,278)	
Payments connected with interfund services	(611,301)	(812,794)	
Net cash provided by (used in) operating activities	<u>3,268,384</u>	<u>2,671,377</u>	<u>194,332</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions received		1,685	1,152,999
Operating assistance - component units			(200,000)
Transfers in	1,025,000	2,225,000	
Transfers out			(2,430,000)
Net cash provided by (used in) noncapital financing activities	<u>1,025,000</u>	<u>2,226,685</u>	<u>(1,477,001)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(7,665,770)	(6,518,898)	(852,358)
Proceeds from issuance of long-term debt	95,211	21,424,919	
Principal payments on long-term debt	(2,326,759)	(14,702,264)	
Interest paid	(1,143,383)	(2,263,955)	
Bond issuance costs		(570,049)	
Proceeds from sale of property and equipment	100		307,459
Capital contributions	554,986	1,332,102	825,919
Net cash provided by (used in) capital and related financing activities	<u>(10,485,615)</u>	<u>(1,298,145)</u>	<u>281,020</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments			1,500,000
Investment income received	21,021	32,441	115,532
Net cash provided by (used in) investing activities	<u>21,021</u>	<u>32,441</u>	<u>1,615,532</u>
Net increase (decrease) in cash and cash equivalents	(6,171,210)	3,632,358	613,883
Cash and cash equivalents at beginning of year	<u>11,934,762</u>	<u>6,063,272</u>	<u>2,184,830</u>
Cash and cash equivalents at end of year	<u>\$ 5,763,552</u>	<u>\$ 9,695,630</u>	<u>\$ 2,798,713</u>
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 2,684,006	\$ 7,833,308	\$ 2,798,713
Restricted assets - cash and cash equivalents	<u>3,079,546</u>	<u>1,862,322</u>	
Total balance sheet classification	<u>\$ 5,763,552</u>	<u>\$ 9,695,630</u>	<u>\$ 2,798,713</u>

(Continued on next page)

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
\$ 54,591	\$ 15,654,581	\$ 16,282,774	\$ 12,145,331	\$ 13,393,120
(159,819)	(3,743,172)	(3,723,119)	(1,709,166)	(2,071,000)
(22,749)	(4,481,198)	(4,791,618)	(10,652,040)	(10,537,593)
(28,125)	(1,452,220)	(1,450,100)	(255,492)	(270,493)
(156,102)	5,977,991	6,317,937	(471,367)	514,034
53,467	1,208,151	1,384,718		
	(200,000)	(250,000)		
180,000	3,430,000	3,969,186	80,000	
	(2,430,000)	(2,976,162)		
233,467	2,008,151	2,127,742	80,000	
	(15,037,026)	(10,259,232)	(1,022,377)	(3,896,636)
	21,520,130	16,174,498		3,868,559
	(17,029,023)	(6,360,293)	(254,820)	
	(3,407,338)	(3,009,920)	(157,838)	
	(570,049)	(182,568)		
	307,559	2,477,822		12,441
	2,713,007	1,852,368		
	(11,502,740)	692,675	(1,435,035)	(15,636)
1,000,000	2,500,000	2,500,000	1,500,000	1,500,000
75,466	244,460	275,015	141,295	160,860
1,075,466	2,744,460	2,775,015	1,641,295	1,660,860
1,152,831	(772,138)	11,913,369	(185,107)	2,159,258
3,131,722	23,314,586	11,401,217	8,458,529	6,299,271
\$ 4,284,553	\$ 22,542,448	\$ 23,314,586	\$ 8,273,422	\$ 8,458,529
\$ 4,284,553	\$ 17,600,580	\$ 15,833,121	\$ 8,079,994	\$ 8,206,982
	4,941,868	7,481,465	193,428	251,547
\$ 4,284,553	\$ 22,542,448	\$ 23,314,586	\$ 8,273,422	\$ 8,458,529

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

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)	\$ 1,685,510	\$ (1,712,170)	\$ (120,838)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,889,654	4,510,917	62,533
Impairment			236,452
Amortization of bond issuance costs	36,763	75,110	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	(214,154)	(194,559)	(9,187)
Decrease (increase) in due from other government units			
Decrease (increase) in inventory	(110,279)	(3,132)	
Decrease (increase) in prepaid expenses			
Increase (decrease) in accounts payable	(59,560)	(20,582)	(470)
Increase (decrease) in accrued payroll	9,531	11,943	
Increase (decrease) in claims and judgments payable			
Increase (decrease) in contracts payable			25,842
Increase (decrease) in compensated absences payable			
Increase (decrease) in other liabilities	30,919	3,850	
Total Adjustments	<u>1,582,874</u>	<u>4,383,547</u>	<u>315,170</u>
Net cash provided by (used in) operating activities	<u>\$ 3,268,384</u>	<u>\$ 2,671,377</u>	<u>\$ 194,332</u>

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

Enterprise Funds	Governmental Activities - Internal Service Funds			
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
\$ (170,182)	\$ (317,680)	\$ (205,316)	\$ 87,813	\$ (568,611)
33,438	6,496,542	6,179,441	703,207	453,268
	236,452			
	111,873	74,757		
(35,822)	(453,722)	69,295	(647,721)	402,382
	(113,411)	11,456	(1,158)	(3,949)
26,454	26,454	78,661	2,414	(47,298)
279	(80,333)	48,884	77,420	(12,167)
(27)	21,447	11,121	(224,260)	291,111
			(159,925)	134,337
(10,242)	15,600	24,214		
			(144,359)	(299,837)
	34,769	25,424	(164,798)	164,798
14,080	6,295,671	6,523,253	(559,180)	1,082,645
\$ (156,102)	\$ 5,977,991	\$ 6,317,937	\$ (471,367)	\$ 514,034

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

EXHIBIT A-11

ASSETS	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
Cash and cash equivalents	\$ 860,336	\$ 27,660	\$ 312,036
Interest in pooled investments	8,516,942		
Total Assets	<u>9,377,278</u>	<u>27,660</u>	<u>\$ 312,036</u>
LIABILITIES			
Liabilities:			
Due to other governmental units			\$ 5,397
Taxes collected in advance			306,639
Total Liabilities			<u>\$ 312,036</u>
NET ASSETS			
Net assets held in trust	<u>\$ 9,377,278</u>	<u>\$ 27,660</u>	

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

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2012

EXHIBIT A-12

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
Additions:		
Investment income (loss)	\$ 57,161	\$ 70
Employer contributions	860,336	
Total Additions	<u>917,497</u>	<u>70</u>
Deductions:		
Supplies and materials		700
Total Deductions		<u>700</u>
Change in Net Assets	<u>917,497</u>	<u>(630)</u>
Net assets at beginning of year	<u>8,459,781</u>	<u>28,290</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,377,278</u></u>	<u><u>\$ 27,660</u></u>

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

This page is intentionally left blank.

City of Port Huron

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS**

June 30, 2012

EXHIBIT A-13

	<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>	<u>Brownfield Redevelopment</u>	<u>McMorran</u>	<u>Total</u>
ASSETS						
Assets:						
Cash and cash equivalents	\$ 484,926	\$ 603,011	\$ 5,000	\$ 244,416	\$ 237,177	\$ 1,574,530
Receivables (net of allowances for uncollectibles)	3,248			377	46,870	50,495
Inventories					9,064	9,064
Prepaid and deferred items	11,721				4,974	16,695
Restricted assets (cash and cash equivalents)					29,789	29,789
Capital assets (net of accumulated depreciation)					978,559	978,559
Total Assets	<u>499,895</u>	<u>603,011</u>	<u>5,000</u>	<u>244,793</u>	<u>1,306,433</u>	<u>2,659,132</u>
LIABILITIES						
Liabilities:						
Accounts payable	5,359	4,656		226,879	44,462	281,356
Accrued payroll	978	8,886			24,289	34,153
Contracts payable	1,000	225,123				226,123
Unearned revenue	64,330		5,000	15,000	29,789	114,119
Other liabilities					174,249	174,249
Net other post-employment benefits obligation					62,810	62,810
Total Liabilities	<u>71,667</u>	<u>238,665</u>	<u>5,000</u>	<u>241,879</u>	<u>335,599</u>	<u>892,810</u>
NET ASSETS						
Invested in capital assets, net of related debt					978,559	978,559
Unrestricted (deficit)	<u>428,228</u>	<u>364,346</u>		<u>2,914</u>	<u>(7,725)</u>	<u>787,763</u>
Net Assets	<u>\$ 428,228</u>	<u>\$ 364,346</u>	<u>\$ 0</u>	<u>\$ 2,914</u>	<u>\$ 970,834</u>	<u>\$ 1,766,322</u>

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

City of Port Huron

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS**

Year Ended June 30, 2012

EXHIBIT A-14

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development:				
Governmental activities:				
Community and economic development	\$ 1,605,708	\$ 471,675	\$ 200,000	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	438,510			
Taxes disbursed - not captured	2,089,480			
Total tax increment finance	2,527,990			
Local Development Finance:				
Governmental activities:				
Community and economic development	340,651			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	242,955			
McMorran:				
Business-type activities:				
McMorran	1,669,862	1,243,205	200,000	50,000
Total component units	\$ 6,387,166	\$ 1,714,880	\$ 400,000	\$ 50,000
	General revenues:			
	Property taxes			
	Unrestricted investment income			
	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
\$ (934,033)	\$	\$	\$	\$	\$ (934,033)
	(438,510)				(438,510)
	(2,089,480)				(2,089,480)
	(2,527,990)				(2,527,990)
		(340,651)			(340,651)
			(242,955)		(242,955)
				(176,657)	(176,657)
(934,033)	(2,527,990)	(340,651)	(242,955)	(176,657)	(4,222,286)
990,724	2,165,593	340,651	241,232		3,738,200
				421	421
990,724	2,165,593	340,651	241,232	421	3,738,621
56,691	(362,397)		(1,723)	(176,236)	(483,665)
371,537	726,743		4,637	1,147,070	2,249,987
\$ 428,228	\$ 364,346	\$ 0	\$ 2,914	\$ 970,834	\$ 1,766,322

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2012

EXHIBIT A-15

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

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

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

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. The Port Huron Building Authority is reported as part of the City and blended into the special revenue funds. The Port Huron Building Authority is a municipal nonprofit, nonstock corporation organized under the laws of the State of Michigan for the purpose of acquiring and owning buildings for lease to the City of Port Huron. During the year ended June 30, 2012 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, 2012, 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, 2012, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2012, 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 brownfield plans are in process but no taxes are yet captured.

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, 2011, the date of its latest audited financial statements, is as follows:

Total Assets	\$ 20,849,278
Total Liabilities	<u>6,769,939</u>
Total Net Assets	<u>\$ 14,079,339</u>
Invested in Capital Assets	\$ 12,334,937
Restricted	4,110,969
Unrestricted	<u>(2,366,567)</u>
Total Net Assets	<u>\$ 14,079,339</u>
Total Operating Revenues	\$ 6,818,124
Total Operating Expenses	(7,927,997)
Capital Grant Contribution	<u>1,399,167</u>
Change in Net Assets	<u>\$ 289,294</u>

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes

are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Implementation of the Statement is required for periods beginning after December 15, 2011, but earlier application is encouraged. As a result, the City has implemented Statement 62 beginning with the fiscal year ended June 30, 2011. Management does not believe implementation will significantly impact the City's financial statements.

Previously, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally were 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 had the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City had 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 collectability. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources or as the collectability 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, energy performance 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 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.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or other; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue other than program revenue. 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 deficits have been classified as due to other funds with a corresponding amount reflected as due from other funds.

INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable utility and other supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

RESTRICTED ASSETS

In accordance with bond covenants, bond proceeds received in the Water and Wastewater Funds (Enterprise Funds) are restricted for designated improvements to the respective systems. In addition, unspent purchase contract proceeds in the Water Fund and the Energy Performance Service Fund (an Internal Service Fund) are restricted until used for their designated purpose. Because these resources are restricted as to their use, they are classified as restricted assets on the statement of net assets and the statement of cash flows.

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.

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, 2012 the total accrued liability (\$2,281,261) 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 considered non-spendable and segregated for inventories, prepaid items and endowments. Restricted balances represent those portions of the fund equity which cannot be appropriated for expenditure or are legally segregated for a specific future use. Amounts segregated 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 year's 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, 2012.

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only by resolution by the City Council

Assigned: Intent to spend resources on specific purposes expressed by the City Council

Unassigned: All other amounts not classified elsewhere

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).

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.

SUBSEQUENT EVENTS

The financial statements and related disclosures include evaluation of events up through and including November 29, 2012, which is the date the financial statements were available to be issued.

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, 2012, building department revenues and expenditures totaled \$326,221 and \$404,907 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$4,044,047 and \$6,275,716 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 authorized investment in a retiree healthcare funding plan provided by the Municipal Employees' Retirement System of Michigan (MERS), the City's pension plan. The funds the City has invested are part of the MERS total market fund, a diversified fund designed to provide reasonable growth and income while minimizing volatility for all MERS defined benefit participants.

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 \$40,621,511 had \$39,269,359 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.

CUSTODIAL 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 custodial credit risk due to one of the following:

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

INTEREST RATE RISK

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The City's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the City's cash requirements. It is the City's policy to hold such securities until maturity.

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investments:		
Cemetery Perpetual Care Fund		
Corporate Bonds	\$ 3,202,581	7.52 years
U.S. Government Agency Notes	<u>638</u>	6.78 years
	<u>3,203,219</u>	
Other Items Reported as Investments:		
Governmental Funds		
Certificates of Deposit	3,078,167	
Internal Service Funds		
Certificates of Deposit	1,500,000	
Enterprise Funds		
Certificates of Deposit	2,500,000	
Cemetery Perpetual Care Fund		
Equities	<u>2,822,596</u>	
Total Other Items	<u>9,900,763</u>	
Total Investments – Primary Government	13,103,982	
Retiree Health Care Benefits Fund	<u>8,516,942</u>	
	<u>\$ 21,620,924</u>	

CREDIT RISK

Endowment funds are authorized by Public Act 157 of 1976 to invest, in part, in mortgages, stocks, bonds, debentures and other securities. The 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, 2012 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:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 121,467	AAA
Corporate bonds	1,211,176	AA
Corporate bonds	1,368,184	A
Corporate bonds	355,853	BBB
Corporate bonds	<u>145,901</u>	Not rated
Total	<u>\$ 3,202,581</u>	
Retiree Health Care Benefits Fund	<u>\$ 8,516,942</u>	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 and equities:

	<u>Fair Value</u>	<u>Fund %</u>
Eli Lilly and Company – 5.5% 03-15-27	<u>\$ 313,678</u>	<u>5.21%</u>

NOTE D--RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	<u>General</u>	<u>Special Revenue/ Permanent</u>	<u>Total Governmental Funds</u>	<u>Internal Service</u>	<u>Total Governmental Activities</u>	<u>Business-type Activities (Enterprise)</u>
Receivables:						
Income tax	\$1,077,389	\$	\$ 1,077,389	\$	\$ 1,077,389	\$
Interest receivable	479,781	35,280	515,061		515,061	
Property taxes	97,479	41,668	139,147		139,147	
Accounts	<u>275,766</u>	<u>2,993,112</u>	<u>3,268,878</u>	<u>1,261,457</u>	<u>4,530,335</u>	<u>4,169,101</u>
Gross Receivables	1,930,415	3,070,060	5,000,475	1,261,457	6,261,932	4,169,101
Less allowances for uncollectable	<u>280,200</u>	<u>24,000</u>	<u>304,200</u>		<u>304,200</u>	<u>76,000</u>
Net total receivables	<u>\$1,650,215</u>	<u>\$ 3,046,060</u>	<u>\$ 4,696,275</u>	<u>\$ 1,261,457</u>	<u>\$ 5,957,732</u>	<u>\$ 4,093,101</u>

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

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

Real and personal property taxes are collected without additional charge for a period of one month from the date the bills are due. After that period of time one percent is added each month 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. A loan of \$1,845,975 was originally scheduled to be repaid in 2009, however, the developer is currently involved in bankruptcy proceedings. Therefore, the ultimate disposition of the \$1,845,975 is uncertain and unlikely to be received. The remaining \$1,100,000 is scheduled to be repaid in 2015, subject to contractual provisions. No revenue has been recognized on either loan.

NOTE E--INTERFUND RECEIVABLES AND PAYABLES

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

Due from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds –		
Nonmajor special revenue funds:		
Rubbish and Garbage Collection	Community Development Block Grant	\$ 32,605
	HOME	38,430
	Neighborhood Rehabilitation	<u>120,320</u>
		<u>\$ 191,355</u>

NOTE F--CAPITAL ASSETS

The components of property and equipment at June 30, 2012 for the primary government’s governmental activities are summarized as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Property and equipment not being depreciated:				
Land	\$ 4,260,209	\$	\$	\$ 4,260,209
Construction in progress	<u>4,936,751</u>	<u>1,473,255</u>	<u>4,352,396</u>	<u>2,057,610</u>
Total property and equipment not being depreciated	<u>9,196,960</u>	<u>1,473,255</u>	<u>4,352,396</u>	<u>6,317,819</u>
Property and equipment being depreciated:				
Land improvements	10,240,720	155,131		10,395,851
Buildings	11,133,830	18,984		11,152,814
Streets, bridges and sidewalks	67,808,075	1,422,323		69,230,398
Machinery and equipment	10,326,011	4,184,713	29,031	14,481,693
Vehicles	<u>4,612,188</u>	<u>595,610</u>	<u>186,861</u>	<u>5,020,937</u>
Total property and equipment being depreciated	<u>104,120,824</u>	<u>6,376,761</u>	<u>215,892</u>	<u>110,281,693</u>
Less accumulated depreciation:				
Land improvements	8,525,125	192,945		8,718,070
Buildings	8,334,285	165,692		8,499,977
Streets, bridges and sidewalks	33,041,640	3,044,442		36,086,082
Machinery and equipment	8,610,955	661,586	29,031	9,243,510
Vehicles	<u>2,616,780</u>	<u>418,622</u>	<u>186,861</u>	<u>2,848,541</u>
Total accumulated depreciation	<u>61,128,785</u>	<u>4,483,287</u>	<u>215,892</u>	<u>65,396,180</u>
Net property and equipment being depreciated	<u>42,992,039</u>	<u>1,893,474</u>	<u></u>	<u>44,885,513</u>
Net governmental property and equipment	<u>\$ 52,188,999</u>	<u>\$ 3,366,729</u>	<u>\$ 4,352,396</u>	<u>\$ 51,203,332</u>

The components of property and equipment at June 30, 2012 for the primary government's business-type activities are summarized as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Property and equipment not being depreciated:				
Land	\$ 4,638,258	\$	\$ 243,962	\$ 4,394,296
Construction in progress	<u>18,015,847</u>	<u>4,587,823</u>	<u>16,100,721</u>	<u>6,502,949</u>
Total property and equipment not being depreciated	<u>22,654,105</u>	<u>4,587,823</u>	<u>16,344,683</u>	<u>10,897,245</u>
Property and equipment being depreciated:				
Land improvements	504,587	852,358		1,356,945
Buildings	33,395,372	211,240	149,990	33,456,622
Systems	182,578,121	20,906,710		203,484,831
Machinery and equipment	<u>14,985,157</u>	<u>2,828,545</u>		<u>17,813,702</u>
Total property and equipment being depreciated	<u>231,463,237</u>	<u>24,798,853</u>	<u>149,990</u>	<u>256,112,100</u>
Less accumulated depreciation:				
Land improvements	404,665	11,040		415,705
Buildings	18,088,204	960,267		19,048,471
Systems	50,337,645	5,044,770		55,382,415
Machinery and equipment	<u>11,055,105</u>	<u>480,465</u>		<u>11,535,570</u>
Total accumulated depreciation	<u>79,885,619</u>	<u>6,496,542</u>		<u>86,382,161</u>
Net property and equipment being depreciated	<u>151,577,618</u>	<u>18,302,311</u>	<u>149,990</u>	<u>169,729,939</u>
Net business-type property and equipment	<u>\$ 174,231,723</u>	<u>\$ 22,890,134</u>	<u>\$ 16,494,673</u>	<u>\$ 180,627,184</u>

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

Governmental activities:	
General government	\$ 906,625
Community and economic development	3,809
Public safety	416,174
Public works	3,059,958
Recreation, parks and culture	<u>96,721</u>
Total governmental activities	<u>\$ 4,483,287</u>
Business-type activities	
Water	\$ 1,889,654
Wastewater	4,510,917
Land purchase	62,533
Marina	<u>33,438</u>
Total business-type activities	<u>\$ 6,496,542</u>

NOTE G--INTERFUND TRANSFERS

Interfund transfers are used either to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or to use unrestricted revenues collected in the General Fund, 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	<u>\$ 575,000</u>
Local Streets Fund from:	
Major Streets Fund	\$ 417,832
Municipal Streets Fund	<u>625,000</u>
Total	<u>\$ 1,042,832</u>

Transfers to major enterprise funds:	
Water Fund – from:	
Major enterprise funds:	
Land Purchase Fund	<u>\$ 1,025,000</u>
Wastewater Funds – from:	
Major governmental funds:	
Municipal Streets Fund	1,000,000
Total governmental funds	
Major enterprise funds:	
Land Purchase Fund	<u>1,225,000</u>
Total transfer to Wastewater Fund	<u>2,225,000</u>
Total transfers to major enterprise funds	<u>\$ 3,250,000</u>
Transfers to nonmajor governmental funds from:	
General Fund (to Beautification)	\$ 3,300
Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)	<u>239,627</u>
Total	<u>\$ 242,927</u>
Transfer to nonmajor enterprise funds:	
Parking Fund - from:	
Major enterprise fund	
Land Purchase Fund	\$ 60,000
Marina Fund – from:	
Major enterprise fund	
Land Purchase Fund	<u>120,000</u>
Total	<u>\$ 180,000</u>
Transfer to internal service funds:	
Motor Vehicle Fund - from:	
General Fund	<u>\$ 80,000</u>

The transfer of \$1,000,000 from the Municipal Street Fund to the Wastewater Fund represents funds that have no legal restrictions and are not Act 51 revenue. Such funds were previously transferred from other funds to the street fund to prepare for expected future significant bridge reconstruction costs. Grant funds subsequently became available for the bridge projects, allowing the funds to become part of planned transfers to reduce utility rate increases. The transfer of \$1,025,000 from the Land Purchase Fund to the Water Fund and the transfer of \$1,225,000 from the Land Purchase Fund to the Wastewater Fund represent revenues that have no legal restrictions and were also made to reduce utility rate increases.

NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>*Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type activities:					
Water Fund:					
1.1% to 5.625% 2011 Water Supply System Revenue Bonds, net of unamortized discount of \$89,536; amount of issue - \$6,910,464	\$ 6,910,464	\$	\$	\$ 6,910,464	\$ 121,984
4.0% to 5.0% 2006 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$117,088 and unamortized deferred charge on refunding of \$192,976; amount of issue - \$6,890,000	5,739,626		(515,514)	5,224,112	545,514
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$43,175; amount of issue - \$3,000,000	2,232,100		(143,925)	2,088,175	148,925

	Balance <u>July 1, 2011</u>	<u>*Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2012</u>	Due Within <u>One Year</u>
2.125% to 2.5% Drinking Water					
Revolving Fund (DWRF)Water					
Supply System General Obligation					
Limited Tax Bonds:					
Series 7088-01	\$ 4,847,355	\$	\$ (385,000)	\$ 4,462,355	\$ 400,000
Series 7105-01	1,095,336		(75,000)	1,020,336	75,000
Series 7110-01	2,189,976		(160,000)	2,029,976	160,000
Series 7113-01	1,185,000		(85,000)	1,100,000	90,000
Series 7119-01	1,694,255		(90,000)	1,604,255	90,000
Series 7132-01	346,230		(25,000)	321,230	25,000
Series 7147-01	1,350,245		(85,000)	1,265,245	85,000
Series 7150-01	376,504		(25,000)	351,504	25,000
Series 7167-01	1,326,036		(75,000)	1,251,036	80,000
Series 7168-01	1,278,577	(70,764)	(72,813)	1,135,000	75,000
Series 7169-01	302,532		(20,000)	282,532	20,000
Series 7185-01	1,015,053		(55,000)	960,053	55,000
Series 7186-01	651,848		(45,000)	606,848	45,000
Series 7187-01	438,662		(25,000)	413,662	25,000
Series 7188-01	564,909		(30,000)	534,909	35,000
Series 7220-01	1,546,676		(80,000)	1,466,676	80,000
Series 7221-01	455,000		(20,000)	435,000	20,000
Series 7275-01	1,920,589	165,975	(105,000)	1,981,564	110,000
Series 7276-01	160,000		(5,000)	155,000	5,000
Water Meter Project					
4.92% Purchase Contract	<u>4,947,968</u>		<u>(204,507)</u>	<u>4,743,461</u>	<u>200,068</u>
Total Water Fund	<u>42,574,941</u>	<u>95,211</u>	<u>(2,326,759)</u>	<u>40,343,393</u>	<u>2,516,491</u>
Wastewater Fund:					
2.0% to 4.25% 2012 Wastewater					
General Obligation Limited Tax					
Bonds, net of unamortized premium					
of \$231,368 and unamortized					
deferred charge on refunding of					
\$207,686; amount of issue -					
\$3,460,000					
		3,483,682		3,483,682	
2.0% to 5.25% 2011B Wastewater					
General Obligation Limited Tax					
Bonds, net of unamortized discount					
of \$56,033; amount of issue -					
\$3,300,000					
		3,243,967		3,243,967	63,063
2.0% to 4.0% 2011 Wastewater					
General Obligation Limited Tax					
Bonds, net of unamortized deferred					
charge on refunding of \$144,022;					
amount of issue - \$7,125,000					
		6,980,978		6,980,978	496,908
2.0% to 5.25% 2011 Wastewater					
General Obligation Limited Tax					
Bonds, net of unamortized premium					
of \$28,358; amount of issue -					
\$5,800,000					
		5,828,358		5,828,358	131,142
4.0% to 5.0% 2007B Wastewater					
General Obligation Limited Tax					
Bonds, net of unamortized discount					
of \$48,700; amount of issue -					
\$4,985,000					
	4,528,865		(127,565)	4,401,300	132,565

	Balance July 1, 2011	*Additions	(Reductions)	Balance June 30, 2012	Due Within One Year
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$64,600 and unamortized deferred charge on refunding of \$157,680; amount of issue - \$5,500,000	\$ 4,490,285	\$	\$ (438,365)	\$ 4,051,920	\$ 433,365
3.5% to 4.2% 2005B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$66,521; amount of issue - \$6,500,000	5,478,362		(244,883)	5,233,479	244,883
2.6% to 4.6% 2003B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$3,959; amount of issue - \$5,500,000	3,952,492		(3,706,451)	246,041	246,041
3.125% to 5.0% 2002 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$10,000,000	7,290,000		(7,290,000)		
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	2,523,192		(255,000)	2,268,192	260,000
Series 5006-02	2,256,635		(200,000)	2,056,635	205,000
Series 5006-03	5,315,000		(475,000)	4,840,000	485,000
Series 5006-04	4,299,559		(345,000)	3,954,559	350,000
Series 5006-05	225,903		(20,000)	205,903	20,000
Series 5006-06	2,012,776		(145,000)	1,867,776	150,000
Series 5006-07	2,175,000		(160,000)	2,015,000	160,000
Series 5006-08	1,046,781		(70,000)	976,781	70,000
Series 5006-09	2,337,532		(145,000)	2,192,532	145,000
Series 5006-10	860,000		(55,000)	805,000	55,000
Series 5006-11	1,430,710		(85,000)	1,345,710	85,000
Series 5006-12	1,439,821		(80,000)	1,359,821	80,000
Series 5006-13	1,034,548		(65,000)	969,548	65,000
Series 5006-14	833,139		(50,000)	783,139	50,000
Series 5006-15	2,248,666		(115,000)	2,133,666	120,000
Series 5006-16	2,588,495	237,005	(120,000)	2,705,500	125,000
Series 5006-17	43,125		(25,000)	18,125	18,125
Series 5006-18	501,831	817,658		1,319,489	70,000
Series 5006-19		768,834		768,834	90,000
Series 5177-01	6,725,000		(485,000)	6,240,000	500,000
Series 5413-01		64,437		64,437	
Total Wastewater Fund	<u>65,637,717</u>	<u>21,424,919</u>	<u>(14,702,264)</u>	<u>72,360,372</u>	<u>4,851,092</u>
Total business-type activities	<u>108,212,658</u>	<u>21,520,130</u>	<u>(17,029,023)</u>	<u>112,703,765</u>	<u>7,367,583</u>
Governmental activities:					
Internal Service Funds:					
Energy Performance Services Fund:					
Energy Services 4.08% Purchase Contract	3,868,559		(254,820)	3,613,739	131,501
Claims and judgments payable	1,315,646	5,565,183	(5,725,108)	1,155,721	992,610
Compensated absences payable	2,425,619	17,385	(161,743)	2,281,261	263,945
Total governmental activities	<u>7,609,824</u>	<u>5,582,568</u>	<u>(6,141,671)</u>	<u>7,050,721</u>	<u>1,388,056</u>
Total	<u>\$115,822,482</u>	<u>\$ 27,102,698</u>	<u>\$ (23,170,694)</u>	<u>\$119,754,486</u>	<u>\$ 8,755,639</u>

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

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, 2012, the City's debt limit amounted to \$64,376,320 and indebtedness subject to the limitation totaled \$21,377,181 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$42,999,139. 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 DWRP 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 \$22,666,612. During the current year, net revenues of the system were \$3,596,285 compared to the annual debt requirements of \$1,356,703.

Construction continues for the State-mandated projects to eliminate Combined Sewer Overflows (CSO). Portions of these projects are being financed through the Michigan Drinking Water Revolving Loan Fund Program (DWRP) and the Michigan State Revolving Loan Fund Program (SRF). Principal and interest payment schedules will be finalized upon completion of the projects for each individual loan. For those DWRP and SRF loans which have not been finalized as of June 30, 2012, 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, 2012, the approved loans and amounts advanced to date for the DWRP and SRF programs were as follows:

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount or Final Amount *</u>	<u>Advances</u>	<u>Projects</u>
June 24, 1999	SRF	5006-01	\$ 5,288,192*	\$ 5,288,192	Indian Creek 2B Indian Creek 3
March 30, 2000	SRF	5006-02	4,336,635*	4,336,635	10 th Avenue Indian Creek 4
June 29, 2000	SRF	5006-03	9,470,000	9,470,000	Peavey Area Beard Area-Industrial Park
March 29, 2001	SRF	5006-04	7,289,559*	7,289,559	16 th Street Pump Station 10 th Street Pump Station Indian Creek 2C 7 th and 9 th Area Military/Electric Area
September 28, 2001	SRF	5006-05	445,903*	445,903	Rural Area
December 20, 2001	DWRP	7088-01	8,232,355*	8,232,355	Indian Creek 2C 7 th and 9 th Area Military/Electric Area Rural Area
March 28, 2002	SRF	5006-06	3,157,776*	3,157,776	11 th Avenue Area Palmer Court Area
March 28, 2002	DWRP	7110-01	3,434,976*	3,434,976	11 th 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	4 th Street Area
September 26, 2002	DWRP	7113-01	1,805,000	1,805,000	4 th Street Area
March 27, 2003	SRF	5006-08	1,496,781*	1,496,781	Tunnel Street Area
March 27, 2003	DWRP	7105-01	1,585,336*	1,585,336	Tunnel Street Area
March 25, 2004	SRF	5006-09	3,197,532*	3,197,532	16 th Avenue Area 1
March 25, 2004	DWRP	7147-01	1,875,245*	1,875,245	16 th Avenue Area 1
June 24, 2004	DWRP	7132-01	501,230*	501,230	Woodstock Area 1
December 16, 2004	SRF	5006-10	1,170,000*	1,170,000	24 th Street Area
March 31, 2005	DWRP	7150-01	501,504*	501,504	24 th Street Area
March 31, 2005	SRF	5006-11	1,990,710*	1,990,710	16 th Avenue Area 2
March 31, 2005	DWRP	7167-01	1,751,036*	1,751,036	16 th Avenue Area 2
March 31, 2005	DWRP	7168-01	1,747,813*	1,747,813	Military Street
June 23, 2005	DWRP	7169-01	407,532*	407,532	Woodstock Area 2
March 30, 2006	SRF	5006-12	1,789,821*	1,789,821	16 th Avenue Area 3
March 30, 2006	DWRP	7185-01	1,225,053*	1,225,053	16 th Avenue Area 3

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount or Final Amount *</u>	<u>Advances</u>	<u>Projects</u>
March 30, 2006	SRF	5006-13	\$ 1,399,548*	\$ 1,399,548	Erie South Area
March 30, 2006	DWRF	7186-01	871,848*	871,848	Erie South Area
March 30, 2006	SRF	5006-14	1,118,139*	1,118,139	Merchant Area
March 30, 2006	DWRF	7187-01	583,662*	583,662	Merchant Area
June 22, 2006	DWRF	7188-01	724,909*	724,909	Woodstock Area 3, Canal
September 21, 2006	DWRF	7119-01	2,039,255*	2,039,255	Filter Backwash
March 29, 2007	SRF	5006-15	2,623,666*	2,623,666	Vanness Area
March 29, 2007	DWRF	7220-01	1,781,676*	1,781,676	Vanness Area
March 29, 2007	DWRF	7221-01	495,000*	495,000	Woodstock Area 4/5
April 17, 2009**	SRF	5006-16	3,000,000	2,940,500	21 st Street Area Part 1
April 17, 2009**	DWRF	7275-01	2,637,000	2,193,564	21 st Street Area Part 1
June 22, 2009**	SRF	5006-17	612,000	65,125	21 st Street Area Part 1
June 29, 2009**	DWRF	7276-01	168,000	168,000	Stone St-Glenwood/Lincoln
January 22, 2010**	SRF	5006-18	1,830,000	1,319,489	Erie North Area
June 24, 2011	SRF	5006-19	2,350,000	768,834	21 st Street Area Part 2
April 10, 2012	SRF	5413-01	<u>560,000</u>	<u>64,437</u>	Clarifier and Pump
Total			<u>\$ 99,024,692</u>	<u>\$95,387,641</u>	

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

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. As projects are finalized, it is possible that ARRA amounts previously recognized as either grant revenue or loan additions could be reallocated. This could result in either negative grant revenue or negative loan additions being recorded in a subsequent year. The grant revenues recognized as of June 30, 2012, are as follows:

<u>Type</u>	<u>Series</u>		
SRF	5006-16	\$ 2,000,000	21 st Street Area Part 1
DWRF	7275-01	1,758,000	21 st Street Area Part 1
SRF	5006-17	408,000	21 st Street Area Part 1
DWRF	7276-01	112,000	Stone St-Glenwood/Lincoln
SRF	5006-18	<u>1,220,000</u>	Erie North Area
Total		<u>\$ 5,498,000</u>	

Recorded in the Enterprise Funds are general obligation bonds and purchase contracts amounting to \$112,703,765 at June 30, 2012 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, 2012 are as follows:

	<u>Business-Type Activities (Enterprise Funds)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,367,583	\$ 3,636,616	\$ 11,004,199
2014	7,644,062	3,429,785	11,073,847
2015	7,950,505	3,206,403	11,156,908
2016	8,222,865	2,965,765	11,188,630
2017	8,333,427	2,716,971	11,050,398
2018-2022	42,300,744	9,704,035	52,004,779
2023-2027	18,403,827	4,512,501	22,916,328
2028-2032	5,325,280	2,561,094	7,886,374
2033-2037	4,330,560	1,373,329	5,703,889
2038-2041	<u>2,824,912</u>	<u>310,835</u>	<u>3,135,747</u>
	<u>\$ 112,703,765</u>	<u>\$ 34,417,334</u>	<u>\$ 147,121,099</u>

Recorded in the Internal Service Funds are purchase contracts amounting to \$3,613,739 at June 30, 2012 for the acquisition of energy saving equipment 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. The equipment provider has guaranteed, subject to certain provisions, that the annual energy savings will be sufficient to provide for the debt service over the fifteen year life of the debt. There are no bond sinking fund requirements.

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2012 are as follows:

	<u>Governmental Activities (Internal Service Funds)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 131,501	\$ 147,441	\$ 278,942
2014	145,235	142,075	287,310
2015	159,779	136,150	295,929
2016	175,176	129,631	304,807
2017	206,639	122,483	329,122
2018-2022	1,329,403	470,368	1,799,771
2023-2026	<u>1,466,006</u>	<u>153,491</u>	<u>1,619,497</u>
	<u>\$ 3,613,739</u>	<u>\$ 1,301,639</u>	<u>\$ 4,915,378</u>

NOTE I--RESTRICTED ASSET ACCOUNTS

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

	<u>Primary Government</u>				<u>Component Unit McMorran</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Energy Performance Services</u>	<u>Total</u>	
Bond construction account	\$ 3,079,546	\$ 1,862,322	\$ 193,428	\$ 5,135,296	\$
State grant account					<u>29,789</u>
	<u>\$ 3,079,546</u>	<u>\$ 1,862,322</u>	<u>\$ 193,428</u>	<u>\$ 5,135,296</u>	<u>\$ 29,789</u>

In accordance with bond covenants, bond proceeds received in the Water, Wastewater and Energy Performance Services 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 (\$13,377,003) 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 collectability 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, 2012 are summarized as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2012</u>
Commitment from Component Units:				
Downtown Development - On behalf of payments from primary government:				
General Fund	\$ 551,166	\$	\$	\$ 551,166
Land Purchase Fund	<u>9,903,705</u>	<u>200,000</u>	<u>(825,495)</u>	<u>9,278,210</u>
Total Downtown Development	<u>10,454,871</u>	<u>200,000</u>	<u>(825,495)</u>	<u>9,829,376</u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2012</u>
Tax Increment Finance - On behalf of payments from primary government:				
General Fund	\$ 163,863	\$	\$	\$ 163,863
Land Purchase Fund	<u>1,886,228</u>	<u> </u>	<u>(11,221)</u>	<u>1,875,007</u>
Total Tax Increment Finance	<u>2,050,091</u>	<u> </u>	<u>(11,221)</u>	<u>2,038,870</u>
Local Development Finance - On behalf of payments from primary government:				
General Fund	391,297			391,297
Land Purchase Fund	<u>2,540,069</u>	<u> </u>	<u>(316,283)</u>	<u>2,223,786</u>
Total Local Development Finance	<u>2,931,366</u>	<u> </u>	<u>(316,283)</u>	<u>2,615,083</u>
Total Commitment from Component Units	<u>\$ 15,436,328</u>	<u>\$ 200,000</u>	<u>\$ (1,152,999)</u>	<u>\$ 14,483,329</u>

On August 12, 2002, the City Council approved a brownfield plan as recommended by the Brownfield Redevelopment Authority. Such plan proposes that eligible cleanup and infrastructure costs incurred by a developer will be reimbursed from captured incremental taxes. Such tax capture will be limited to fifty percent of the new taxes generated. The remaining incremental taxes will flow to the appropriate taxing authorities. As of June 30, 2012, the developer has reported incurring approximately \$16 million in costs. Reimbursement will be limited to the approved plans, as amended, currently \$9.8 million. As of June 30, 2012, taxes of approximately \$2.5 million have been captured to fund such reimbursements.

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 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 280 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, 2012 the City's annual Other Post Employment Benefit (OPEB) cost of \$3,583,611 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, 2012 and the two preceding years were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	3,396,937	100%	\$0
2011	3,429,293	100%	0
2012	3,583,611	100%	0

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

Valuation as of June 30, 2012:

(Dollar amounts in thousands)

Actuarial value of assets	\$ 8,517
Actuarial accrued liability	\$ 66,503
Unfunded AAL	\$ 57,986
Funded ratio	12.8%
Annual covered payroll	\$ 13,841
UAAL as a percentage to covered payroll	418.9%

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

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

In the June 30, 2012, 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 8 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after fifteen 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 June 30, 2012, was twenty-six 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, 2012, all of the City's full-time employees, including all full-time employees of the component units, participate in the plan, except as noted below. 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, 2011.

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 9.71% depending on the employee's classification and bargaining

unit). The City is required to contribute at an actuarially determined amount; the amount was \$2,489,132 for the year ended June 30, 2012 and is expected to be \$2,855,000 and \$2,950,000 for the years ending June 30, 2013, and 2014, respectively, based upon projected wages.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2012 contributions totaling \$3,438,801 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009. The City contributed \$2,489,132 and employees contributed \$949,669. Gross payroll subject to MERS for the year ended June 30, 2012, was \$13,840,815. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 28 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% (1% for calendar years 2011-14) 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

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 2,582,788	100%	\$ 0
2011	3,177,823	100	0
2012	3,438,801	100	0

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2011, the most recent actuarial valuation date, the plan was 69.7 percent funded. The actuarial accrued liability for benefits was \$134.8 million, and the actuarial value of assets was \$94.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$40.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.0 million, and the ratio of the UAAL to the covered payroll was 291.6 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 PLANS

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 City also offered a key personnel insurance trust program to certain employees hired prior to January 1, 1997. 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 (\$450,000 effective July 1, 2012). 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 <u>June 30, 2012</u>	Year ended <u>June 30, 2011</u>
Estimated liability, beginning of year	\$ 1,315,646	\$ 1,181,309
Estimated claims incurred including changes in estimates	5,565,183	5,759,549
Claim payments	<u>(5,725,108)</u>	<u>(5,625,212)</u>
Estimated liability, end of year	<u>\$ 1,155,721</u>	<u>\$ 1,315,646</u>

NOTE P--COMMITMENTS

The City has entered into various construction contracts. Such contracts include sewer separation contracts necessary for the elimination of combined sewer overflows, 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, 2012. The total contractual commitments outstanding as of June 30, 2012, aggregated approximately \$2,925,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

NOTE Q—UPCOMING REPORTING CHANGE

In June 2012, GASB Statement No. 67, Financial Reporting for Pension Plans, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No. 50, Pension Disclosures, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Port Huron, Michigan, this standard will be adopted for the 2013-2014 fiscal year.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2014-2015 fiscal year.

The GASB has also issued other statements which the City is evaluating but currently it does not appear these statements will have a significant impact on the financial statements when adopted.

NOTE R--SUBSEQUENT EVENTS

On September 24, 2012, the City Council approved the issuance and sale of General Obligation Limited Tax (LTGO) Bonds in order to refund the Water Meter Project 4.92% purchase contract and the Energy Services 4.08% purchase contract. On October 18, 2012, the City of Port Huron issued and sold LTGO Refunding Bonds, Series 2012A and 2012B in the amount of \$3,736,500 and \$5,112,000 respectively.

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, 2012

EXHIBIT B

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

<u>Actuarial Valuation December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
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
2009	97,655	128,001	30,346	76.3	14,370	211.2
2010	95,744	131,216	35,472	73.0	14,256	248.8
2011	93,958	134,781	40,823	69.7	14,002	291.6

**REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS**

June 30, 2012

EXHIBIT B-1

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

<u>Actuarial Valuation December 31, (June 30 for 2012)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (Percent)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2005	\$ 0	\$ 55,051	\$ 55,051	0%	\$ 17,210	319.9%
2007	6,058	56,466	50,408	10.7%	15,990	315.3%
2009	5,789	55,796	50,007	10.4%	15,028	332.8%
2012	8,517	66,503	57,986	12.8%	13,841	418.9%

Employer contributions were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Estimated Premiums/Claims</u>	<u>Net Plan Contribution</u>	<u>Net OPEB Obligation</u>
2008	\$	\$ 2,663*	\$	\$
2009	3,251	2,905	346	0
2010	3,397	2,563	834	0
2011	3,429	2,799	630	0
2012	3,584	2,724	860	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 June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	26 years, open
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

This page is intentionally left blank.

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.

City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2012

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets						
Cash and cash equivalents	\$ 6,827	\$ 379,037	\$ 654,452	\$ 383,630	\$	\$ 150
Investments						
Receivables	45,786	1,351	10,368		2,945,975	
Due from other governmental units						39,131
Due from other funds			191,355			
Total Assets	<u>\$ 52,613</u>	<u>\$ 380,388</u>	<u>\$ 856,175</u>	<u>\$ 383,630</u>	<u>\$ 2,945,975</u>	<u>\$ 39,281</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 73	\$ 6,211	\$ 171,925	\$ 6,585	\$	\$ 1,866
Accrued payroll	7,238		4,213	11,319		4,810
Taxes collected in advance			29,845			
Due to other funds						32,605
Unearned revenue	200	380	29,300		2,945,975	
Other liabilities	21,000					
Total Liabilities	<u>28,511</u>	<u>6,591</u>	<u>235,283</u>	<u>17,904</u>	<u>2,945,975</u>	<u>39,281</u>
Fund balances:						
Nonspendable:						
Endowments						
Restricted:						
Law enforcement		373,797				
Rubbish and garbage collection			620,892			
Streetscape maintenance						
Committed:						
Subsequent year's expenditures				1,501		
Other	24,102			364,225		
Total Fund Balances	<u>24,102</u>	<u>373,797</u>	<u>620,892</u>	<u>365,726</u>		
Total Liabilities and Fund Balances	<u>\$ 52,613</u>	<u>\$ 380,388</u>	<u>\$ 856,175</u>	<u>\$ 383,630</u>	<u>\$ 2,945,975</u>	<u>\$ 39,281</u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2012	June 30, 2011
\$	\$ 3,978	\$ 119,251	\$ 4,473	\$ 97,853	\$ 1,649,651	\$ 1,618,981
				6,025,815	6,025,815	5,637,822
				35,280	3,038,760	3,046,244
38,973	121,295				199,399	279,461
					191,355	286,206
<u>\$ 38,973</u>	<u>\$ 125,273</u>	<u>\$ 119,251</u>	<u>\$ 4,473</u>	<u>\$ 6,158,948</u>	<u>\$ 11,104,980</u>	<u>\$ 10,868,714</u>
\$	\$	\$	\$	\$	\$	\$
543	975	286	36		186,982	181,520
		218			29,316	30,672
					29,845	46,118
38,430	120,320				191,355	286,206
	3,978				2,979,833	2,985,021
				96,165	117,165	83,250
<u>38,973</u>	<u>125,273</u>	<u>504</u>	<u>36</u>	<u>96,165</u>	<u>3,534,496</u>	<u>3,612,787</u>
				6,062,783	6,062,783	5,653,910
					373,797	376,082
					620,892	792,445
		118,747			118,747	103,632
					3,001	13,919
				1,500	391,264	315,939
				2,937		
		<u>118,747</u>	<u>4,437</u>	<u>6,062,783</u>	<u>7,570,484</u>	<u>7,255,927</u>
<u>\$ 38,973</u>	<u>\$ 125,273</u>	<u>\$ 119,251</u>	<u>\$ 4,473</u>	<u>\$ 6,158,948</u>	<u>\$ 11,104,980</u>	<u>\$ 10,868,714</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	\$	\$	\$ 1,755,857	\$	\$	\$
Grants		5,066				1,254,124
Charges for services	224,490	61,438		158,147		1,743
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	<u>224,490</u>	<u>66,504</u>	<u>1,755,857</u>	<u>158,147</u>		<u>1,255,867</u>
Expenditures:						
Current:						
Public safety		64,830				
Public works			1,927,410	342,861		
General support services	211,297					159,285
Capital outlay		3,959		4,581		1,096,582
Total Expenditures	<u>211,297</u>	<u>68,789</u>	<u>1,927,410</u>	<u>347,442</u>		<u>1,255,867</u>
Revenue over (under) Expenditures	<u>13,193</u>	<u>(2,285)</u>	<u>(171,553)</u>	<u>(189,295)</u>		
Other financing sources (uses):						
Transfers in				239,627		
Transfers out				<u>239,627</u>		
Net change in fund balances	13,193	(2,285)	(171,553)	50,332		
Fund balances at beginning of year	<u>10,909</u>	<u>376,082</u>	<u>792,445</u>	<u>315,394</u>		
FUND BALANCES AT END OF YEAR	<u>\$ 24,102</u>	<u>\$ 373,797</u>	<u>\$ 620,892</u>	<u>\$ 365,726</u>	<u>\$ 0</u>	<u>\$ 0</u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2012	June 30, 2011
\$ 188,571	\$ 273,007 64,583	\$ 48,086	\$ 150	\$ 73,715	\$ 1,755,857 1,720,768 632,352	\$ 1,889,418 1,827,650 513,912
				239,627	239,627	245,733
				335,158	335,158	401,833
<u>188,571</u>	<u>337,590</u>	<u>48,086</u>	<u>150</u>	<u>648,500</u>	<u>4,683,762</u>	<u>4,878,546</u>
		32,971	2,568		64,830 2,303,242 402,856	86,497 2,602,390 494,474
14,729 173,842 <u>188,571</u>	14,977 322,613 <u>337,590</u>	<u>32,971</u>	<u>2,568</u>		<u>1,601,577</u>	<u>1,680,352</u>
		15,115	(2,418)	648,500	4,372,505	4,863,713
			3,300		311,257	14,833
				(239,627)	242,927 (239,627)	249,033 (245,733)
			3,300	(239,627)	3,300	3,300
		15,115 103,632	882 3,555	408,873 5,653,910	314,557 7,255,927	18,133 7,237,794
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,747</u>	<u>\$ 4,437</u>	<u>\$ 6,062,783</u>	<u>\$ 7,570,484</u>	<u>\$ 7,255,927</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT C-2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RENTAL CERTIFICATION:				
Revenues:				
Charges for services	\$ 169,064	\$ 225,000	\$ 224,490	\$ (510)
Expenditures:				
Current:				
General support services	181,522	235,000	211,297	23,703
Revenues over (under) Expenditures	(12,458)	(10,000)	13,193	23,193
Fund balance at beginning of year	10,909	10,909	10,909	
FUND BALANCE AT END OF YEAR	\$ (1,549)	\$ 909	\$ 24,102	\$ 23,193
LAW ENFORCEMENT:				
Revenues:				
Grants	\$ 85,000	\$ 85,000	\$ 5,066	\$ (79,934)
Charges for services	66,000	66,000	61,438	(4,562)
Total Revenues	151,000	151,000	66,504	(84,496)
Expenditures:				
Current:				
Public safety	108,500	108,500	64,830	43,670
Capital outlay	150,000	150,000	3,959	146,041
Total Expenditures	258,500	258,500	68,789	189,711
Revenues over (under) Expenditures	(107,500)	(107,500)	(2,285)	105,215
Fund balance at beginning of year	376,082	376,082	376,082	
FUND BALANCE AT END OF YEAR	\$ 268,582	\$ 268,582	\$ 373,797	\$ 105,215
RUBBISH AND GARBAGE COLLECTION:				
Revenues:				
Taxes	\$ 1,770,000	\$ 1,770,000	\$ 1,755,857	\$ (14,143)
Expenditures:				
Current:				
Public works	2,288,795	2,288,795	1,927,410	361,385
Revenues over (under) Expenditures	(518,795)	(518,795)	(171,553)	347,242
Fund balance at beginning of year	792,445	792,445	792,445	
FUND BALANCE AT END OF YEAR	\$ 273,650	\$ 273,650	\$ 620,892	\$ 347,242

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY:				
Revenues:				
Charges for services	\$ 118,000	\$ 118,000	\$ 158,147	\$ 40,147
Expenditures:				
Current:				
Public works	357,210	357,210	342,861	14,349
Capital outlay	11,800	11,800	4,581	7,219
Total Expenditures	<u>369,010</u>	<u>369,010</u>	<u>347,442</u>	<u>21,568</u>
Revenues over (under) Expenditures	(251,010)	(251,010)	(189,295)	61,715
Other financing sources (uses):				
Transfers in	250,000	250,000	239,627	(10,373)
Net change in fund balances	(1,010)	(1,010)	50,332	51,342
Fund balance at beginning of year	<u>315,394</u>	<u>315,394</u>	<u>315,394</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ 314,384</u></u>	<u><u>\$ 314,384</u></u>	<u><u>\$ 365,726</u></u>	<u><u>\$ 51,342</u></u>
LOAN REVOLVING:				
Revenues over Expenditures	\$	\$	\$	\$
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
COMMUNITY DEVELOPMENT BLOCK GRANT:				
Revenues:				
Grants	\$ 900,000	\$ 1,500,000	\$ 1,254,124	\$ (245,876)
Charges for services			1,743	1,743
Total Revenues	<u>900,000</u>	<u>1,500,000</u>	<u>1,255,867</u>	<u>(244,133)</u>
Expenditures:				
Current:				
General support services	180,000	180,000	159,285	20,715
Capital outlay	720,000	1,320,000	1,096,582	223,418
Total Expenditures	<u>900,000</u>	<u>1,500,000</u>	<u>1,255,867</u>	<u>244,133</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT C-2
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOME:				
Revenues:				
Grants	\$ 280,000	\$ 280,000	\$ 188,571	\$ (91,429)
Expenditures:				
Current:				
General support services	28,000	28,000	14,729	13,271
Capital outlay	252,000	252,000	173,842	78,158
Total Expenditures	<u>280,000</u>	<u>280,000</u>	<u>188,571</u>	<u>91,429</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
NEIGHBORHOOD REHABILITATION				
Revenues:				
Grants	\$ 700,000	\$ 700,000	\$ 273,007	\$ (426,993)
Charges for services			64,583	64,583
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>337,590</u>	<u>(362,410)</u>
Expenditures:				
Current:				
General support services	70,000	70,000	14,977	55,023
Capital outlay	630,000	630,000	322,613	307,387
Total Expenditures	<u>700,000</u>	<u>700,000</u>	<u>337,590</u>	<u>362,410</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
STREETSCAPE MAINTENANCE:				
Revenues:				
Charges for services	\$ 47,500	\$ 47,500	\$ 48,086	\$ 586
Expenditures:				
Current:				
Public works	46,000	46,000	32,971	13,029
Capital outlay	24,000	24,000		24,000
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>32,971</u>	<u>37,029</u>
Revenues over Expenditures	(22,500)	(22,500)	15,115	37,615
Fund balance at beginning of year	103,632	103,632	103,632	
FUND BALANCE AT END OF YEAR	<u><u>\$ 81,132</u></u>	<u><u>\$ 81,132</u></u>	<u><u>\$ 118,747</u></u>	<u><u>\$ 37,615</u></u>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2012

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	\$ 150	\$ (1,850)
Expenditures:				
Current:				
General support services	7,300	7,300	2,568	4,732
Revenues over (under) Expenditures	(5,300)	(5,300)	(2,418)	2,882
Other financing sources (uses):				
Transfers in	3,300	3,300	3,300	
Net change in fund balances	(2,000)	(2,000)	882	2,882
Fund balance at beginning of year	3,555	3,555	3,555	
FUND BALANCE AT END OF YEAR	\$ 1,555	\$ 1,555	\$ 4,437	\$ 2,882

This page is intentionally left blank.

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 parking lots are accounted for in this fund.

Senior Citizens Fund - The rental operations related to senior citizens housing previously owned by the City of Port Huron were recorded in this fund. Grandview Tower, which comprises the senior citizens housing operation, was sold July 31, 2008 and the underlying land, previously leased, was sold December 21, 2010. The remaining sales proceeds and activity are recorded in this fund. The City expects to use the proceeds to mitigate future utility rate increases in the Water and Wastewater Enterprise Funds.

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

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT D

ASSETS	Parking	Senior Citizens	Marina
Current assets:			
Cash and cash equivalents	\$ 117,796	\$ 3,606,603	\$ 560,154
Investments		1,000,000	
Accounts receivable (net of allowances for uncollectibles)			35,822
Due from other governmental units			219
Prepaid expenses			18,152
Total Current Assets	<u>117,796</u>	<u>4,606,603</u>	<u>614,347</u>
Capital assets:			
Land	861,665		702,513
Land improvements	263,033		172,496
Buildings			169,387
Equipment	3,370		1,106,941
	<u>1,128,068</u>		<u>2,151,337</u>
Less accumulated depreciation	266,403		1,183,644
Total Capital Assets	<u>861,665</u>		<u>967,693</u>
Total Assets	<u>979,461</u>	<u>4,606,603</u>	<u>1,582,040</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,134		3,163
Accrued payroll	228		271
Contracts payable			5,120
Total Current Liabilities	<u>2,362</u>		<u>8,554</u>
NET ASSETS			
Invested in capital assets	861,665		967,693
Unrestricted	115,434	4,606,603	605,793
Total Net Assets	<u>\$ 977,099</u>	<u>\$ 4,606,603</u>	<u>\$ 1,573,486</u>

Totals

June 30, 2012	June 30, 2011
\$ 4,284,553 1,000,000 35,822 219 18,152 <hr style="border: 0.5px solid black;"/> 5,338,746 <hr style="border: 0.5px solid black;"/> 1,564,178 435,529 169,387 1,110,311 <hr style="border: 0.5px solid black;"/> 3,279,405 1,450,047 <hr style="border: 0.5px solid black;"/> 1,829,358 <hr style="border: 0.5px solid black;"/> 7,168,104 <hr style="border: 0.5px solid black;"/> 5,297 499 5,120 <hr style="border: 0.5px solid black;"/> 10,916 <hr style="border: 0.5px solid black;"/> 1,829,358 5,327,830 <hr style="border: 0.5px solid black;"/> \$ 7,157,188 <hr style="border: 1px solid black;"/>	\$ 3,131,722 2,000,000 50,711 44,606 <hr style="border: 0.5px solid black;"/> 5,227,039 <hr style="border: 0.5px solid black;"/> 1,564,178 435,529 169,387 1,110,311 <hr style="border: 0.5px solid black;"/> 3,279,405 1,416,609 <hr style="border: 0.5px solid black;"/> 1,862,796 <hr style="border: 0.5px solid black;"/> 7,089,835 <hr style="border: 0.5px solid black;"/> 5,018 526 15,362 <hr style="border: 0.5px solid black;"/> 20,906 <hr style="border: 0.5px solid black;"/> 1,862,796 5,206,133 <hr style="border: 0.5px solid black;"/> \$ 7,068,929 <hr style="border: 1px solid black;"/>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT D-1

	Parking	Senior Citizens	Marina
Operating revenues:			
Charges for services	\$ 53,129	\$ 1,462	\$
Rents			35,822
Total Operating Revenues	<u>53,129</u>	<u>1,462</u>	<u>35,822</u>
Operating expenses:			
Personal services	15,888		6,834
Supplies and materials	5,210		1,152
Contractual services	83,214		114,859
Depreciation			33,438
Total Operating Expenses	<u>104,312</u>	<u></u>	<u>156,283</u>
Operating Income (Loss)	<u>(51,183)</u>	<u>1,462</u>	<u>(120,461)</u>
Nonoperating revenue (expenses):			
Investment income		75,466	
Operating grants	2,495		480
Gain (loss) on sale of property and equipment			
	<u>2,495</u>	<u>75,466</u>	<u>480</u>
Income (Loss) Before Operating Transfers	<u>(48,688)</u>	<u>76,928</u>	<u>(119,981)</u>
Transfers in (out):			
Transfer in	60,000		120,000
Change in Net Assets	<u>11,312</u>	<u>76,928</u>	<u>19</u>
Net assets at beginning of year	<u>965,787</u>	<u>4,529,675</u>	<u>1,573,467</u>
NET ASSETS AT END OF YEAR	<u>\$ 977,099</u>	<u>\$ 4,606,603</u>	<u>\$ 1,573,486</u>

Totals

June 30, 2012	June 30, 2011
\$ 54,591	\$ 59,483
35,822	73,081
90,413	132,564
22,722	66,907
6,362	6,890
198,073	210,285
33,438	35,155
260,595	319,237
(170,182)	(186,673)
75,466	83,048
2,975	50,427
	175,000
78,441	308,475
(91,741)	121,802
180,000	219,186
88,259	340,988
7,068,929	6,727,941
\$ 7,157,188	\$ 7,068,929

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 53,129	\$ 1,462	\$
Payments to suppliers for goods and services	(78,439)		(81,380)
Payments to employees for services	(15,956)		(6,793)
Payments connected with interfund services	(10,969)		(17,156)
Net cash provided by (used in) operating activities	<u>(52,235)</u>	<u>1,462</u>	<u>(105,329)</u>
Cash flows from noncapital financing activities:			
Operating grants received	2,495		50,972
Transfers in	60,000		120,000
Net cash provided by (used in) noncapital financing activities	<u>62,495</u>		<u>170,972</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of property and equipment			
Net cash provided by (used in) capital and related financing activities			
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		1,000,000	
Investment income		75,466	
Net cash provided by (used in) investing activities		<u>1,075,466</u>	
Net increase (decrease) in cash and cash equivalents	10,260	1,076,928	65,643
Cash and cash equivalents at beginning of year	107,536	2,529,675	494,511
Cash and cash equivalents at end of year	<u>\$ 117,796</u>	<u>\$ 3,606,603</u>	<u>\$ 560,154</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (51,183)	\$ 1,462	\$ (120,461)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation			33,438
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables			(35,822)
Decrease (increase) in prepaid expenses			26,454
Increase (decrease) in accounts payable	(984)		1,263
Increase (decrease) in accrued payroll	(68)		41
Increase (decrease) in contracts payable			(10,242)
Total Adjustments	<u>(1,052)</u>		<u>15,132</u>
Net cash provided by (used in) operating activities	<u>\$ (52,235)</u>	<u>\$ 1,462</u>	<u>\$ (105,329)</u>

Totals

June 30, 2012	June 30, 2011
\$ 54,591	\$ 137,519
(159,819)	(194,610)
(22,749)	(68,492)
(28,125)	(32,234)
(156,102)	(157,817)
53,467	47,065
180,000	219,186
233,467	266,251
	175,000
	175,000
1,000,000	1,000,000
75,466	83,048
1,075,466	1,083,048
1,152,831	1,366,482
3,131,722	1,765,240
\$ 4,284,553	\$ 3,131,722
\$ (170,182)	\$ (186,673)
33,438	35,155
(35,822)	4,955
26,454	3,661
279	(1,878)
(27)	(1,585)
(10,242)	(11,452)
14,080	28,856
\$ (156,102)	\$ (157,817)

This page is intentionally left blank.

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.

Energy Performance Services Fund - The City has entered into a guaranteed energy savings performance contract to update various City facilities. This fund was established to account for the allocation of the project costs to other City departments.

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

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET ASSETS

June 30, 2012

EXHIBIT E

ASSETS	Central Stores	Motor Vehicle	Data Processing
Current assets:			
Cash and cash equivalents	\$ 17,823	\$ 413,389	\$ 608,008
Investments			
Accounts receivable			125
Due from other governmental units			
Inventories	37,989	87,494	21,950
Total Current Assets	<u>55,812</u>	<u>500,883</u>	<u>630,083</u>
Noncurrent assets:			
Restricted cash and cash equivalents			
Capital assets:			
Land improvements		1,809,426	
Machinery and equipment	43,464	347,487	454,002
Vehicles		4,130,034	
Construction in progress			
	<u>43,464</u>	<u>6,286,947</u>	<u>454,002</u>
Less accumulated depreciation	38,427	3,653,900	387,901
Total Capital Assets	<u>5,037</u>	<u>2,633,047</u>	<u>66,101</u>
Total Assets	<u>60,849</u>	<u>3,133,930</u>	<u>696,184</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,561	82,728	5,297
Accrued payroll		20,093	14,674
Contracts payable			
Accrued interest payable			
Other liabilities			
Current portion of long-term debt			
Claims and judgments payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	<u>4,561</u>	<u>102,821</u>	<u>19,971</u>
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)			
Claims and judgments payable (exclusive of current portion)			
Compensated absences payable (exclusive of current portion)			
Total Noncurrent Liabilities			
Total liabilities	<u>4,561</u>	<u>102,821</u>	<u>19,971</u>
ASSETS			
Invested in capital assets	5,037	2,633,047	66,101
Unrestricted	51,251	398,062	610,112
Total Net Assets	<u>\$ 56,288</u>	<u>\$ 3,031,109</u>	<u>\$ 676,213</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2012	June 30, 2011
\$ 131,732	\$ 6,909,042	\$ 8,079,994	\$ 8,206,982
	1,500,000	1,500,000	3,000,000
	1,261,332	1,261,457	613,736
	163,169	163,169	162,011
		147,433	149,847
<u>131,732</u>	<u>9,833,543</u>	<u>11,152,053</u>	<u>12,132,576</u>
<u>193,428</u>		<u>193,428</u>	<u>251,547</u>
		1,809,426	1,809,426
4,007,802		4,852,755	805,042
		4,130,034	3,721,285
			3,620,946
<u>4,007,802</u>		<u>10,792,215</u>	<u>9,956,699</u>
<u>190,719</u>		<u>4,270,947</u>	<u>3,754,601</u>
<u>3,817,083</u>		<u>6,521,268</u>	<u>6,202,098</u>
<u>4,142,243</u>	<u>9,833,543</u>	<u>17,866,749</u>	<u>18,586,221</u>
	21,830	114,416	36,996
	358,948	393,715	617,975
193,428		193,428	193,428
130,118		130,118	139,243
			164,798
131,501		131,501	254,820
	992,610	992,610	982,932
	263,945	263,945	315,759
<u>455,047</u>	<u>1,637,333</u>	<u>2,219,733</u>	<u>2,705,951</u>
<u>3,482,238</u>		<u>3,482,238</u>	<u>3,613,739</u>
	163,111	163,111	332,714
	2,017,316	2,017,316	2,109,861
<u>3,482,238</u>	<u>2,180,427</u>	<u>5,662,665</u>	<u>6,056,314</u>
<u>3,937,285</u>	<u>3,817,760</u>	<u>7,882,398</u>	<u>8,762,265</u>
203,344		2,907,529	2,585,086
1,614	6,015,783	7,076,822	7,238,870
<u>\$ 204,958</u>	<u>\$ 6,015,783</u>	<u>\$ 9,984,351</u>	<u>\$ 9,823,956</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 108,031	\$ 1,637,279	\$ 614,710
Operating expenses:			
Personal services	12,743	602,252	383,010
Supplies and materials	35,123	429,538	51,437
Contractual services	57,038	630,526	155,352
Depreciation	4,217	491,644	16,627
Total Operating Expenses	<u>109,121</u>	<u>2,153,960</u>	<u>606,426</u>
Operating Income (Loss)	<u>(1,090)</u>	<u>(516,681)</u>	<u>8,284</u>
Nonoperating revenues (expenses):			
Investment income			
Interest expense			
Gain on sale of property and equipment			
Total Nonoperating Revenues			
Income (Loss) Before Operating Transfers	<u>(1,090)</u>	<u>(516,681)</u>	<u>8,284</u>
Transfers in (out):			
Transfer in		80,000	
Change in Net Assets	<u>(1,090)</u>	<u>(436,681)</u>	<u>8,284</u>
Net assets at beginning of year	<u>57,378</u>	<u>3,467,790</u>	<u>667,929</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 56,288</u></u>	<u><u>\$ 3,031,109</u></u>	<u><u>\$ 676,213</u></u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2012	June 30, 2011
\$ 540,000	\$ 9,894,190	\$ 12,794,210	\$ 12,994,687
	8,964,173	9,962,178	10,808,826
	681,998	516,098	447,526
190,719		1,524,914	1,853,678
190,719		703,207	453,268
349,281	9,646,171	12,706,397	13,563,298
	248,019	87,813	(568,611)
456	140,839	141,295	160,860
(148,713)		(148,713)	
			12,441
(148,257)	140,839	(7,418)	173,301
201,024	388,858	80,395	(395,310)
		80,000	
201,024	388,858	160,395	(395,310)
3,934	5,626,925	9,823,956	10,219,266
\$ 204,958	\$ 6,015,783	\$ 9,984,351	\$ 9,823,956

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows operating activities:			
Receipts from customers	\$ 108,031	\$ 1,637,279	\$ 614,585
Payments to suppliers for goods and services	(80,804)	(798,867)	(147,497)
Payments to employees for services	(12,743)	(606,217)	(381,467)
Payments connected with interfund services	(10,831)	(185,302)	(59,359)
Net cash provided by (used in) operating activities	<u>3,653</u>	<u>46,893</u>	<u>26,262</u>
Cash flows from noncapital financing activities:			
Transfers in		80,000	
Net cash provided by (used in) noncapital financing activities		<u>80,000</u>	
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(595,610)	(39,911)
Proceeds from issuance of long-term debt			
Proceeds from sale of equipment			
Interest paid			
Principal payment on long-term debt			
Net cash provided by (used in) capital and related financial activities		<u>(595,610)</u>	<u>(39,911)</u>
Cash flows from investing activities:			
Proceeds from the sales and maturities of investments			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	3,653	(468,717)	(13,649)
Cash and cash equivalents at beginning of year	14,170	882,106	621,657
Cash and cash equivalents at end of year	<u>\$ 17,823</u>	<u>\$ 413,389</u>	<u>\$ 608,008</u>
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 17,823	\$ 413,389	\$ 608,008
Restricted assets - cash and cash equivalents			
Total balance sheet classification	<u>\$ 17,823</u>	<u>\$ 413,389</u>	<u>\$ 608,008</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,090)	\$ (516,681)	\$ 8,284
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,217	491,644	16,627
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			(125)
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	(3,496)	5,113	797
Decrease (increase) in accounts payable	4,022	70,782	(864)
Decrease (increase) in accrued payroll		(3,965)	1,543
Decrease (increase) in claims and judgments payable			
Decrease (increase) in compensated absences payable			
Decrease (increase) in other liabilities			
Total adjustments	<u>4,743</u>	<u>563,574</u>	<u>17,978</u>
Net cash provided by (used in) operating activities	<u>\$ 3,653</u>	<u>\$ 46,893</u>	<u>\$ 26,262</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2012	June 30, 2011
\$ 540,000	\$ 9,245,436	\$ 12,145,331	\$ 13,393,120
	(681,998)	(1,709,166)	(2,071,000)
	(9,651,613)	(10,652,040)	(10,537,593)
		(255,492)	(270,493)
<u>540,000</u>	<u>(1,088,175)</u>	<u>(471,367)</u>	<u>514,034</u>
		80,000	
		80,000	
(386,856)		(1,022,377)	(3,896,636)
			3,868,559
			12,441
(157,838)		(157,838)	
(254,820)		(254,820)	
<u>(799,514)</u>		<u>(1,435,035)</u>	<u>(15,636)</u>
	1,500,000	1,500,000	1,500,000
456	140,839	141,295	160,860
<u>456</u>	<u>1,640,839</u>	<u>1,641,295</u>	<u>1,660,860</u>
(259,058)	552,664	(185,107)	2,159,258
584,218	6,356,378	8,458,529	6,299,271
<u>\$ 325,160</u>	<u>\$ 6,909,042</u>	<u>\$ 8,273,422</u>	<u>\$ 8,458,529</u>
\$ 131,732	\$ 6,909,042	\$ 8,079,994	\$ 8,206,982
193,428		193,428	251,547
<u>\$ 325,160</u>	<u>\$ 6,909,042</u>	<u>\$ 8,273,422</u>	<u>\$ 8,458,529</u>
\$ 349,281	\$ 248,019	\$ 87,813	\$ (568,611)
190,719		703,207	453,268
	(647,596)	(647,721)	402,382
	(1,158)	(1,158)	(3,949)
	3,480	2,414	(47,298)
	(221,838)	77,420	(12,167)
	(159,925)	(224,260)	291,111
	(144,359)	(159,925)	134,337
	(164,798)	(144,359)	(299,837)
		(164,798)	164,798
<u>190,719</u>	<u>(1,336,194)</u>	<u>(559,180)</u>	<u>1,082,645</u>
<u>\$ 540,000</u>	<u>\$ (1,088,175)</u>	<u>\$ (471,367)</u>	<u>\$ 514,034</u>

This page is intentionally left blank.

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 resources accumulated to offset the future cost of 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 -
STATEMENT OF NET ASSETS**

June 30, 2012

EXHIBIT F

	Trust Funds			
	Pension and Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 860,336	\$ 629,876	\$ 27,660	\$ 28,290
Interest in pooled investments	8,516,942	7,829,905		
Total Assets	<u>\$ 9,377,278</u>	<u>\$ 8,459,781</u>	<u>\$ 27,660</u>	<u>\$ 28,290</u>
LIABILITIES				
Other liabilities				
NET ASSETS				
Net assets held in trust	<u>\$ 9,377,278</u>	<u>\$ 8,459,781</u>	<u>\$ 27,660</u>	<u>\$ 28,290</u>

City of Port Huron

**FIDUCIARY FUNDS -
STATEMENT OF CHANGES IN NET ASSETS**
Year Ended June 30, 2012

EXHIBIT F-1

	Trust Funds			
	Pension and Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Additions:				
Investment income (loss)	\$ 57,161	\$ 1,282,153	\$ 70	\$ 100
Employer contributions	860,336	629,876		
Total Additions	917,497	1,912,029	70	100
Deductions:				
Supplies and materials			700	700
Total Deductions			700	700
Change in Net Assets	917,497	1,912,029	(630)	(600)
Net assets at beginning of year	8,459,781	6,547,752	28,290	28,890
NET ASSETS AT END OF YEAR	\$ 9,377,278	\$ 8,459,781	\$ 27,660	\$ 28,290

City of Port Huron

**AGENCY FUND - STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES**

Year Ended June 30, 2012

EXHIBIT F-2

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and cash equivalents	\$ 488,959	\$ 30,861,902	\$ 31,038,825	\$ 312,036
LIABILITIES				
Due to other governmental units	\$ 5,787	\$ 17,991,861	\$ 17,992,251	\$ 5,397
Taxes collected in advance	483,172	306,639	483,172	306,639
NET ASSETS AT END OF YEAR	\$ 488,959	\$ 18,298,500	\$ 18,475,423	\$ 312,036

FINANCIAL STATEMENTS

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS

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

Downtown Development Authority - The Authority was established for the purpose of maintaining and renovating the downtown Port Huron area and collecting property tax revenues restricted for that purpose. The operating activities of the Authority are accounted for as governmental - type funds with each plan reported as a special revenue fund.

Tax Increment Finance Authority - The Authority is used for the maintaining and renovating of the City's Industrial Park and other areas outside the Downtown Development District/Authority through the collection of property tax revenues restricted for these purposes. The operating activities of the Authority are accounted for as governmental - type funds with each plan reported as a specific revenue fund.

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

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

City of Port Huron

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS -
TAX INCREMENT AUTHORITIES - COMBINING BALANCE SHEET SCHEDULE**

June 30, 2012

EXHIBIT G

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
ASSETS					
Cash and cash equivalents	\$ 484,926	\$ 603,011	\$ 5,000	\$ 244,416	\$ 1,337,353
Receivables	3,248			377	3,625
Prepaid items	11,721				11,721
Total Assets	<u>\$ 499,895</u>	<u>\$ 603,011</u>	<u>\$ 5,000</u>	<u>\$ 244,793</u>	<u>\$ 1,352,699</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,359	\$ 4,656	\$	\$ 226,879	\$ 236,894
Accrued payroll	978	8,886			9,864
Contracts payable	1,000	225,123			226,123
Unearned revenue	64,330		5,000	15,000	84,330
Total Liabilities	<u>71,667</u>	<u>238,665</u>	<u>5,000</u>	<u>241,879</u>	<u>557,211</u>
Fund balances:					
Assigned:					
Subsequent year's expenditures	309,002	306,600			615,602
Unassigned	119,226	57,746		2,914	179,886
Total Fund Balances	<u>428,228</u>	<u>364,346</u>		<u>2,914</u>	<u>795,488</u>
Total Liabilities and Fund Balances	<u>\$ 499,895</u>	<u>\$ 603,011</u>	<u>\$ 5,000</u>	<u>\$ 244,793</u>	<u>\$ 1,352,699</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT G-1

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
Revenues:					
Taxes	\$ 990,724	\$ 2,165,593	\$ 340,651	\$ 241,232	\$ 3,738,200
Charges for services	471,675				471,675
Total Revenues	<u>1,462,399</u>	<u>2,165,593</u>	<u>340,651</u>	<u>241,232</u>	<u>4,209,875</u>
Expenditures:					
Current:					
Taxes disbursed - not captured		2,089,480			2,089,480
General support services	596,972	106,146	24,368	242,955	970,441
Capital outlay	183,241	321,143			504,384
Total Expenditures	<u>780,213</u>	<u>2,516,769</u>	<u>24,368</u>	<u>242,955</u>	<u>3,564,305</u>
Revenues over (under) Expenditures	<u>682,186</u>	<u>(351,176)</u>	<u>316,283</u>	<u>(1,723)</u>	<u>645,570</u>
Other financing sources (uses):					
Transfers in:					
Primary government	200,000				200,000
Transfers out:					
Primary government	(825,495)	(11,221)	(316,283)		(1,152,999)
	<u>(625,495)</u>	<u>(11,221)</u>	<u>(316,283)</u>		<u>(952,999)</u>
Net change in fund balances	56,691	(362,397)		(1,723)	(307,429)
Fund balances at beginning of year	<u>371,537</u>	<u>726,743</u>		<u>4,637</u>	<u>1,102,917</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 428,228</u></u>	<u><u>\$ 364,346</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,914</u></u>	<u><u>\$ 795,488</u></u>

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2012

EXHIBIT G-2

ASSETS				Special Revenue
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Cash and cash equivalents	\$ 117,732	\$ 120,581	\$ 114,645	\$ 15,812
Receivables	1,778			
Prepaid items	11,721			
Total Assets	\$ 131,231	\$ 120,581	\$ 114,645	\$ 15,812
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,547	\$	\$	\$ 3,812
Accrued payroll	978			
Contracts payable			1,000	
Unearned revenue	4,330			12,000
Total Liabilities	6,855		1,000	15,812
Fund balances:				
Assigned:				
Subsequent year's expenditures	124,376	115,000		
Unassigned		5,581	113,645	
Total Fund Balances	124,376	120,581	113,645	
Total Liabilities and Fund Balances	\$ 131,231	\$ 120,581	\$ 114,645	\$ 15,812

Funds

Mainstreet	Water Street	Totals
\$ 68,156 1,470	\$ 48,000	\$ 484,926 3,248 11,721
<u>\$ 69,626</u>	<u>\$ 48,000</u>	<u>\$ 499,895</u>
\$	\$	\$ 5,359 978 1,000 64,330
<u> </u>	<u>48,000</u>	<u>64,330</u>
<u> </u>	<u>48,000</u>	<u>71,667</u>
69,626		309,002 119,226
<u>69,626</u>		<u>428,228</u>
<u>\$ 69,626</u>	<u>\$ 48,000</u>	<u>\$ 499,895</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 74,984	\$	\$ 7,601	\$ 445,820
Charges for services	471,675			
Total Revenues	<u>546,659</u>		<u>7,601</u>	<u>445,820</u>
Expenditures:				
Current:				
General support services	527,151	11,675	5,000	11,878
Capital outlay			166,741	1,500
Total Expenditures	<u>527,151</u>	<u>11,675</u>	<u>171,741</u>	<u>13,378</u>
Revenues over (under) Expenditures	<u>19,508</u>	<u>(11,675)</u>	<u>(164,140)</u>	<u>432,442</u>
Other financing sources (uses):				
Transfers in:				
Primary government			200,000	
Transfers out:				
Primary government				(432,442)
			<u>200,000</u>	<u>(432,442)</u>
Net change in fund balances	19,508	(11,675)	35,860	
Fund balances at beginning of year	<u>104,868</u>	<u>132,256</u>	<u>77,785</u>	
FUND BALANCES AT END OF YEAR	<u><u>\$ 124,376</u></u>	<u><u>\$ 120,581</u></u>	<u><u>\$ 113,645</u></u>	<u><u>\$ 0</u></u>

Mainstreet	Water Street	Totals
\$ 52,337	\$ 409,982	\$ 990,724
<u>52,337</u>	<u>409,982</u>	<u>1,462,399</u>
24,339	16,929	596,972
15,000		183,241
<u>39,339</u>	<u>16,929</u>	<u>780,213</u>
<u>12,998</u>	<u>393,053</u>	<u>682,186</u>
		200,000
	(393,053)	(825,495)
	<u>(393,053)</u>	<u>(625,495)</u>
12,998		56,691
<u>56,628</u>		<u>371,537</u>
<u>\$ 69,626</u>	<u>\$ 0</u>	<u>\$ 428,228</u>

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2012

EXHIBIT G-4

	Special Revenue Funds				Totals
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	
ASSETS					
Cash and cash equivalents	\$ 415,609	\$ 107,238	\$ 65,508	\$ 14,656	\$ 603,011
Total Assets	<u>\$ 415,609</u>	<u>\$ 107,238</u>	<u>\$ 65,508</u>	<u>\$ 14,656</u>	<u>\$ 603,011</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$	\$	\$ 4,656	\$ 4,656
Accrued payroll	8,886				8,886
Contracts payable	225,123				225,123
Total Liabilities	<u>234,009</u>			<u>4,656</u>	<u>238,665</u>
Fund balances:					
Assigned:					
Subsequent year's expenditures	181,600	100,000	25,000		306,600
Unassigned		7,238	40,508	10,000	57,746
Total Fund Balances	<u>181,600</u>	<u>107,238</u>	<u>65,508</u>	<u>10,000</u>	<u>364,346</u>
Total Liabilities and Fund Balances	<u>\$ 415,609</u>	<u>\$ 107,238</u>	<u>\$ 65,508</u>	<u>\$ 14,656</u>	<u>\$ 603,011</u>

City of Port Huron

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

Year Ended June 30, 2012

EXHIBIT G-5

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
Revenues:					
Taxes	\$ 1,151,861	\$ 400,911	\$ 536,708	\$ 76,113	\$ 2,165,593
Expenditures:					
Current:					
Taxes disbursed - not captured	1,151,861	400,911	536,708		2,089,480
General support services	36,250	36,147		33,749	106,146
Capital outlay	300,000			21,143	321,143
Total Expenditures	<u>1,488,111</u>	<u>437,058</u>	<u>536,708</u>	<u>54,892</u>	<u>2,516,769</u>
Revenues over (under)					
Expenditures	(336,250)	(36,147)		21,221	(351,176)
Other financing sources (uses):					
Transfers out - primary government				(11,221)	(11,221)
Net change in fund balances	(336,250)	(36,147)		10,000	(362,397)
Fund balances at beginning of year	<u>517,850</u>	<u>143,385</u>	<u>65,508</u>		<u>726,743</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 181,600</u></u>	<u><u>\$ 107,238</u></u>	<u><u>\$ 65,508</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 364,346</u></u>

This page is intentionally left blank.

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
- Property Tax Levies and Collections
- Direct and Overlapping Property Tax Rates
- 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

Water and Wastewater Information – These schedules offer information about the City's water and wastewater systems and help the reader understand the rate structure and history and the major system users.

- Water and Wastewater – Current Rates in Effect
- Water and Wastewater – History of Residential Utility Rates
- Principal Water and Wastewater Customers

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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

City of Port Huron

NET ASSETS BY COMPONENT
Last Ten Fiscal Years

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 35,485,109	\$ 36,615,040	\$ 36,890,140	\$ 37,917,205
Restricted	6,351,281	7,393,013	8,045,437	8,395,407
Unrestricted	17,062,698	17,712,746	18,754,236	20,930,937
Total Net Assets	<u>58,899,088</u>	<u>61,720,799</u>	<u>63,689,813</u>	<u>67,243,549</u>
Business Type Activities:				
Invested in capital assets, net of related debt	68,361,930	62,588,215	63,399,007	62,988,238
Restricted	1,136,532	1,134,111	1,148,328	1,135,607
Unrestricted	20,371,878	24,859,716	22,439,504	20,645,596
Total Net Assets	<u>89,870,340</u>	<u>88,582,042</u>	<u>86,986,839</u>	<u>84,769,441</u>
Total Primary Government:				
Invested in capital assets, net of related debt	103,847,039	99,203,255	100,289,147	100,905,443
Restricted	7,487,813	8,527,124	9,193,765	9,531,014
Unrestricted	37,434,576	42,572,462	41,193,740	41,576,533
TOTAL NET ASSETS	<u>\$ 148,769,428</u>	<u>\$ 150,302,841</u>	<u>\$ 150,676,652</u>	<u>\$ 152,012,990</u>

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
\$ 39,143,574	\$ 44,477,669	\$ 46,307,732	\$ 50,020,197	\$ 48,571,987	\$ 47,589,593
7,756,905	7,076,526	6,481,405	7,215,511	7,643,116	7,892,815
24,441,973	19,262,766	18,726,336	17,827,132	16,251,270	14,873,855
<u>71,342,452</u>	<u>70,816,961</u>	<u>71,515,473</u>	<u>75,062,840</u>	<u>72,466,373</u>	<u>70,356,263</u>
65,911,126	64,591,888	64,614,670	71,617,288	73,500,530	72,865,287
18,689,014	23,701,301	27,215,638	23,753,143	23,328,114	24,700,743
<u>84,600,140</u>	<u>88,293,189</u>	<u>91,830,308</u>	<u>95,370,431</u>	<u>96,828,644</u>	<u>97,566,030</u>
105,054,700	109,069,557	110,922,402	121,637,485	122,072,517	120,454,880
7,756,905	7,076,526	6,481,405	7,215,511	7,643,116	7,892,815
43,130,987	42,964,067	45,941,974	41,580,275	39,579,384	39,574,598
<u>\$ 155,942,592</u>	<u>\$ 159,110,150</u>	<u>\$ 163,345,781</u>	<u>\$ 170,433,271</u>	<u>\$ 169,295,017</u>	<u>\$ 167,922,293</u>

City of Port Huron

CHANGES IN NET ASSETS
Last Ten Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2006
Expenses:				
Governmental activities:				
General government	\$ 4,077,747	\$ 4,145,608	\$ 4,337,928	\$ 4,352,715
Public safety	11,838,334	12,111,816	12,370,766	12,870,592
Public works	7,675,927	7,517,051	8,089,009	8,033,049
Health and welfare	62,125	13,717	13,895	18,171
Community and economic development	2,305,879	2,706,277	2,524,509	2,111,966
Recreation, parks and culture	2,669,962	2,560,247	2,758,417	2,922,958
Total Governmental Activities Expenses	<u>28,629,974</u>	<u>29,054,716</u>	<u>30,094,524</u>	<u>30,309,451</u>
Business Type Activities:				
Water	5,039,293	5,565,328	5,592,090	6,143,152
Wastewater	10,753,669	11,254,069	11,504,952	12,852,702
Land purchase	1,202,243	524,826	453,972	833,578
Parking	164,866	164,456	191,747	202,593
Senior citizens	698,169	726,037	749,544	866,645
Marina	833,789	896,597	942,724	1,004,366
Total Business-Type Activities Expenses	<u>18,692,029</u>	<u>19,131,313</u>	<u>19,435,029</u>	<u>21,903,036</u>
Total Primary Governmental Expenses	<u>47,322,003</u>	<u>48,186,029</u>	<u>49,529,553</u>	<u>52,212,487</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	1,884,026	1,965,093	2,173,930	2,407,797
Public safety	640,868	591,887	565,830	825,494
Public works	228,617	267,017	240,756	263,250
Community and economic development	438,047	545,298	611,872	762,589
Recreation, parks and culture	99,163	116,133	168,378	123,254
Operating grants and contributions:				
General government				
Public safety	18,051	83,514	151,174	63,337
Public works	2,519,350	2,708,865	2,684,859	2,586,679
Community and economic development	1,617,573	1,995,861	1,597,341	1,166,245
Recreation, parks and culture				
Capital grants and contributions:				
Public safety	71,578	122,275	485,064	1,323,802
Public works	1,240,875	2,400,034	934,408	836,753
Recreation, parks and culture	130,058	109,276	116,837	125,626
Total Governmental Activities Program Revenues	<u>\$ 8,888,206</u>	<u>\$ 10,905,253</u>	<u>\$ 9,730,449</u>	<u>\$ 10,484,826</u>

(Continued on next page)

Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012
\$ 3,294,266	\$ 4,414,041	\$ 3,210,760	\$ 3,261,989	\$ 3,263,183	\$ 3,335,078
12,775,838	15,945,019	12,289,894	13,649,257	13,780,456	13,163,254
8,822,339	10,397,388	9,209,602	9,494,516	10,484,294	9,530,837
17,851	17,508	14,143	13,284	12,964	13,875
2,396,732	2,298,805	1,422,748	2,932,936	2,722,309	2,530,839
2,628,408	3,163,955	2,462,383	2,472,097	2,401,142	2,637,516
<u>29,935,434</u>	<u>36,236,716</u>	<u>28,609,530</u>	<u>31,824,079</u>	<u>32,664,348</u>	<u>31,211,399</u>
6,296,545	6,414,288	6,315,255	6,300,395	6,217,770	6,121,010
13,269,918	13,201,522	13,051,805	12,760,248	12,662,562	13,172,270
193,013	105,397	169,431	229,475	470,322	555,416
185,541	200,970	189,966	116,941	133,305	104,312
889,992	777,558	92,697	1,530		
813,049	923,130	297,049	234,805	185,932	156,283
<u>21,648,058</u>	<u>21,622,865</u>	<u>20,116,203</u>	<u>19,643,394</u>	<u>19,669,891</u>	<u>20,109,291</u>
<u>51,583,492</u>	<u>57,859,581</u>	<u>48,725,733</u>	<u>51,467,473</u>	<u>52,334,239</u>	<u>51,320,690</u>
1,636,600	1,768,932	1,723,305	1,853,228	1,896,985	1,889,219
673,556	697,377	408,184	389,990	361,434	456,490
246,799	239,394	205,906	215,878	227,277	280,098
723,750	557,277	407,725	509,833	482,336	617,037
183,387	203,358	279,898	325,026	293,247	319,373
				4,660	32,532
89,077	21,964	160,723	249,065	173,768	221,809
2,570,537	2,593,958	2,476,795	2,418,350	2,504,490	2,441,961
1,454,286	1,150,793	611,213	2,080,752	1,883,243	1,753,969
				58,453	203,964
532,389	472,876	277,165	114,319	61,177	76,808
1,547,572	6,266,508	2,340,550	5,983,171	424,116	646,931
127,832	134,720	140,218	209,033	149,487	221,410
<u>\$ 9,785,785</u>	<u>\$ 14,107,157</u>	<u>\$ 9,031,682</u>	<u>\$ 14,348,645</u>	<u>\$ 8,520,673</u>	<u>\$ 9,161,601</u>

City of Port Huron

CHANGES IN NET ASSETS

Last Ten Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2006
Business-type activities:				
Charges for services:				
Water	\$ 4,704,166	\$ 4,859,803	\$ 5,237,462	\$ 5,542,397
Wastewater	7,962,142	7,854,913	8,415,350	8,783,025
Land purchase	227,598	263,316	211,643	251,600
Parking	195,697	206,962	215,617	187,623
Senior citizens	314,687	328,272	368,805	375,771
Marina	462,180	576,132	604,697	561,154
Operating grants and contributions:				
Wastewater				
Land purchase	1,276,947	1,218,769	1,059,947	1,230,828
Parking				
Senior citizens	475,626	467,910	450,619	456,525
Marina				
Capital grants and contributions:				
Water	149,480	53,760	217	
Wastewater	1,398,124	1,126,701	250,816	779,138
Land purchase		114,385	39,705	405,910
Marina	20,962			
Total Business-Type Activities Program Revenues	<u>17,187,609</u>	<u>17,070,923</u>	<u>16,854,878</u>	<u>18,573,971</u>
Total Primary Government Program Revenues	<u>26,075,815</u>	<u>27,976,176</u>	<u>26,585,327</u>	<u>29,058,797</u>
Net (expense)/revenue:				
Governmental activities	(19,741,768)	(18,149,463)	(20,364,075)	(19,824,625)
Business-type activities	(1,504,420)	(2,060,390)	(2,580,151)	(3,329,065)
Total Primary Government Net Expense	<u>(21,246,188)</u>	<u>(20,209,853)</u>	<u>(22,944,226)</u>	<u>(23,153,690)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Property taxes	10,524,978	10,841,995	11,453,590	11,863,700
Income tax	5,551,093	5,555,182	5,955,633	6,142,537
Unrestricted state-shared revenues	4,674,395	4,220,535	4,134,528	4,101,722
Unrestricted investment income	705,669	581,626	953,716	1,209,797
Gain on sale of capital assets	77,703	3,642	27,691	4,074
Unrestricted cable fees and other income	283,992	308,194	307,931	306,531
Special item-custodial capital transfer				
Transfers		(540,000)	(500,000)	(250,000)
Total Governmental Activities	<u>21,817,830</u>	<u>20,971,174</u>	<u>22,333,089</u>	<u>23,378,361</u>
Business-type activities:				
Unrestricted investment income	379,296	232,092	431,755	851,667
Gain on sale of capital assets	1,388,014		2,689	
Unrestricted other income	1,000		50,504	10,000
Transfers		540,000	500,000	250,000
Total Business-Type Activities	<u>1,768,310</u>	<u>772,092</u>	<u>984,948</u>	<u>1,111,667</u>
Total Primary Government	<u>23,586,140</u>	<u>21,743,266</u>	<u>23,318,037</u>	<u>24,490,028</u>
Change in net assets:				
Governmental activities	2,076,062	2,821,711	1,969,014	3,553,736
Business-type activities	263,890	(1,288,298)	(1,595,203)	(2,217,398)
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,339,952</u>	<u>\$ 1,533,413</u>	<u>\$ 373,811</u>	<u>\$ 1,336,338</u>

Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012
\$ 5,601,863	\$ 6,372,676	\$ 6,046,044	\$ 5,831,281	\$ 6,226,214	\$ 6,587,975
8,942,423	9,527,064	9,312,839	9,038,255	9,602,732	9,160,568
307,432	328,264	168,653	175,296	226,545	234,578
188,225	171,730	81,536	62,077	59,223	53,129
377,665	316,059	25,246		29,000	1,462
471,840	332,212	46,014	33,358	44,341	35,822
					1,685
1,893,862	1,468,352	1,594,741	1,314,362	1,375,321	1,152,999
					2,495
439,507	429,672	32,399			
67,962	44,175	36,258	47,349	50,427	480
107,153	33,119	681,705	1,230,079	87,351	554,986
1,139,982	724,657	1,221,737	2,946,983	1,738,287	1,071,298
				69,058	852,358
<u>19,537,914</u>	<u>19,747,980</u>	<u>19,247,172</u>	<u>20,679,040</u>	<u>19,508,499</u>	<u>19,709,835</u>
<u>29,323,699</u>	<u>33,855,137</u>	<u>28,278,854</u>	<u>35,027,685</u>	<u>28,029,172</u>	<u>28,871,436</u>
(20,149,649)	(22,129,559)	(19,577,848)	(17,475,434)	(24,143,675)	(22,049,798)
(2,110,144)	(1,874,885)	(869,031)	1,035,646	(161,392)	(399,456)
<u>(22,259,793)</u>	<u>(24,004,444)</u>	<u>(20,446,879)</u>	<u>(16,439,788)</u>	<u>(24,305,067)</u>	<u>(22,449,254)</u>
12,214,363	12,695,112	12,889,994	12,618,927	11,554,089	10,766,285
6,404,789	8,172,561	5,777,447	5,654,697	5,781,024	5,818,786
3,979,187	4,020,443	3,872,453	3,446,988	3,447,475	3,123,392
2,272,546	1,249,999	340,132	1,081,237	1,050,535	887,990
18,176	35,082	4,688	32,877	354,928	1,600
391,798	348,271	331,139	338,075	352,181	341,635
(332,307)					
(700,000)	(4,917,400)	(2,939,493)	(2,150,000)	(993,024)	(1,000,000)
<u>24,248,552</u>	<u>21,604,068</u>	<u>20,276,360</u>	<u>21,022,801</u>	<u>21,547,208</u>	<u>19,939,688</u>
873,039	624,517	296,258	283,431	272,892	242,754
362,734	25,925	1,170,399	71,046	353,689	(105,912)
5,070	92				
700,000	4,917,400	2,939,493	2,150,000	993,024	1,000,000
<u>1,940,843</u>	<u>5,567,934</u>	<u>4,406,150</u>	<u>2,504,477</u>	<u>1,619,605</u>	<u>1,136,842</u>
<u>26,189,395</u>	<u>27,172,002</u>	<u>24,682,510</u>	<u>23,527,278</u>	<u>23,166,813</u>	<u>21,076,530</u>
4,098,903	(525,491)	698,512	3,547,367	(2,596,467)	(2,110,110)
(169,301)	3,693,049	3,537,119	3,540,123	1,458,213	737,386
<u>\$ 3,929,602</u>	<u>\$ 3,167,558</u>	<u>\$ 4,235,631</u>	<u>\$ 7,087,490</u>	<u>\$ (1,138,254)</u>	<u>\$ (1,372,724)</u>

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
General Fund:				
Nonspendable:				
Inventories	\$ 2,709	\$ 4,227	\$ 5,866	\$ 5,728
Prepaid items	3,456			
Assigned:				
Subsequent year's expenditures		300,000	400,000	
Unassigned	3,241,893	3,331,421	3,423,280	3,895,856
Total General Fund	<u>3,248,058</u>	<u>3,635,648</u>	<u>3,829,146</u>	<u>3,901,584</u>
All Other Governmental Funds:				
Nonspendable:				
Inventories	165,903	185,008	165,207	201,587
Endowments	5,015,335	5,109,593	5,258,001	5,191,744
Restricted:				
Streets	255,093	689,261	999,092	1,087,993
Law enforcement	526,652	562,689	560,669	687,396
Rubbish and garbage collection	691,390	911,951	1,105,990	1,307,502
Streetscape maintenance	31,575	34,578	50,451	76,918
Permanent funds	117,904	119,519	121,685	120,772
Committed:				
Subsequent year's expenditures	1,746,117	2,982,942	3,209,481	3,269,994
Municipal streets	4,168,417	3,229,761	3,158,133	3,340,948
Nonmajor governmental funds	193,742	197,963	141,636	43,196
Total All Governmental Funds	<u>12,912,128</u>	<u>14,023,265</u>	<u>14,770,345</u>	<u>15,328,050</u>
TOTAL ALL GOVERNMENTAL FUNDS	<u><u>\$ 16,160,186</u></u>	<u><u>\$ 17,658,913</u></u>	<u><u>\$ 18,599,491</u></u>	<u><u>\$ 19,229,634</u></u>

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
\$ 5,133	\$ 20,349	\$ 34,099	\$ 88,752	\$ 180,319	\$ 46,922
		387,980	383,802		192,308
<u>4,093,971</u>	<u>4,232,753</u>	<u>3,922,444</u>	<u>3,882,520</u>	<u>4,181,549</u>	<u>4,134,696</u>
<u>4,099,104</u>	<u>4,253,102</u>	<u>4,344,523</u>	<u>4,355,074</u>	<u>4,361,868</u>	<u>4,373,926</u>
223,456	229,600	238,104	302,748	174,234	310,242
5,500,407	5,181,164	4,739,731	5,204,861	5,653,910	6,062,783
422,081	248,115	208,698	434,120	717,047	716,596
649,171	563,935	501,658	435,329	376,082	373,797
1,332,197	1,317,744	1,240,016	1,141,201	792,445	620,892
118,741	98,225	90,530	95,164	103,632	118,747
1,680,082	1,782,875	1,562,590	1,427,265	1,864,333	2,069,103
4,981,027	4,028,882	2,920,678	2,653,581	1,344,732	
211,174	319,165	284,399	333,145	315,939	391,264
<u>15,118,336</u>	<u>13,769,705</u>	<u>11,786,404</u>	<u>12,027,414</u>	<u>11,342,354</u>	<u>10,663,424</u>
<u>\$ 19,217,440</u>	<u>\$ 18,022,807</u>	<u>\$ 16,130,927</u>	<u>\$ 16,382,488</u>	<u>\$ 15,704,222</u>	<u>\$ 15,037,350</u>

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2006
Revenues:				
Taxes:				
Property taxes:				
General fund	\$ 7,146,695	\$ 7,367,483	\$ 7,782,286	\$ 8,049,963
Municipal street fund:				
Streets millage	1,231,961	1,271,297	1,350,942	1,401,182
BWATC millage	400,469	401,666	417,181	438,891
Rubbish and garbage collection fund	1,745,853	1,801,549	1,903,181	1,973,664
Total	<u>10,524,978</u>	<u>10,841,995</u>	<u>11,453,590</u>	<u>11,863,700</u>
Income taxes	5,551,093	5,555,182	5,955,633	6,142,537
Total Taxes	<u>16,076,071</u>	<u>16,397,177</u>	<u>17,409,223</u>	<u>18,006,237</u>
Licenses and permits	517,234	630,550	608,278	764,635
Grants	2,489,073	3,385,654	3,145,132	3,418,137
State shared revenues	7,006,800	7,028,268	6,839,326	6,689,794
Charges for services	1,119,517	1,196,962	1,280,043	1,533,599
Fines and forfeits	251,427	208,089	209,910	203,515
Contributions	257,179	51,033		
Investment income	597,181	493,857	791,134	822,544
Rents	184,291	184,172	214,062	240,776
Sale of property	57,279	3,642	14,378	1,044
Other income				
Administrative charges	1,292,306	1,377,851	1,487,565	1,616,251
Total Revenues	<u>29,848,358</u>	<u>30,957,255</u>	<u>31,999,051</u>	<u>33,296,532</u>
Expenditures:				
Current:				
General government	3,033,866	3,067,793	3,337,326	3,691,208
Public safety	11,905,176	12,042,431	12,949,822	13,750,871
Public works	6,028,658	5,658,525	6,209,151	6,517,340
Senior citizens	62,125	13,717	13,895	18,171
Recreation, parks and culture	2,660,764	2,465,518	2,709,954	2,916,950
General support services	1,507,001	1,379,209	1,446,623	1,365,483
Capital outlay	3,555,075	4,291,335	3,841,702	4,156,366
Total Expenditures	<u>28,752,665</u>	<u>28,918,528</u>	<u>30,508,473</u>	<u>32,416,389</u>
Revenues over (under) Expenditures	<u>1,095,693</u>	<u>2,038,727</u>	<u>1,490,578</u>	<u>880,143</u>
Other financing sources (uses):				
Transfers in	1,845,287	1,476,726	1,709,889	2,004,731
Transfers out	(2,145,287)	(2,016,726)	(2,259,889)	(2,254,731)
	<u>(300,000)</u>	<u>(540,000)</u>	<u>(550,000)</u>	<u>(250,000)</u>
Special item:				
Custodial capital transfer				
NET CHANGE IN FUND BALANCES	<u><u>\$ 795,693</u></u>	<u><u>\$ 1,498,727</u></u>	<u><u>\$ 940,578</u></u>	<u><u>\$ 630,143</u></u>

Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012
\$ 8,286,548	\$ 8,611,085	\$ 8,776,661	\$ 8,604,072	\$ 7,899,429	\$ 7,344,599
1,444,684	1,502,995	1,512,854	1,475,145	1,341,699	1,245,819
448,195	463,982	469,415	461,673	423,543	395,402
2,034,936	2,117,050	2,131,064	2,078,037	1,889,418	1,755,857
<u>12,214,363</u>	<u>12,695,112</u>	<u>12,889,994</u>	<u>12,618,927</u>	<u>11,554,089</u>	<u>10,741,677</u>
6,404,789	8,172,561	5,777,447	5,654,697	5,781,024	5,818,786
<u>18,619,152</u>	<u>20,867,673</u>	<u>18,667,441</u>	<u>18,273,624</u>	<u>17,335,113</u>	<u>16,560,463</u>
736,935	632,314	571,834	670,558	577,045	667,464
2,075,752	7,462,502	3,350,941	8,010,928	2,352,355	2,741,304
6,630,858	6,545,693	6,516,297	5,823,202	5,864,511	5,815,483
1,416,319	1,419,248	1,132,656	1,255,276	1,255,850	1,445,591
211,878	208,584	169,200	145,581	132,271	120,052
1,657,250	807,733	253,189	941,222	889,675	746,695
251,090	258,587	271,129	331,041	343,812	354,064
6,943	2,657	4,150	4,993	342,487	1,600
75,000	31,667		3,900		392
1,720,005	1,853,621	1,800,500	1,875,807	1,874,558	1,815,505
<u>33,401,182</u>	<u>40,090,279</u>	<u>32,737,337</u>	<u>37,336,132</u>	<u>30,967,677</u>	<u>30,268,613</u>
3,885,773	3,567,228	3,394,770	3,161,209	3,263,408	3,318,936
13,528,954	12,897,969	12,705,024	13,000,990	13,081,810	12,758,777
6,929,700	6,861,503	6,904,497	6,437,203	6,913,499	6,321,262
17,851	17,508	14,143	13,284	12,964	13,875
2,776,161	2,561,153	2,514,336	2,392,262	2,314,188	2,172,985
1,290,166	1,252,839	1,057,042	1,117,076	1,380,749	1,246,429
3,952,464	9,209,312	5,099,912	8,812,547	3,686,301	4,023,221
<u>32,381,069</u>	<u>36,367,512</u>	<u>31,689,724</u>	<u>34,934,571</u>	<u>30,652,919</u>	<u>29,855,485</u>
1,020,113	3,722,767	1,047,613	2,401,561	314,758	413,128
3,058,374	2,248,150	2,571,673	1,119,678	2,193,627	1,860,759
(3,758,374)	(7,165,550)	(5,511,166)	(3,269,678)	(3,186,651)	(2,940,759)
<u>(700,000)</u>	<u>(4,917,400)</u>	<u>(2,939,493)</u>	<u>(2,150,000)</u>	<u>(993,024)</u>	<u>(1,080,000)</u>
(332,307)					
<u>\$ (12,194)</u>	<u>\$ (1,194,633)</u>	<u>\$ (1,891,880)</u>	<u>\$ 251,561</u>	<u>\$ (678,266)</u>	<u>\$ (666,872)</u>

City of Port Huron

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

TAXABLE VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
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
2010-2011	428,453,509	144,335,695	48,171,427	620,960,631	95,889,000	716,849,631
2011-2012	402,421,445	135,172,581	43,249,861	580,843,887	94,933,900	675,777,787
2012-2013	363,171,105	126,032,284	39,097,585	528,300,974	97,818,000	626,118,974

ASSESSED AND EQUALIZED VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
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
2010-2011	453,901,300	162,531,900	49,242,400	665,675,600	95,889,000	761,564,600
2011-2012	417,875,100	149,017,400	43,793,400	610,685,900	94,933,900	705,619,800
2012-2013	370,205,800	136,274,000	39,465,400	545,945,200	97,818,000	643,763,200

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

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Other Real Property</u>	<u>Total IFT and Other</u>	<u>Total Taxable Valuation</u>	<u>Taxable Value as a Percent Actual</u>
\$ 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
8,172,160	26,612,600	203,102	34,987,862	751,837,493	47.17
7,191,700	25,411,200	223,126	32,826,026	708,603,813	47.89
7,280,500	23,813,000	239,026	31,332,526	657,451,500	48.60

INDUSTRIAL FACILITIES AND OTHER SPECIAL ACTS ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Other Real Property</u>	<u>Total IFT and Other</u>	<u>Total Equalized Valuation</u>	<u>Estimated Actual Value</u>
\$ 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
8,275,900	26,612,600	461,700	35,350,200	796,914,800	1,593,829,600
7,601,600	25,411,200	1,155,200	34,168,000	739,787,800	1,479,575,600
7,634,700	23,813,000	1,140,200	32,587,900	676,351,100	1,352,702,200

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 \$675,777,787 and the abated taxable valuation of \$32,826,026 as of December 31, 2010 were used as the basis for determining the fiscal 2011-2012 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, 2012

<u>Taxpayer</u>	<u>2012 Ad Valorem Taxable Valuation</u>	<u>2012 Industrial Facilities Taxable Value</u>	<u>2012 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2012 Rank</u>
Domtar (E.B. Eddy Paper)	\$ 16,034,513	\$ 2,775,000	\$ 18,809,513	2.86%	1
SMW Automotive	8,082,400	8,253,700	16,336,100	2.48	2
Acheson Ventures/ Acheson Foundation	14,358,864		14,358,864	2.18	3
Mueller Brass Company	13,915,599		13,915,599	2.12	4
DTE Energy (Detroit Edison)	10,306,789		10,306,789	1.57	5
Royal Oak Boring	8,257,600	1,444,600	9,702,200	1.47	6
ALD Thermal	1,907,600	6,394,400	8,302,000	1.26	7
H.P. Pelzer	4,179,800	2,723,900	6,903,700	1.05	8
SEMCO Energy Company	5,588,222		5,588,222	.85	9
Cross Hueller Ex-Cell-O-Lamb	2,713,200	1,600,700	4,313,900	.66	10
Henkel-Acheson Industries, Inc.	4,190,392		4,190,392	.64	11
GMA Cover Corp.	2,691,100	1,313,300	4,004,400	.61	12
Parkview Property Management	3,941,394		3,941,394	.60	13
JCIM (formerly Plastech & LDM)	3,434,300	287,000	3,721,300	.57	14
Dunn Paper	3,651,367		3,651,367	.55	15
Orthopedic Associates Campus	3,594,742		3,594,742	.55	16
I.A.C. (formerly Lear Corporation)	1,972,700	1,581,700	3,554,400	.54	17
Shawmut Mills	2,701,000	530,200	3,231,200	.49	18
Talmer Bank (formerly Citizens First Savings Bank)	3,164,852		3,164,852	.48	19
Tapex-Formex	3,139,800		3,139,800	.48	20
Textron Auto/Davidson Trim/ Dove Street Ind.					
Petri Inc.					
Blue Water Fiber Limited					
Port Huron Molded Products					
Innkeepers Management (Edison Inn)					
Black River Inv./Black River Mfg.					
Huron Inc.					
Times Herald Company					
Pine Grove Plaza Limited					
	<u>\$ 117,826,234</u>	<u>\$ 26,904,500</u>	<u>\$ 144,730,734</u>	<u>22.01%</u>	

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

<u>2003 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2003 Rank</u>
\$ 23,394,402	3.31%	1
4,825,449	.68	13
20,492,532	2.90	2
12,697,811	1.80	3
6,891,950	.98	7
5,138,352	.73	11
9,834,517	1.39	5
3,351,332	.47	16
5,695,710	.81	10
9,859,559	1.40	4
7,266,300	1.03	6
6,838,372	.97	8
5,851,172	.83	9
4,904,331	.69	12
4,661,100	.66	14
3,606,702	.51	15
3,302,294	.47	17
3,233,900	.46	18
2,957,720	.42	19
<u>2,927,391</u>	<u>.41</u>	20
<u>\$ 147,730,896</u>	<u>20.92%</u>	

City of Port Huron

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Collected by March 1 of the Fiscal Year</u>		<u>Collected Within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2003-2004	\$10,169,583	\$ 9,525,848	93.67%	\$10,044,095	98.77%
2004-2005	10,546,910	9,920,424	94.06%	10,420,479	98.80%
2005-2006	11,159,317	10,431,730	93.48%	11,053,387	99.05%
2006-2007	11,536,724	10,935,661	94.79%	11,527,805	99.92%
2007-2008	11,944,370	11,239,652	94.10%	11,921,415	99.81%
2008-2009	12,099,994	11,230,050	92.81%	12,024,506	99.38%
2009-2010	11,861,656	11,081,563	93.42%	11,822,341	99.67%
2010-2011	10,826,336	9,858,200	91.06%	10,776,945	99.54%
2011-2012	10,190,083	9,407,518	92.32%	10,145,895	99.57%
2012-2013	9,505,552				

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.

Collections in Subsequent Years	<u>Total Collections to Date</u>	
	<u>Amount</u>	<u>Percentage of Levy</u>
\$ 123,607	\$10,167,702	99.98%
124,734	10,545,213	99.98%
104,035	11,157,422	99.98%
7,905	11,535,710	99.99%
11,626	11,933,041	99.91%
47,116	12,071,622	99.77%
8,389	11,830,730	99.74%
25,060	10,802,005	99.78%

City of Port Huron

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

Year	CITY					BWATC
	Operating	Debt Service	Streets	Rubbish and Garbage Collection	Total	Bus Operating
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
2009-2010	11.2696		2.0000	2.8173	16.0869	.6214
2010-2011	11.2696		2.0000	2.8173	16.0869	.6214
2011-2012	11.2696		2.0000	2.8173	16.0869	.6214

Year	COUNTY					COLLEGE
	St. Clair County	Intermediate School	Special Education	Vocational Education	Total	Operating and Debt
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
2009-2010	7.3022	.1938	2.3113	.9245	10.7318	1.8891
2010-2011	7.3022	.1938	2.3113	.9245	10.7318	1.8891
2011-2012	7.4022	.1938	2.3113	.9245	10.8318	1.8891

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2009-2010	18.0000*	2.0000	20.0000	6.0000	37.3292	55.3292
2010-2011	18.0000*	2.0000	20.0000	6.0000	37.3292	55.3292
2011-2012	18.0000*	2.5000	20.5000	6.0000	37.9292	55.9292

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).

An additional levy of 1.9874 mills applies to properties within the Downtown Development Authority.

*Non personal residence property only

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 August, and on the first day of each month thereafter in the succeeding months, until the delinquent tax roll is returned to the County Treasurer (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

<u>Date of Sale</u>	<u>Delinquent Tax Properties to be Sold</u>
May, 2015	Year 2012
May, 2016	Year 2013

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

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Outstanding Debt:				
Business-type Activities:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,933,502	11,667,882	11,238,740	10,754,609
Wastewater General Obligation Limited Tax Bonds	17,148,003	22,033,775	21,298,738	26,891,480
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	30,851,191	38,741,738	42,954,918	44,302,998
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	10,305,341	13,049,520	16,526,916	20,046,128
Purchase Contract				
Total Business-type Activities Debt	<u>\$ 67,238,037</u>	<u>\$ 85,492,915</u>	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>
Governmental Activities:				
Purchase Contract				
Total Outstanding Debt	<u>\$ 67,238,037</u>	<u>\$ 85,492,915</u>	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>
Total Taxable Valuation	\$ 693,951,853	\$ 706,152,647	\$ 725,001,239	\$ 771,813,515
Ratio of Outstanding Debt to Taxable Value	9.69%	12.11%	12.69%	13.22%
Population	32,338	32,338	32,338	32,338
Per Capita Direct Outstanding Debt	\$ 2,079.23	\$ 2,643.73	\$ 2,845.55	\$ 3,154.04

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
\$	\$	\$	\$	\$ 6,910,464	\$ 6,910,464
10,344,893	9,820,249	9,240,604	8,621,165	7,971,726	7,312,287
25,951,299	29,784,574	28,483,712	27,111,858	25,740,004	33,469,725
44,946,322	43,873,329	42,269,201	40,051,442	39,897,713	38,890,647
22,478,620	23,425,604	23,269,724	22,613,988	22,744,783	21,377,181
				4,947,968	4,743,461
<u>\$ 103,721,134</u>	<u>\$ 106,903,756</u>	<u>\$ 103,263,241</u>	<u>\$ 98,398,453</u>	<u>\$ 108,212,658</u>	<u>\$ 112,703,765</u>
				3,868,559	3,613,739
<u><u>\$ 103,721,134</u></u>	<u><u>\$ 106,903,756</u></u>	<u><u>\$ 103,263,241</u></u>	<u><u>\$ 98,398,453</u></u>	<u><u>\$ 112,081,217</u></u>	<u><u>\$ 116,317,504</u></u>
\$ 794,443,800	\$ 821,511,082	\$ 837,481,149	\$ 824,496,271	\$ 751,837,493	\$ 708,603,813
13.06%	13.01%	12.33%	11.93%	14.91%	16.42%
32,338	32,338	32,338	32,338	30,184	30,184
\$ 3,207.41	\$ 3,305.82	\$ 3,193.25	\$ 3,042.81	\$ 3,713.26	\$ 3,853.61

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2012

DIRECT BONDED DEBT:

Water Supply System Revenue Bonds		\$ 6,910,464
Water Supply System Revenue Bonds (Limited Tax General Obligation)		7,312,287
Wastewater General Obligation Limited Tax Bonds		33,469,725
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		38,890,647
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		<u>21,377,181</u>

Total Direct Bonded Debt 107,960,304

Less self-supporting general obligation bonds

Water Supply System Revenue Bonds	\$ 6,910,464	
Water Supply System Revenue Bonds (Limited Tax General Obligation)	7,312,287	
Wastewater General Obligation Limited Tax Bonds	33,469,725	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	38,890,647	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	<u>21,377,181</u>	<u>107,960,304</u>

Net Direct Bonded Debt 0

OVERLAPPING BONDED DEBT:

12.15% of St. Clair County Regional Educational Service Agency debt	393,053	
12.25% of St. Clair County Community College debt	401,188	
11.41% of St. Clair County debt	5,920,292	
36.44% of Port Huron Area School District debt	<u>13,559,324</u>	
Overlapping Bonded Debt		<u>20,273,857</u>

NET DIRECT AND OVERLAPPING BONDED DEBT \$ 20,273,857

	<u>Per Capita Bonded Debt</u>	<u>Ratio of Bonded Debt to State Equalized Value</u>
Net Direct Bonded Debt	\$ 0	.00%
Net Direct and Overlapping Bonded Debt	\$671.68	3.15%

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, 2012

STATE EQUALIZED VALUATION AT DECEMBER 31, 2011

\$ 643,763,200

	Legal Margin			Legal Debt Margin Totals
	Actual Net Debt	Percentage of State Equalized Valuation	Amount	
General obligation debt	\$ 93,737,553			
Portion issued under order	<u>72,360,372</u>			
Balance	<u>\$ 21,377,181</u>	10%	<u>\$ 64,376,320</u>	<u>\$ 42,999,139</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 2,414,112</u>	<u>\$ 2,414,112</u>
Special assessment bonds	None	12	<u>\$ 77,251,584</u>	<u>\$ 77,251,584</u>

The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the State equalized valuation of property in the City (\$643,763,200), 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, 2011 of \$626,118,974 will be used as a basis for determining the fiscal 2012-2013 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN

Last Ten Fiscal Years

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Direct Bonded Debt:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,933,502	11,667,882	11,238,740	10,754,609
Wastewater General Obligation Limited Tax Bonds	17,148,003	22,033,775	21,298,738	26,891,480
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	30,851,191	38,741,738	42,954,918	44,302,998
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	10,305,341	13,049,520	16,526,916	20,046,128
Total Direct Bonded Debt	<u>67,238,037</u>	<u>85,492,915</u>	<u>92,019,312</u>	<u>101,995,215</u>
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds				
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,933,502	11,667,882	11,238,740	10,754,609
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	17,148,003	22,033,775	21,298,738	26,891,480
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	30,851,191	38,741,738	42,954,918	44,302,998
Total Excluded	<u>56,932,696</u>	<u>72,443,395</u>	<u>75,492,396</u>	<u>81,949,087</u>
Net debt applicable to limit	10,305,341	13,049,520	16,526,916	20,046,128
Debt limit	<u>78,358,575</u>	<u>80,215,495</u>	<u>86,060,385</u>	<u>89,952,610</u>
Legal debt margin	<u>\$ 68,053,234</u>	<u>\$ 67,165,975</u>	<u>\$ 69,533,469</u>	<u>\$ 69,906,482</u>
Total net debt applicable to the limit as a percentage of debt limit	13.15%	16.27%	19.20%	22.29%

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
\$	\$	\$	\$	\$ 6,910,464	\$ 6,910,464
10,344,893	9,820,249	9,240,604	8,621,165	7,971,726	7,312,287
25,951,299	29,784,574	28,483,712	27,111,858	25,740,004	33,469,725
44,946,322	43,873,329	42,269,201	40,051,442	39,897,713	38,890,647
<u>22,478,620</u>	<u>23,425,604</u>	<u>23,269,724</u>	<u>22,613,988</u>	<u>22,744,783</u>	<u>21,377,181</u>
<u>103,721,134</u>	<u>106,903,756</u>	<u>103,263,241</u>	<u>98,398,453</u>	<u>103,264,690</u>	<u>107,960,304</u>
				6,910,464	6,910,464
10,344,893	9,820,249	9,240,604	8,621,165	7,971,726	7,312,287
25,951,299	29,784,574	28,483,712	27,111,858	25,740,004	33,469,725
<u>44,946,322</u>	<u>43,873,329</u>	<u>42,269,201</u>	<u>40,051,442</u>	<u>39,897,713</u>	<u>38,890,647</u>
<u>81,242,514</u>	<u>83,478,152</u>	<u>79,993,517</u>	<u>75,784,465</u>	<u>80,519,907</u>	<u>86,583,123</u>
22,478,620	23,425,604	23,269,724	22,613,988	22,744,783	21,377,181
<u>91,798,940</u>	<u>91,626,770</u>	<u>85,253,110</u>	<u>76,156,460</u>	<u>70,561,980</u>	<u>64,376,320</u>
<u>\$ 69,320,320</u>	<u>\$ 68,201,166</u>	<u>\$ 61,983,386</u>	<u>\$ 53,542,472</u>	<u>\$ 47,817,197</u>	<u>\$ 42,999,139</u>
24.49%	25.57%	27.29%	29.69%	32.23%	33.21%

City of Port Huron

REVENUE BOND COVERAGE
Last Ten Fiscal Years

WATER SUPPLY SYSTEM

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses and Operating Transfers</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2009-2010	5,836,820	3,677,180	2,159,640	619,439	399,908	1,019,347	2.12
2010-2011	6,256,584	3,498,283	2,758,301	649,439	372,975	1,022,414	2.70
2011-2012	6,609,096	3,012,811	3,596,285	659,439	697,264	1,356,703	2.65

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

WATER AND WASTEWATER – CURRENT RATES IN EFFECT

June 30, 2012

Commodity Charge, per 1,000 cubic feet of water used

<u>Water</u>	<u>Wastewater</u>
<u>\$13.64</u>	<u>\$32.40</u>

Quarterly Fixed Charge, based on the size of the water meter:

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>
5/8"	\$ 24.00	\$ 57.00
3/4"	36.00	85.50
1"	60.00	142.50
1-1/2"	120.00	285.00
2"	192.00	456.00
3"	420.00	997.50
4"	720.00	1,710.00
6"	1,500.00	3,562.50
8"	2,160.00	5,130.00
10"	3,480.00	8,265.00
12"	5,160.00	12,255.00
16"	7,200.00	17,100.00
20"	10,800.00	25,650.00
24"	16,200.00	38,475.00

Each customer pays a Quarterly Fixed Charge based upon the size of the meter and a Commodity Charge based on the quantity of water used. The quarterly rate charged for water and wastewater for consumers within the limits of the City is equal to the sum of the Quarterly Fixed Charge and the Commodity Charge multiplied by the quarterly usage. The rates above reflect charges to City customers. Users outside of the City generally pay 150% of City rates.

City of Port Huron

WATER AND WASTEWATER - HISTORY OF RESIDENTIAL UTILITY RATES

June 30, 2012

RATE HISTORY

<u>Effective Date</u>	<u>Water</u>		<u>Wastewater</u>	
	<u>Commodity</u>	<u>Quarterly Fixed Charge</u>	<u>Commodity</u>	<u>Quarterly Fixed Charge</u>
July 1, 2012	\$13.64	\$24.00	\$32.40	\$57.00
July 1, 2011	12.86	22.40	30.60	53.20
July 1, 2010	12.12	21.00	28.72	50.00
July 1, 2009	11.48	19.76	27.24	46.80
July 1, 2008	11.48	19.76	27.24	46.80
October 1, 2007	11.48	19.76	27.24	46.80
July 1, 2007	10.60	18.24	27.24	46.80
July 1, 2006	10.00	17.20	24.32	41.80
July 1, 2005	9.34	16.30	22.70	39.50
July 1, 2004	8.66	15.50	21.38	37.00
July 1, 2003	7.98	14.50	20.14	35.00
July 1, 2002	7.32	13.60	18.84	33.40
July 1, 2001	6.70	13.00	17.50	32.00
July 1, 2000	6.40	13.00	16.48	32.00
July 1, 1999	6.30	13.00	15.76	32.00
July 1, 1998	6.10	12.98	15.40	32.00
July 1, 1997	5.70	12.00	11.34	26.00
July 1, 1996	5.40	12.00	10.60	26.00
July 1, 1995	4.90	12.00	9.86	26.00

COMPARABLE QUARTERLY BILLING

<u>Effective Date</u>	<u>Quarterly Billing</u>	<u>Percent Change</u>
July 1, 2012	\$173.08	6.50%
July 1, 2011	162.52	6.44%
July 1, 2010	152.68	6.03%
July 1, 2009	144.00	0.00%
July 1, 2008	144.00	0.00%
October 1, 2007	144.00	2.33%
July 1, 2007	140.72	10.25%
July 1, 2006	127.64	6.47%
July 1, 2005	119.88	6.48%
July 1, 2004	112.58	6.47%
July 1, 2003	105.74	6.46%
July 1, 2002	99.32	6.34%
July 1, 2001	93.40	2.91%
July 1, 2000	90.76	1.84%
July 1, 1999	89.12	1.30%
July 1, 1998	87.98	22.06%
July 1, 1997	72.08	2.97%
July 1, 1996	70.00	3.67%
July 1, 1995	67.52	2.80%

Comparable Quarterly Billing assumes 2,000 metered cubic feet of usage and a 5/8" water meter.

The average quarterly residential usage for the twelve months ended March 31, 2012 was 1,728 metered cubic feet of usage.

City of Port Huron

PRINCIPAL WATER AND WASTEWATER CUSTOMERS

June 30, 2012

WATER USAGE

<u>Customer</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Fort Gratiot Township	63,751,550	22.0%
Port Huron Township	52,132,260	18.0%
Kimball Township	29,157,740	10.1%
Mueller Brass	10,562,100	3.7%
Dunn Paper	8,665,300	3.0%
Domtar	5,310,000	1.8%
Port Huron Hospital	4,021,400	1.4%
Port Huron Housing Commission (Various Sites)	1,904,100	.7%
St. Joseph Mercy Hospital	1,648,600	.6%
City of Port Huron Wastewater Treatment Plant	1,563,000	.5%
Estimates for all others	<u>110,593,300</u>	<u>38.2%</u>
Total	<u>289,309,350</u>	<u>100.0%</u>

WATER AND WASTEWATER REVENUE

<u>Customer</u>	<u>Water Revenue</u>	<u>Percent of Total</u>	<u>Wastewater Revenue</u>	<u>Percent of Total</u>
Fort Gratiot Township	\$ 1,250,627	19.0%	\$ 403,300	4.4%
Port Huron Township	1,095,714	16.6%	477,221	5.2%
Kimball Township	584,098	8.9%	166,258	1.8%
Mueller Brass	155,093	2.4%	368,952	4.0%
Dunn Paper	118,604	1.8%	282,182	3.1%
Domtar	81,279	1.2%	193,342	2.1%
Port Huron Hospital	62,288	.9%	148,165	1.6%
Port Huron Housing Commission (Various Sites)	55,354	.8%	131,575	1.4%
St. Joseph Mercy Hospital	32,222	.5%	76,622	.8%
City of Port Huron Wastewater Treatment Plant	23,505	.4%	55,914	.6%
Estimate for all others	<u>3,129,191</u>	<u>47.5%</u>	<u>6,857,037</u>	<u>75.0%</u>
Total	<u>\$ 6,587,975</u>	<u>100.0%</u>	<u>\$ 9,160,568</u>	<u>100.0%</u>

The Township usage and revenues are as of June 30, 2012. The other Major customer data is for the twelve months ended March 31, 2012.

The City of Port Huron had 11,774 water customers and 11,261 wastewater customers as of March 31, 2012.

This page is intentionally left blank.

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 November 2, 2010 - effective January 1, 2011 (Previous Charter adopted April 7, 1969, effective April 18, 1969)

Fiscal Year Begins: July 1

City Employees: 238 regular budgeted, 236 regular filled, 20 part-time filled, 140 seasonal positions

Fire Protection: 3 stations, 42 fire fighting personnel, 2-way radio equipment

Police Protection: 1 station, 48 police officers, 2-way radio equipment

Streets: 142.10 miles improved
2.06 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
2010 30,184

Unemployment: Source: June 30, 2003 12.0%
State of Michigan 2004 10.8%
2005 11.6%
2006 10.6%
2007 12.9%
2008 14.8%
2009 26.3%
2010 20.7%
2011 17.8%
2012 15.6%

Statistical Information From the U.S. Census Bureau:

	2000		2010	
Total population	32,338		30,184	
In-labor force	15,762		15,289	
Median household income	\$31,327		\$32,896	
Per capita income	\$17,100		\$17,974	
Housing units	14,003		13,871	
Occupied housing units	12,961	92.6%	12,177	87.8%
Owner-occupied housing units	7,409	57.2%	6,594	47.5%
Renter-occupied housing units	5,552	42.8%	5,583	40.2%
Vacant housing units	1,042	7.4%	1,694	12.2%

Note: Personal income by individual year for residents is not available. Median household income and per capita income information was obtained from the 2008-2010 American Community Survey 3-year estimates and is presented in 1999 and 2009 dollars.

City of Port Huron

PRINCIPAL EMPLOYERS

June 30, 2012

<u>Firm Name</u>	<u>Product/Service</u>	<u>2012 Approximate Number of Employees</u>	<u>2012 Rank</u>
Port Huron Hospital	Health care services	1,450	1
St. Joseph Mercy Port Huron	Health care services	726	2
* Port Huron Area School District	Public education	650	3
SMW Automotive	Automotive supplier	485	4
* St. Clair County	Public government	459	5
Mueller Brass	Copper and brass tubing	285	6
J.C.I.M. (formerly Plastech Engineered Products)	Automotive suppliers/plastics	283	7
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	246	8
AT&T	Telephone service (call center)	238	9
City of Port Huron	Public government	236	10
St. Clair County Community College	Education		
United Technologies Automotive	Automotive Supplier		

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

Source: City of Port Huron Finance Department made inquiries of employers in 2012. The information pertaining to 2003 was obtained from the Michigan Economic Development Corp. and the Greater Port Huron Area Chamber of Commerce.

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

<u>2003 Approximate Number of Employees</u>	<u>2003 Rank</u>
1,050	1
690	3
790	2
400	6
400	6
325	9
600	4
317	10
450	5
350	8

City of Port Huron

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

Function/Program	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
General government:				
City manager	3.00	3.00	3.00	3.00
City attorney	2.00	2.00	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	5.00	5.00	5.00	5.00
City treasurer/water office	5.80	4.91	4.91	4.91
Data processing	7.00	6.00	6.00	6.00
Personnel	3.25	2.90	2.90	2.90
Health and safety/marinas	1.95	1.50	1.50	1.50
Public safety:				
Police	73.00	70.00	71.00	69.00
Fire	52.70	50.70	48.70	50.70
Public works:				
DPW administration	1.80	1.80	1.80	1.80
MOC grounds	2.00	3.00	3.00	3.00
Engineering	6.10	6.10	6.10	6.10
Streets	23.20	20.20	20.20	20.20
Refuse collection/disposal	0.125	0.125	0.125	0.125
Motor vehicle pool	11.875	10.875	10.875	10.875
Water filtration plant	11.75	12.75	12.75	12.75
Utilities - water distribution	10.75	10.85	10.85	9.85
Water meter	4.25	4.25	5.25	5.25
Water reclamation facility	27.00	24.90	26.90	24.90
Utilities - sewer collection	11.15	11.15	11.15	11.15
Community and economic development	14.00	13.50	13.50	13.50
Recreation, parks and culture:				
Recreation	6.00	6.10	6.10	6.10
Cemetery	5.00	5.00	5.00	5.00
Parking	1.00	1.09	1.09	1.09
Parks and forestry	14.30	12.30	12.30	12.30
	<u>317.00</u>	<u>303.00</u>	<u>305.00</u>	<u>302.00</u>

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 Dispatch.

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
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	6.80	6.80	6.80	6.80
3.00	3.00	3.00	3.00	3.00	3.00
5.00	4.00	4.00	4.00	3.00	2.00
4.91	4.91	4.20	4.20	4.20	4.20
5.00	5.00	5.00	5.00	4.00	4.00
2.90	2.90	2.90	3.00	2.00	2.50
1.50	0	0			
70.00	58.00 *	57.00	60.00	57.00	57.00
48.70	42.70	44.70	44.70	42.70	42.00
1.80	1.80	1.80	1.80	1.80	1.80
3.00	3.00	3.00	3.00	3.00	3.00
5.10	5.00	5.10	5.10	5.10	5.10
20.20	19.20	17.04	16.04	14.70	16.36
0.125	0.125	0.125	0.125	0.125	0.125
8.875	8.875	8.875	8.875	7.875	7.375
12.75	12.75	10.75	10.75	9.75	9.75
10.05	8.05	7.35	6.175	5.925	5.925
5.25	5.25	5.25	5.25	4.50	4.50
24.20	20.20	22.06	22.235	22.235	20.075
9.65	9.75	10.65	10.65	9.99	9.99
13.50	12.00	11.00	9.00	10.00	10.00
6.10	6.10	5.10	3.90	4.00	5.00
4.00	3.10	2.35	2.35	2.10	2.10
1.09	1.09	0.50	0.50		
11.30	8.20	9.45	9.55	9.20	8.40
<u>292.00</u>	<u>259.00</u>	<u>253.00</u>	<u>251.00</u>	<u>238.00</u>	<u>236.00</u>

City of Port Huron

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Election data:				
Registered voters - November	20,604	20,376	20,831	21,745
Voters (at the polls or absentee) - November	8,294	3,277	12,418	3,543
Percent voting	40.3%	16.1%	59.6%	16.7%
Police:				
Physical arrests*	2,835	3,107	2,770	2,773
Traffic violations*	7,867	6,162	4,715	4,513
Police reports*	6,430	6,837	6,546	6,584
Calls for service*	19,108	19,112	18,151	18,840
Fire:				
Fire runs*	201	127	207	137
Emergency medical runs*	1,744	2,025	2,390	2,615
Other*	669	783	628	869
Public works:				
Miles of streets resurfaced	1.02	0.00	0.00	0.26
Miles of streets reconstructed	9.92	6.53	6.24	2.65
Water:				
Accounts:				
City - regular	12,653	12,689	12,726	12,770
Port Huron Township	3,259	3,275	3,355	3,392
Fort Gratiot - regular	85	85	85	137
Fort Gratiot - Water District No. F	4,432	4,539	4,544	4,971
Kimball Township	1,550	1,550	1,640	1,668
Clyde Township	736	736	736	736
Average daily pumpage (gallons per day)	8,100,000	7,300,000	7,300,000	7,000,000
Sewer:				
Equivalent connected population (based on flows)	56,900	64,100	64,571	64,571
Average daily sewer treatment (gallons per day)	9,840,000	11,220,000	11,300,000	11,730,000
Building construction:				
Residential:				
New construction permits	32	31	49	28
Estimated value	\$ 3,432,399	\$ 4,496,760	\$ 4,739,625	\$ 3,733,400
Alterations/additions/demo permits	714	716	879	828
Estimated value	\$ 4,006,185	\$ 5,704,903	\$ 5,097,170	\$ 5,027,022
Commercial:				
New construction permits	3	2	1	5
Estimated value	\$ 2,100,000	\$ 22,500,000	\$ 2,000,000	\$ 17,465,103
Alterations/additions/demo permits	75	109	114	90
Estimated value	\$ 10,989,902	\$ 4,868,829	\$ 4,004,686	\$ 9,686,362

*All information as of December 31st

June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
20,445	20,551	21,151	20,815	20,956	20,875
8,875	3,742	12,471	3,601	6,940	3,681
43.4%	18.2%	59.0%	17.3%	33.1%	17.6%
2,325	2,940	2,113	1,948	1,895	2,168
5,339	5,434	4,476	4,255	4,574	4,617
6,879	6,499	6,566	6,348	6,378	6,518
19,120	18,827	25,970	31,493	29,398	31,805
137	312	287	355	129	156
2,712	2,975	2,653	2,600	2,849	2,979
872	754	915	873	1,183	1,154
1.65	0.13	0.00	0.84	2.86	0
4.53	5.06	4.00	4.22	0.56	8.43
12,814	12,814	12,878	12,930	12,676	12,676
3,350	3,350	3,350	3,350	3,350	3,350
136	136	136	136	135	135
4,858	4,858	4,858	4,858	4,858	4,858
1,993	1,993	1,993	1,993	1,993	1,993
743	743	743	743	743	743
6,800,000	6,800,000	6,200,000	6,000,000	6,800,000	6,100,000
65,556	65,556	63,889	55,556	55,556	55,556
11,800,000	11,800,000	11,500,000	10,000,000	12,000,000	10,700,000
15	5	2	2	1	2
\$ 1,203,050	\$ 1,940,000	\$ 360,000	\$ 140,000	\$ 150,000	\$ 337,355
707	595	432	522	600	556
\$ 4,694,740	\$ 2,783,536	\$ 2,632,927	\$ 4,753,320	\$ 3,702,970	\$ 2,953,210
1	1	1	1	0	0
\$ 1,145,112	\$ 5,461,844	\$ 3,000,000	\$ 4,144,000	\$ 0	\$ 0
95	77	90	80	111	41
\$ 5,917,878	\$ 2,839,665	\$ 5,799,025	\$ 9,063,735	\$ 2,508,795	\$ 8,793,179

City of Port Huron

CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

Function/Program	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Police:				
Stations	1	1	1	1
Fire:				
Stations	3	3	3	3
Fire fighting apparatus	7	7	7	6
Rescue boat	1	1	1	1
Special response van	1	1	1	
Heavy rescue truck				1
Hazmat trailer	1	1	1	1
Specialized equipment trailer		1	1	
Special response trailer				
Marina:				
Seasonal boat wells*	112	123	129	118
Transcient boat wells*	397	302	296	307
Wells out of service		84	84	84
Public works:				
Streets (miles):				
Major streets	43.220	43.220	43.220	43.220
Local streets	91.370	91.370	91.370	91.370
Trunkline	10.080	10.080	10.080	10.076
Streetlights	3,096	3,096	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	880	865	865	866
Unmetered lots				
Spaces - unmetered lots				
Permit only lot - spaces	33	33	33	33
Seasonal attended lot - spaces	464	460	460	460
Permit only spaces in metered/unmetered lots	121	135	135	168
Seasonal unattended lots - spaces	73	73	73	73
ADA market spaced in City lots				48
Free lot - spaces	228	228	228	
Street meters - spaces	533	533	547	479
Street meters - government zone				
Water:				
Watermains (miles)	163.2	163.6	164.0	164.3
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)	1,269	1,314	1,314	1,369
Fire hydrants (private)	129	129	129	129
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	222.0	234.0	238.0	243.9
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

<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
1	1	1	1	1	1
3	3	3	3	3	3
6	6	6	6	6	6
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
			1	1	1
122	122	54	55	55	55
303	303	77	76	76	76
84	84				
43.220	43.220	43.220	43.410	43.410	43.330
91.370	91.370	91.370	91.230	91.230	90.750
10.076	10.076	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	32	32
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	10	10	10
94.5	94.5	94.5	94	94	94
1	1	1	1	1	1
13	13	3	3	3	3
867	867	227	218	227	226
		10	10	10	10
		770	770	770	770
33	33				
460	460	460	460	460	460
168	168	121	121	121	98
73	73	73	73	73	72
48	48	46	46	46	56
484	328	370	370	370	209
		250	261	261	487
165.0	165.0	169.0	169.0	171.0	171.0
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
1,394	1,374	1,421	1,421	1,424	1,432
129	128	128	128	128	128
253.0	242.0	244.0	244.0	244.0	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, 2012

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 <u>Other Funds</u>	Water <u>Fund</u>	Wastewater <u>Fund</u>	<u>Total</u>
Merchant Area (CSO)	\$	\$ 677,188	\$ 2,050,456	\$ 2,727,644
Military Rail Overpass	83,044			83,044
East Hancock Area	684,601	156,131	24,488	865,220
Hancock Street – 10 th 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 ****
Traffic Signal Upgrade	125,869			125,869
8 th Street (CSO)	551,018	195,111	475,475	1,221,604 *
Stone Street – Hollis to Holland	630,246	242,847	85,676	958,769 ****
Riverside Drive – Part 2	369,063			369,063 ****
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
24 th 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 *
Edison Parkway	263,068			263,068
Sherman Woods	1,288,362	516,635	313,205	2,118,202
Indian Creek 2A (CSO)	132,219	797,864	3,149,118	4,079,201 ***
Cooper Area	399,499	197,288	3,290	600,077
10 th Avenue – Garfield to Holland	876,400		61,140	937,540 ****
19 th Avenue Area	256,492	154,514	154,167	565,173
Indian Creek 2B (CSO)	341,328	2,926,990	5,239,308	8,507,626 ***
24 th 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
10 th Street	1,595,729			1,595,729
7 th and 9 th Street Area (CSO)		2,392,492	5,248,332	7,640,824
State Street – Relocation	740,462	131,582	26,931	898,975 ****
Gratiot – State to Holland	682,105		105,136	787,241 ****
21 st Street Area Part 1 (CSO)	578,093	4,314,308	7,162,010	12,054,411 ****
Stone – McPherson to State	535,141	206,004	168,771	909,916 ****
10 th 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 *
Court Street – 8 th to 10 th	418,233			418,233
16 th Avenue Area Part 1 (CSO)	77,723	2,027,412	4,608,957	6,714,092
16 th Avenue Area Part 2 (CSO)		1,888,338	4,191,588	6,079,926 ***
16 th Avenue Area Part 3 (CSO)	72,482	1,312,404	3,292,370	4,677,256 ***
24 th Street – Dove to Electric (CSO)	434,536	482,003	1,188,329	2,104,868 ****

(Continued on next page)

City of Port Huron

PUBLIC WORKS PROJECTS
COMPLETED PROJECTS
June 30, 2012

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Florida Area	\$ 690,912	\$ 201,817	\$ 44,393	\$ 937,122
Vanness Area (CSO)		2,028,023	4,092,717	6,120,740 *
Military Electric Area (CSO)	302,197	1,849,918	1,555,647	3,707,762
Scott Avenue – Poplar to 10 th	201,014	98,816		299,830 ****
Military – Reid to Black River	56,212	2,214,469	424,002	2,694,683
Rural Area (CSO)	213,626	2,177,856	4,898,545	7,290,027 ***
17 th Street – Water to 16 th	215,656			215,656
4 th Street Area (CSO)	312,545	1,805,000	5,710,819	7,828,364
11 th 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 – Glenwood to Lincoln	161,999	339,315	232,969	734,283 ****
Stone Street – Washington to Pine Grove	194,313	76,312	120,254	390,879
Traffic Signal Project	1,252,891			1,252,891 ****
Dove Street – 24 th to 28 th	485,029			485,029 ****
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	399,792	524,707	572,024	1,496,523
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
Erie Area North (CSO)		2,149,832	4,298,780	6,448,612 ****
Sanborn Street – 12 th to Appomattox	170,773	19,956	24,813	215,542
Appomattox Area – Sanborn Park Drive	437,888	61,314		499,202
Sewer Lining			191,054	191,054
10 th Street – Electric to Lapeer	116,424			116,424
Military Street – Utility Rehabilitation		191,251	240,037	431,288
Industrial Park Concrete	1,191,092	24,491	92,007	1,307,590 **
Beard Area – Industrial Park (CSO)		870,807	6,295,322	7,166,129 **
16 th Street Pump Station (CSO)			1,490,651	1,490,651 **
10 th Street Pump Station (CSO)			950,245	950,245 **
12 th 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
10 th Street Bridge	6,906,053			6,906,053
7 th Street Bridge	14,425,153			14,425,153
Solids Handling – WWTP			10,384,121	10,384,121
Wastewater Treatment Plant – 2011 Bonds			4,694,522	4,694,522
Total public works projects	<u>\$ 53,257,264</u>	<u>\$ 52,681,666</u>	<u>\$ 133,311,260</u>	<u>\$ 239,250,190</u>

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

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

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

**** Projects partially or completely funded through other or combined grant funds.

City of Port Huron

PUBLIC WORKS PROJECTS
CURRENT YEAR PROJECTS
Year Ended June 30, 2012

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, 2012 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 2011-2012 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Harker Street – Convention Center	\$ 36,039	\$ 11,375	\$ 10,282	\$ 57,696
Traffic Signal Upgrade	72,838			72,838
Water Street – 13 th to Taylor	257,760	161,031	14,209	433,000
21 st Street Area Part 1 (CSO)	16,338	121,165	187,476	324,979
21 st Street Area Part 2 (CSO)	618,886	1,716,758	2,462,478	4,798,122
Union Street – 6 th to 10 th	391,126			391,126
Nern Street Area (CSO)			31,521	31,521
Dove Street – 16 th to 24 th	511,253	172,376		683,629
Erie North Area (CSO)		502,914	1,021,273	1,524,187
Sanborn Street – 10 th to Appomattox	29,611			29,611
Sewer Lining			182,434	182,434
10 th Street – Electric to Lapeer	26,868			26,868
7 th Street Bridge	34,248			34,248
Other contracts	16,764	5,384	2,597	24,745
Total public works projects	<u>\$ 2,011,731</u>	<u>\$ 2,691,003</u>	<u>\$ 3,912,270</u>	<u>\$ 8,615,004</u>

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

Total public works projects above	\$ 2,011,731	\$ 2,691,003	\$ 3,912,270
Meter project		2,716,046	
Wastewater Treatment Plant			2,828,545
Other capital additions	29,682	272,933	12,800
Change in contracts payable		1,985,788	(234,717)
Projects recorded in or funded by other funds:			
General Fund – Parks			
Community Development Block Grant			
Tax Increment Authority	<u>216,581</u>		
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	<u>\$ 1,824,832</u>		
Acquisition and construction of capital assets (Exhibit A-10)		<u>\$ 7,665,770</u>	<u>\$ 6,518,898</u>

SINGLE AUDIT SECTION

This page is intentionally left blank.

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, 2012, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated November 29, 2012, which contained unqualified opinions on those financial statements. 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 have not performed any procedures with respect to the audited financial statements subsequent to November 29, 2012.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 29, 2012

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*

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, 2012, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated November 29, 2012. 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

The management of the City of Port Huron, Michigan is responsible for establishing and maintaining an effective 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Port Huron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Honorable Mayor and members of 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

November 29, 2012

Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of each of its major federal programs for the year ended June 30, 2012.

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 each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 Honorable Mayor and members of 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

November 29, 2012

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
Program year 2009	14.218	B-09-MC-26-0038	866,521	\$ 219,508
Program year 2010	14.218	B-10-MC-26-0038	942,742	474,371
Program year 2011	14.218	B-11-MC-26-0038	792,867	<u>560,245</u>
Total				<u>1,254,124</u>
U.S. Department of Housing and Urban Development – Passed through Michigan State Housing Development Authority:				
HERA – Community Development Block Grant:				
	14.218	NSP-2008-0306-ENT	1,250,000	<u>60,740</u>
U.S. Department of Housing and Urban Development – Passed through St. Clair County:				
Neighborhood Stabilization Program 3	14.218	B-11-UN-26-0009	1,095,475	<u>212,267</u>
Total CDBG – Entitlement Grants Cluster				<u>1,527,131</u>
Home Investment Partnership Program:				
Program year 2007	14.239	M-07-MC-260217	270,141	92,944
Program year 2008		M-08-MC-260217	259,493	12,921
Program year 2010		M-10-MC-260217	288,903	<u>82,706</u>
Total				<u>188,571</u>
Total U.S. Department of Housing and Urban Development				<u>1,715,702</u>
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	35,248	35,248
Urban Areas Security Initiative	97.067	N/A	12,920	12,920
State Homeland Security Grant Program	97.067	N/A	147	147
Law Enforcement Terrorism Prevention Program	97.067	N/A	25,244	25,244
Training	97.067	N/A	20,885	20,885
Planning	97.067	N/A	1,271	<u>1,271</u>
Total Homeland Security Cluster				<u>95,715</u>
Total U.S. Department of Homeland Security				<u>95,715</u>
U.S. Department of Justice – Bureau of Justice Bulletproof Vest Partnership Program				
	16.607	N/A	52,293	<u>3,125</u>
U.S. Department of Justice – Office of Community Oriented Policing Services				
ARRA – Cops Hiring Recovery Program	16.710	2009-RK-WX-0458	424,484	<u>103,239</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2012

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Justice – Office of Justice Programs				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3055	23,410	1,243
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1074	30,908	26,338
ARRA – Edward Byrne Memorial Justice Assistance Grant Program	16.803	2009-SB-B9-1823	127,145	<u>19,325</u>
Total JAG Program Cluster				<u>46,906</u>
Total U.S. Department of Justice				<u>153,270</u>
U.S. Department of Transportation – Passed through Michigan Department of State Police, Emergency Management Division; - Passed through St. Clair County:				
State and Community Highway Safety – Seat Belt	20.600	N/A	7,403	7,403
State and Community Highway Safety – OWI	20.601	N/A	4,048	<u>4,048</u>
Total Highway Safety Cluster				<u>11,451</u>
U.S. Department of Transportation – Passed through Michigan Department of State Police, Emergency Management Division:				
Traffic Safety Information System Improvement	20.610	N/A	8,676	<u>8,676</u>
Total Highway Safety Cluster				<u>8,676</u>
Total U.S. Department of Transportation				<u>20,127</u>
U.S. Department of Health and Human Services – Passed through Michigan Secretary of State – Bureau of Elections:				
Voting Access for Individuals with Disabilities	93.617		29,760	<u>10,956</u>
Total U.S. Department of Health and Human Services				<u>10,956</u>
U.S. Department of Interior – National Park Service:				
Save America’s Treasure’s Grant: Program year 2006	15.929	26-06-ML-0425	394,115	<u>199,631</u>
Total U.S. Department of Interior				<u>199,631</u>
U.S. Environmental Protection Agency				
Great Lakes Program	66.469	GL-00E00534-0	1,296,700	852,358
Congressionally Mandated Projects	66.202	XP-00548004-0	1,062,300	<u>723,357</u>
Total U.S. Environmental Protection Agency				<u>1,575,715</u>
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 7275-01			4,395,000	<u>123,470*</u>
Total				<u>123,470</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 Year Ended June 30, 2012

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality				<u>123,470</u>
Total federal awards				<u>\$ 3,894,586</u>

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

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

City of Port Huron

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Note A -Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Port Huron programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the City of Port Huron, Michigan’s financial statements.

Because the schedule presents only a selected portion of the operations of the City of Port Huron, Michigan, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Port Huron, Michigan. Pass-through entity identifying numbers are presented where available.

Note B - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Port Huron Neighborhood Housing Corporation:		
Home Investment Partnership Programs	14.239	\$ 91,136
HERA – Community Development Block Grant	14.218	51,446
Neighborhood Stabilization Program 3	14.218	<u>14,093</u>
Total		<u>156,675</u>
St. Clair County Non-Profit Housing Corporation:		
Home Investment Partnership Programs	14.239	31,192
Neighborhood Stabilization Program 3	14.218	<u>85,990</u>
Total		<u>117,182</u>
Blue Water Habitat for Humanity:		
Neighborhood Stabilization Program 3	14.218	<u>45,000</u>
Blue Water Residential Non-Profit Housing Corporation:		
HERA – Community Development Block Grant	14.218	<u>9,773</u>
Safe Horizons:		
Community Development Block Grant	14.218	<u>13,125</u>
Total		<u>\$ 341,755</u>

City of Port Huron, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant Entitlement Cluster
16.710	ARRA - Cops Hiring Recovery Program
66.469	Great Lakes Program

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

Auditee qualified as low-risk auditee? Yes No

City of Port Huron, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

This page is intentionally left blank.