

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014



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, 2014

CITY COUNCIL

Pauline M. Repp – Mayor

Sherry L. Archibald

Kenneth D. Harris

Anita R. Ashford

Alan R. Lewandowski

Rachel L. Cole*

Rico A. Ruiz

*replaced Brian J. Moeller

JAMES R. FREED – City Manager

DEPARTMENT OF FINANCE

EDWARD P. BRENNAN, C.P.A. – Director

Edward J. Laratonda, C.P.A. – Income Tax Administrator

Carol A. Lopiccolo – Assessor

Roberta J. Seppo – Controller – Purchasing Agent

Lynn J. Ward – Treasurer – Water Office Supervisor

City of Port Huron
 Comprehensive Annual Financial Report
 Year Ended June 30, 2014

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November 26, 2014

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, 2014. 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, 2014. 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, 2014, 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, 2014, 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 Mayor and each council member currently serving will serve an additional year as the City transitions to holding elections in even numbered years rather than in odd numbered years, as was done in the past. This will save the City the cost of holding elections in the odd numbered years. The next election for Mayor and council members will be held in November, 2016.

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). However, the legally adopted budget is at the functional level. Therefore, expenditures may not legally exceed budget appropriations at the functional level. Department heads may make transfers of appropriations within a department. Authority to make transfers of appropriations between departments is given to the City Manager. Transfers between funds or changes in spending at the fund level require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the major special revenue funds, this comparison is presented starting on page 40 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 90, for governmental funds with appropriated annual budgets other than the general fund and the major special revenue funds.

ECONOMIC CONDITION AND OUTLOOK

Port Huron is one of only three ports of entry into Canada from the state, via the International Blue Water Bridge. As a result of the completion of the interstate highway systems on both sides of the border, the expansion of the Blue Water Bridge and the Free Trade Agreement between the United States and Canada, we have experienced and anticipate even greater trade and tourism activity for our community. Currently the Blue Water Bridge is the second busiest Ontario commercial crossing and the fourth busiest overall Ontario crossing. Based upon recently available statistics, on an average day, approximately 5,000 commercial and 10,000 passenger vehicles travel across the twin spans. Total annual bridge traffic is 5.41 million vehicles, an annual increase of approximately 3%. 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) has completed improvements to a two and one-half mile portion of the I-94/I-69 corridor leading to the Blue Water Bridge. Work has also begun on MDOT's reconstruction of the I-94/I-69 interchange, located just outside the City limits. When completed in 2015, the 3.7 miles of reconstructed highways, bridges and ramps will continue to allow safe travel for the thousands of vehicles that enter the City daily via these two interstate highways.

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. 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. 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 which opened to the public as Blue Water River Walk during June, 2014.

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 original project proposal included 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. During the summer of 2013, construction was completed on the hotel, restaurant and new culinary institute and all were opened to the public. St. Clair County and the City continue to work together with the private sector to facilitate the expansion of conference facilities. The developer and the restaurant owner along with a national hotel group continue to 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.

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. Another developer has renovated several loft projects in the downtown area.

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 2013. 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 (initially approved by the citizens in May, 1994 for a ten year period. The levy was renewed for an additional ten years in May, 2004 and again in November, 2013).
- 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 reacquired the property in late 2012 and resold the property to another developer in June, 2013. The developer plans to have a hotel operational within a year.
- 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 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.

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, began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 participating. The Hybrid Plan 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 278 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, 2014, the value in the fund is over \$14.0 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 K and L in the notes to the financial statements.

The City of Port Huron has made changes to 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 property damage and 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 \$450,000.

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, 2013. This was the thirty-ninth 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,

James R. Freed
City Manager

Edward P. Brennan, C.P.A.
Director of Finance

EPB/da

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Government Finance Officers Association

**Certificate of
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Michigan**

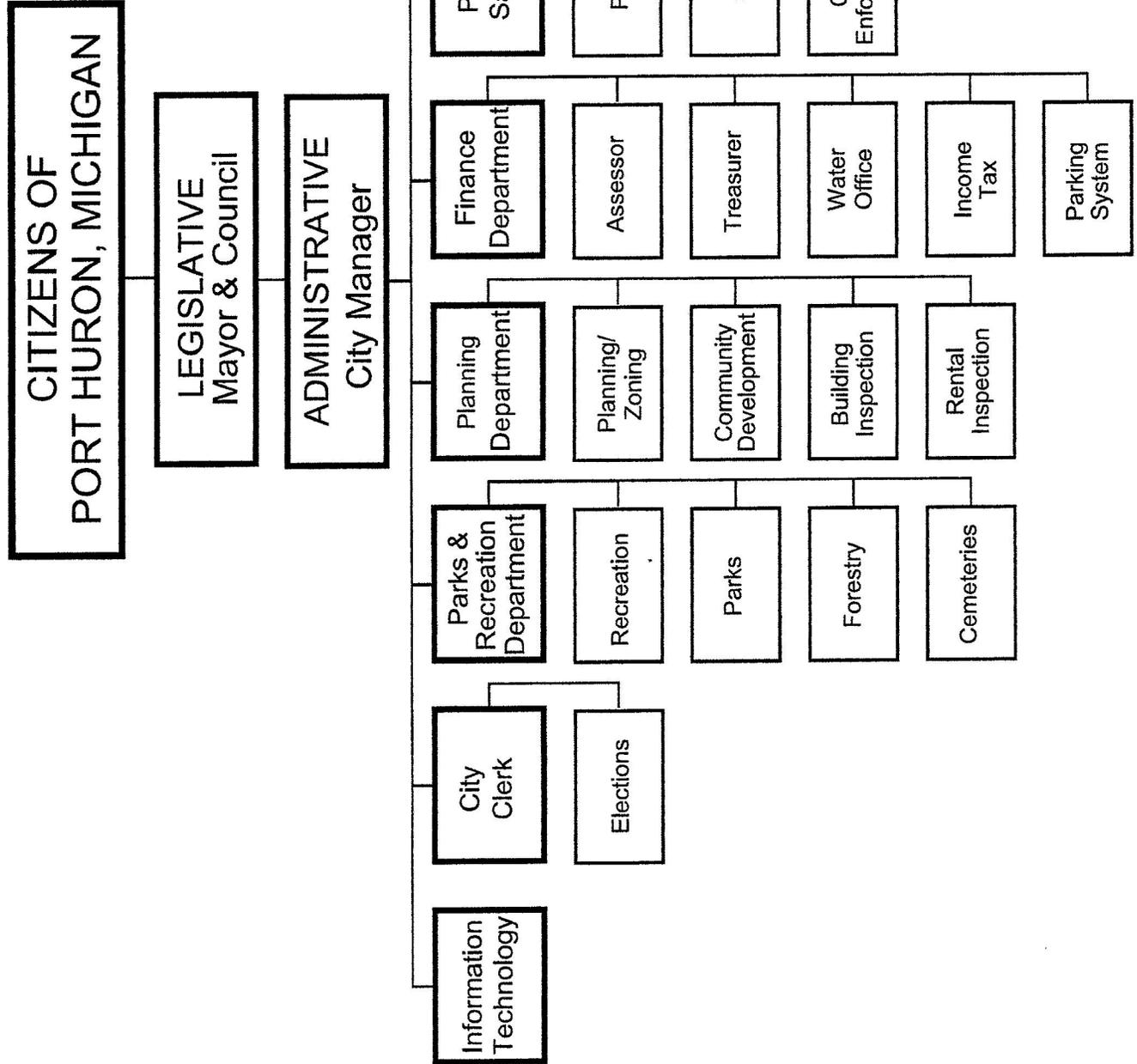
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Port Huron, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with 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 from material misstatement. The financial statements of McMorran (a discretely presented component unit) were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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, 2014, and the respective changes in its financial position and, where applicable, cash flows, and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the basic financial statements, in 2014, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As explained in Note A, the financial statements include investments in a pooled market fund valued at approximately \$13,195,000 (94 percent of the net position of the fiduciary funds) at June 30, 2014. Approximately \$4,455,000 of that pooled market fund includes investments that may not be publicly traded and therefore do not always have readily determinable market value. Management's estimates are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the retirement system and healthcare plan schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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 supplementary 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Huron, Michigan's basic financial statements. The accompanying combining and individual fund statements and schedules section and discretely presented governmental units section, as identified in the table of contents, and introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying combining and individual fund statements and schedules section and discretely presented governmental units section, as identified in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements and schedules section and discretely presented governmental units section, as identified in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have 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 them.

Report on Summarized Comparative Information

We have previously audited the City of Port Huron, Michigan's June 30, 2013 financial statements, and we expressed an unmodified audit opinion 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 in our report dated November 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the City of Port Huron, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an opinion 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* in considering the City of Port Huron, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 26, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5 - 11 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Port Huron exceeded its liabilities at the close of the most recent fiscal year by \$163,919,861 (net position). Of this amount, \$31,277,619 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$3,121,941. This decrease is primarily the result of planned expenditure of fund balance which had been accumulated in prior years.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$16,820,640, an increase of \$1,550,808 in comparison with the prior year. Approximately 24 percent of this total amount, \$4,093,692, 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 \$4,093,692, or 19.4 percent of total general fund expenditures and transfers.
- The City of Port Huron's total bonded debt (net of repayments and refundings) decreased by \$5,539,812 (5.0 percent) during the current fiscal year. The key factors in this decrease were the payments being made on prior debt and the limited new borrowing for projects. Additional information can be found in Note H on pages 71 through 76 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 position presents information on all of the City of Port Huron's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 29 through 31 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 32 through 45 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 46 through 53 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 54 and 55 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 60 through 80 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 82 and 83 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 86 through 109 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Huron, assets exceeded liabilities by \$163,919,861 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net position (74.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Huron uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Huron's investment in its capital assets is reported net of related debt, (if applicable) it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PORT HURON'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 33,231,413	\$ 31,824,666	\$ 20,278,174	\$ 27,519,117	\$ 53,509,587	\$ 59,343,783
Capital assets	<u>51,693,096</u>	<u>52,336,750</u>	<u>175,787,031</u>	<u>177,591,022</u>	<u>227,480,127</u>	<u>229,927,772</u>
Total assets	<u>84,924,509</u>	<u>84,161,416</u>	<u>196,065,205</u>	<u>205,110,139</u>	<u>280,989,714</u>	<u>289,271,555</u>
Long-term liabilities	5,623,085	5,468,480	93,382,991	99,337,811	99,006,076	104,806,291
Other liabilities	<u>8,239,810</u>	<u>8,038,591</u>	<u>9,823,967</u>	<u>9,384,871</u>	<u>18,063,777</u>	<u>17,423,462</u>
Total liabilities	<u>13,862,895</u>	<u>13,507,071</u>	<u>103,206,958</u>	<u>108,722,682</u>	<u>117,069,853</u>	<u>122,229,753</u>
Net position:						
Net investment in capital assets	48,210,858	48,854,512	74,324,636	72,802,999	122,535,494	121,657,511
Restricted	10,106,748	8,791,022			10,106,748	8,791,022
Unrestricted	<u>12,744,008</u>	<u>13,008,811</u>	<u>18,533,611</u>	<u>23,584,458</u>	<u>31,277,619</u>	<u>36,593,269</u>
Total net position	<u>\$ 71,061,614</u>	<u>\$ 70,654,345</u>	<u>\$ 92,858,247</u>	<u>\$ 96,387,457</u>	<u>\$ 163,919,861</u>	<u>\$ 167,041,802</u>

An additional portion of the City of Port Huron's net position (6.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,277,619) 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 position, 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 position decreased by \$3,121,941 during the current fiscal year. This decrease primarily represents planned expenditure of fund balances which had been accumulated in prior years.

CITY OF PORT HURON'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,822,445	\$ 3,752,541	\$ 17,301,687	\$ 17,652,863	\$ 21,124,132	\$ 21,405,404
Operating grants and contributions	4,792,014	4,112,329	1,070,715	1,281,850	5,862,729	5,394,179
Capital grants and contributions	1,641,006	2,734,461	788,009	68,733	2,429,015	2,803,194
General revenues:						
Property taxes	9,824,683	10,301,650			9,824,683	10,301,650
Income taxes	5,934,153	5,868,284			5,934,153	5,868,284
State shared revenue	3,336,089	3,235,216			3,336,089	3,235,216
Investment income	1,066,266	798,929	165,658	138,622	1,231,924	937,551
Gain on sale of capital assets	600,091	108,482	39	(572)	600,130	107,910
Other	343,183	348,680			343,183	348,680
Total revenues	<u>31,359,930</u>	<u>31,260,572</u>	<u>19,326,108</u>	<u>19,141,496</u>	<u>50,686,038</u>	<u>50,402,068</u>
Expenses:						
General government	3,090,941	3,210,408			3,090,941	3,210,408
Public safety	13,389,126	13,374,286			13,389,126	13,374,286
Public works	8,880,522	8,722,765			8,880,522	8,722,765
Health and welfare	1,661	2,119			1,661	2,119
Community and economic development	2,809,208	2,098,021			2,809,208	2,098,021
Recreation, parks and culture	2,781,203	2,509,891			2,781,203	2,509,891
Water			7,156,211	6,816,156	7,156,211	6,816,156
Wastewater			14,414,801	14,028,061	14,414,801	14,028,061
Land purchase			920,613	233,141	920,613	233,141
Parking			128,795	100,072	128,795	100,072
Marina			234,898	187,639	234,898	187,639
Total expenses	<u>30,952,661</u>	<u>29,917,490</u>	<u>22,855,318</u>	<u>21,365,069</u>	<u>53,807,979</u>	<u>51,282,559</u>
Increase (decrease) in net position before transfers	407,269	1,343,082	(3,529,210)	(2,223,573)	(3,121,941)	(880,491)
Transfers		(1,045,000)		1,045,000		
Increase (decrease) in net position	407,269	298,082	(3,529,210)	(1,178,573)	(3,121,941)	(880,491)
Net position – beginning of year	<u>70,654,345</u>	<u>70,356,263</u>	<u>96,387,457</u>	<u>97,566,030</u>	<u>167,041,802</u>	<u>167,922,293</u>
Net position - end of year	<u>\$71,061,614</u>	<u>\$70,654,345</u>	<u>\$92,858,247</u>	<u>\$96,387,457</u>	<u>\$163,919,861</u>	<u>\$167,041,802</u>

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Port Huron's net position by \$407,269. The increase in net position attributable to governmental activities is primarily the result of favorable investment results in the Cemetery Perpetual Care Fund. A summary of the changes follows:

- Property taxes decreased by \$476,967 (4.6 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 \$65,869 (1.1 percent), a small increase from the prior year.
- State revenue sharing payments increased by \$100,873, primarily as a result of an increase from constitutional revenue sharing and the Economic Vitality Incentive Program (EVIP) revenue.
- Operating grants and contributions increased by \$679,685, primarily due to increased grant activity in the areas of community development and public works.
- Capital grants and contributions decreased by \$1,093,455, due to a decrease in grants related to infrastructure projects initiated by the State of Michigan and a decrease in public safety grants.
- Investment income increased by \$267,337, primarily due to favorable investment returns in the Cemetery Perpetual Care Fund.

Operating expenses increased compared to the prior year. This comparison can be reviewed in more detail in the fund financial statements. The increase in governmental activities' expenses of \$1,035,171 is primarily the result of increased grant related activity in the area of community development. Expenses also increased in the area of recreation parks and culture due to the additional capital funds allocated to McMorran. Public works expenses increased due to the improved code enforcement efforts during the year.

BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the City of Port Huron's net position by \$3,529,210. Key elements affecting business-type activities are as follows:

- Charges for services decreased by \$351,176 (2.0 percent) during the year. The decrease was primarily due to decreased revenue in the City's two utility funds.
- Operating grants and contributions decreased \$211,325 during the year. Most of this decrease was the result of a decrease 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 \$719,276 during the year. The increase was primarily the result of the Harker Street project which included funding from the Harker Street Brownfield Plan. The Nern Street Area project also included \$200,000 of Community Development Block Grant funds.
- Expenses have increased by \$1,490,249, compared to the prior year as the result of increases in interest, depreciation and other costs in the Wastewater and Water Funds. Also, the Land Purchase Fund made payments for the Harker Street project in the amount of \$674,478 on behalf of the Brownfield Redevelopment Authority.

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 \$16,820,640, an increase of \$1,550,808 in comparison with the prior year. Of this amount, 24 percent (\$4,093,692) 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 (\$7,158,692), 2) restricted or committed for a variety of other specific purposes (\$5,261,935), or 3) converted to nonspendable form (\$306,321).

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 \$4,093,692, while total fund balance reached \$4,478,755. 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 19.41 percent of total general fund expenditures, while total fund balance represents 21.24 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by \$92,098 during the current fiscal year. Key factors in the changes in the General Fund are as follows:

- Income tax revenue increased by 1.1% primarily due to increases in local economic activity. Current year property tax revenues decreased by 3.4% as a result of declines in property values. Other property tax related revenue, primarily delinquent taxes, penalties and interest, decreased by \$125,412. Overall tax revenue decreased by \$284,666.
- State shared revenues increased by \$105,697 primarily due to increases in both the constitutional and EVIP revenue.
- Grants increased by \$225,486 primarily due to an increase in grants received for economic development and public safety.
- Total revenues increased by \$582,190 or 2.8%. The overall revenue increase is primarily due to a one-time sale of City property as well as increases in state shared revenues and grants revenue discussed above.
- General government expenditures decreased by \$47,531, primarily due to the elimination of one full-time position.
- Public safety expenditures increased by \$240,236, (1.9%), primarily due to expanded efforts in both the Police and Fire Departments.
- Recreation, parks and culture expenditures increased by \$270,049 primarily due to a one-time increase in the capital allocation for McMorran.
- In the aggregate, general fund expenditures increased by \$862,823 or 4.3% primarily as a result of the increases discussed above as well as the increased code enforcement efforts in public works and capital improvements to the City's pools, boat launches and kayak launch.

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 \$3,965,375, an increase of \$954,554 during the fiscal year, primarily as a result of a decrease in capital outlay expenditures. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements decreased by 4.5% due to taxable valuation decreases discussed above.
- State shared revenues increased by \$95,790, an increase of 3.6%.
- Public works expenses increased by 7.2% primarily as a result of increased winter maintenance costs.
- Capital outlay, net of applicable grants, decreased by 51.9% due to a decrease in ongoing projects.

The Municipal Streets Fund committed fund balance of \$1,543,238 is expected to be used for continuing infrastructure projects.

PROPRIETARY FUNDS

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

Net position at the end of the year for the Water Fund was \$24,393,426, net position for the Wastewater Fund was \$56,237,172 and net position for the Land Purchase Fund was \$4,907,659. The total change in net position for the Water, Wastewater and Land Purchase funds was (\$54,334), (\$1,479,528) and (\$2,136,993), respectively, with the loss for the Water and Wastewater Funds primarily due to the planned use of net position and the loss for the Land Purchase Fund primarily due to transfers out. Unrestricted net position at the end of the year for the Water Fund was \$4,987,793, unrestricted net position for the Wastewater Fund was \$6,600,904 and unrestricted net position for the Land Purchase Fund was \$1,595,110. Unrestricted net position for the Water, Wastewater and Land Purchase Funds decreased by \$501,996, \$2,563,186 and \$2,007,993, respectively. The decrease for the Water and Wastewater Funds was primarily the result of the debt repayments. 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

The difference between the original budget and the final amended budget was \$842,350, primarily due to increased funding for grant related expenditures, McMorran capital, and the project to fix two of the local pools. Year end transfers to the Land Purchase Fund in prior years have resulted in \$893,024 available at June 30, 2014, for capital purchases and significant maintenance and repair items. During the year ended June 30, 2014, there were no expenditures from this account. The current year transfer was not intended to be part of the \$893,024 previously set aside.

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, 2014, amounts to \$227,480,127 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, systems, machinery and equipment, streets, bridges and sidewalks. The total decrease in the City of Port Huron's investment in capital assets for the current fiscal year was \$2,447,645 (a 1.2 percent decrease for governmental activities and a 1.0 percent decrease 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 \$510,000 for streets, \$850,000 for water and \$1,870,000 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,260,209	\$ 4,260,209	\$ 4,458,766	\$ 4,394,296	\$ 8,718,975	\$ 8,654,505
Construction in progress	506,361	478,154	2,721,715	499,826	3,228,076	977,980
Land improvements	11,004,050	10,644,125	1,431,326	1,379,822	12,435,376	12,023,947
Buildings	11,201,079	11,201,931	33,669,610	33,538,568	44,870,689	44,740,499
Machinery and equipment	14,430,345	14,662,901	19,029,343	18,556,049	33,459,688	33,218,950
Vehicles	6,608,190	6,035,444			6,608,190	6,035,444
Infrastructure	<u>74,394,244</u>	<u>73,611,431</u>	<u>214,585,361</u>	<u>212,673,839</u>	<u>288,979,605</u>	<u>286,285,270</u>
Total	122,404,478	120,894,195	275,896,121	271,042,400	398,300,599	391,936,595
Less accumulated depreciation	<u>70,711,382</u>	<u>68,557,445</u>	<u>100,109,090</u>	<u>93,451,378</u>	<u>170,820,472</u>	<u>162,008,823</u>
Total	<u>\$ 51,693,096</u>	<u>\$ 52,336,750</u>	<u>\$175,787,031</u>	<u>\$177,591,022</u>	<u>\$227,480,127</u>	<u>\$229,927,772</u>

Additional information on the City of Port Huron's capital assets can be found in note F on pages 69 through 71 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 \$104,944,633. Of this amount \$92,274,481 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.

CITY OF PORT HURON'S OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 3,482,238	\$ 3,482,238	\$ 88,792,603	\$ 93,595,795	\$ 92,274,841	\$ 97,078,033
Revenue bonds			<u>12,669,792</u>	<u>13,406,412</u>	<u>12,669,792</u>	<u>13,406,412</u>
Total	<u>\$ 3,482,238</u>	<u>\$ 3,482,238</u>	<u>\$101,462,395</u>	<u>\$107,002,207</u>	<u>\$104,944,633</u>	<u>\$110,484,445</u>

The City of Port Huron's total bonded and installment debt (net of repayments and refundings) decreased by \$5,539,812 (5.0 percent) during the current fiscal year. The key factor in this decrease was the repayment of prior year debt and the limited new borrowings for projects.

The City of Port Huron and its Water and Wastewater Funds both maintain an "A+" rating from Standard & Poor's and an "A" rating from Fitch Ratings for general obligation debt. The revenue bonds of the Water Fund have been rated "A" by Standard & Poor's.

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 \$60,152,920. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$33,230,687. Debt issued as a result of an order, which would include \$65,352,608 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 71 through 76 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As of September 30, 2014, the unemployment rate for the City of Port Huron was 11.1 percent, a decrease of 2.9 percentage points from the year before. This compares to the county's average unemployment rate of 7.8 percent, the state's average unemployment rate of 6.7 percent and the national average rate of 5.7 percent.

The occupancy rate of the government's central business district has remained stable over the past year. Occupancy has not increased this year due to the largest retail location remaining closed. Currently, developers are attempting to lease 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.

For the 2014/2015 budget year, both total equalized valuation and taxable valuation decreased from the 2013/2014 fiscal year, resulting in a decrease in budgeted property tax revenue of approximately 2.6%. It is expected that both equalized valuation and taxable valuation will increase somewhat for the 2015/2016 budget year. This will result in an increase in property tax revenues available to the City for 2015/2016. Such increase will be limited somewhat due to the effects of Proposal A. Additional information is available in the Statistical Section, pages 138 and 139.

All of these factors were considered in preparing the City of Port Huron's budget for the 2014/2015 fiscal year.

REQUESTS FOR INFORMATION

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

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City of Port Huron

STATEMENT OF NET POSITION

June 30, 2014

EXHIBIT A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Assets:				
Cash and cash equivalents	\$ 15,616,265	\$ 15,602,330	\$ 31,218,595	\$ 1,004,675
Investments	10,229,139		10,229,139	
Receivables (net of allowances for uncollectibles)	5,305,541	3,960,462	9,266,003	41,129
Due from other governmental units	1,502,726	92,000	1,594,726	121,280
Inventories	424,456	596,678	1,021,134	25,811
Prepaid expenses	153,286	26,704	179,990	12,179
Capital assets:				
Non-depreciable (land and construction in progress)	4,766,570	7,180,481	11,947,051	25,000
Depreciable property and equipment (net of accumulated depreciation)	46,926,526	168,606,550	215,533,076	883,658
Total Assets	<u>84,924,509</u>	<u>196,065,205</u>	<u>280,989,714</u>	<u>2,113,732</u>
LIABILITIES				
Liabilities:				
Accounts payable	681,494	248,778	930,272	323,876
Accrued payroll	1,276,429	197,792	1,474,221	13,301
Contracts payable	1,736,319	144,559	1,880,878	
Accrued interest payable	112,159	816,263	928,422	
Other liabilities	224,814	337,171	561,985	49,285
Unearned revenue	3,100,342		3,100,342	16,450
Noncurrent liabilities:				
Due within one year	1,108,253	8,079,404	9,187,657	
Due in more than one year	5,623,085	93,382,991	99,006,076	152,032
Total Liabilities	<u>13,862,895</u>	<u>103,206,958</u>	<u>117,069,853</u>	<u>554,944</u>
NET POSITION				
Net investment in capital assets	48,210,858	74,324,636	122,535,494	908,658
Restricted for street improvements	2,269,102		2,269,102	
Restricted for law enforcement	413,286		413,286	
Restricted for rubbish and garbage collection	414,428		414,428	
Restricted for streetscape maintenance	84,268		84,268	
Restricted for nonexpendable endowments	7,158,692		7,158,692	
Unrestricted	12,510,980	18,533,611	31,044,591	650,130
Net Position	<u>\$ 71,061,614</u>	<u>\$ 92,858,247</u>	<u>\$ 163,919,861</u>	<u>\$ 1,558,788</u>

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

City of Port Huron

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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	\$ 3,090,941	\$ 2,103,355	\$	\$
Public safety	13,389,126	487,862	182,995	226,415
Public works	8,880,522	345,457	2,751,227	1,252,362
Health and welfare	1,661			
Community and economic development	2,809,208	531,319	1,827,286	
Recreation, parks and culture	2,781,203	354,452	30,506	162,229
Total governmental activities	<u>30,952,661</u>	<u>3,822,445</u>	<u>4,792,014</u>	<u>1,641,006</u>
Business-type activities:				
Water	7,156,211	6,787,849		308,622
Wastewater	14,414,801	10,198,546		479,387
Land purchase	920,613	233,328	890,053	
Parking	128,795	44,491		
Marina	234,898	37,473	180,662	
Total business-type activities	<u>22,855,318</u>	<u>17,301,687</u>	<u>1,070,715</u>	<u>788,009</u>
Total primary government	<u>\$ 53,807,979</u>	<u>\$ 21,124,132</u>	<u>\$ 5,862,729</u>	<u>\$ 2,429,015</u>
Component units:				
Downtown development	\$ 680,054	\$ 18,750	\$	\$
Tax increment finance	1,717,566			
Local development finance	365,544			
Brownfield redevelopment	924,000		674,478	
McMorran	1,663,549	1,163,017	175,000	540,000
Total component units	<u>\$ 5,350,713</u>	<u>\$ 1,181,767</u>	<u>\$ 849,478</u>	<u>\$ 540,000</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 position				
Net position at beginning of year				
NET POSITION AT END OF YEAR				

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (987,586)	\$	\$ (987,586)	\$
(12,491,854)		(12,491,854)	
(4,531,476)		(4,531,476)	
(1,661)		(1,661)	
(450,603)		(450,603)	
(2,234,016)		(2,234,016)	
<u>(20,697,196)</u>		<u>(20,697,196)</u>	
	(59,740)	(59,740)	
	(3,736,868)	(3,736,868)	
	202,768	202,768	
	(84,304)	(84,304)	
	(16,763)	(16,763)	
	<u>(3,694,907)</u>	<u>(3,694,907)</u>	
<u>(20,697,196)</u>	<u>(3,694,907)</u>	<u>(24,392,103)</u>	
			(661,304)
			(1,717,566)
			(365,544)
			(249,522)
			<u>214,468</u>
			<u>(2,779,468)</u>
9,824,683		9,824,683	2,924,722
5,934,153		5,934,153	
3,336,089		3,336,089	
1,066,266	165,658	1,231,924	110
600,091	39	600,130	
343,183		343,183	
<u>21,104,465</u>	<u>165,697</u>	<u>21,270,162</u>	<u>2,924,832</u>
407,269	(3,529,210)	(3,121,941)	145,364
<u>70,654,345</u>	<u>96,387,457</u>	<u>167,041,802</u>	<u>1,413,424</u>
<u>\$ 71,061,614</u>	<u>\$ 92,858,247</u>	<u>\$ 163,919,861</u>	<u>\$ 1,558,788</u>

City of Port Huron

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2014

EXHIBIT A-2

ASSETS	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
Assets:			
Cash and cash equivalents	\$ 1,519,215	\$ 26,052	\$ 73,294
Investments	3,021,068		
Receivables (net of allowances for uncollectibles)	1,114,957		
Due from other governmental units	163,071	318,694	86,783
Due from other funds			
Inventories			
Prepaid items	153,286		
Total Assets	<u>\$ 5,971,597</u>	<u>\$ 344,746</u>	<u>\$ 160,077</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 561,912	\$ 3,131	\$ 82
Accrued payroll	736,285	35,218	10,133
Contracts payable	8,017	17,751	17,751
Due to other funds			
Unearned revenue	145,527		
Other liabilities	41,101		
Total Liabilities	<u>1,492,842</u>	<u>56,100</u>	<u>27,966</u>
Fund balances:			
Nonspendable:			
Inventories			
Prepaid items	153,286		
Endowments			
Restricted:			
Streets		288,646	132,111
Law enforcement			
Rubbish and garbage collection			
Streetscape maintenance			
Committed:			
Subsequent year's expenditures	231,777		
Municipal streets			
Nonmajor governmental funds			
Unassigned	4,093,692		
Total Fund Balances	<u>4,478,755</u>	<u>288,646</u>	<u>132,111</u>
Total Liabilities and Fund Balances	<u>\$ 5,971,597</u>	<u>\$ 344,746</u>	<u>\$ 160,077</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, 2014	June 30, 2013
\$ 5,081,146	\$ 1,082,219	\$ 7,781,926	\$ 6,111,055
	7,208,071	10,229,139	9,372,807
1,150	3,033,545	4,149,652	4,782,143
	253,828	822,376	617,648
	243,460	243,460	121,873
153,035		153,035	309,485
		153,286	83,382
<u>\$ 5,235,331</u>	<u>\$ 11,821,123</u>	<u>\$ 23,532,874</u>	<u>\$ 21,398,393</u>
\$ 7,654	\$ 36,090	\$ 608,869	\$ 761,675
12,722	36,929	831,287	772,962
1,659,943		1,703,462	807,527
	243,460	243,460	121,873
3,100	2,951,715	3,100,342	3,179,684
7,294	176,419	224,814	484,840
<u>1,690,713</u>	<u>3,444,613</u>	<u>6,712,234</u>	<u>6,128,561</u>
153,035		153,035	309,485
		153,286	83,382
	7,158,692	7,158,692	6,456,502
1,848,345		2,269,102	1,314,548
	413,286	413,286	397,749
	414,428	414,428	494,168
	84,268	84,268	128,055
1,543,238	50,663	1,825,678	1,246,482
			427,323
	255,173	255,173	338,863
		4,093,692	4,073,275
<u>3,544,618</u>	<u>8,376,510</u>	<u>16,820,640</u>	<u>15,269,832</u>
<u>\$ 5,235,331</u>	<u>\$ 11,821,123</u>	<u>\$ 23,532,874</u>	<u>\$ 21,398,393</u>

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City of Port Huron

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

June 30, 2014

EXHIBIT A-3

Total fund balances for governmental funds	\$ 16,820,640
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	44,816,330
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	593,754
Certain contracts payable are not due and payable in the current fiscal year and, therefore, these amounts are not reported in the funds	(32,857)
Internal Service Funds are included as part of governmental activities	<u>8,863,747</u>
Net position of governmental activities	<u><u>\$ 71,061,614</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, 2014

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	\$ 12,649,554	\$	\$
Licenses and permits	601,331		
Grants	676,249	583,363	537,246
State shared revenues	3,314,544	2,140,561	610,666
Charges for services	902,346		
Fines and forfeits	138,892		
Investment income (loss)	30,687		
Rents	361,487		
Sale of property	568,339		
Other income			
Administrative charges	1,939,739		
Total Revenues	<u>21,183,168</u>	<u>2,723,924</u>	<u>1,147,912</u>
Expenditures:			
Current:			
General government	2,998,897		
Public safety	12,646,923		
Public works	1,882,863	1,672,996	896,174
Senior citizens	1,661		
Recreation, parks and culture	2,570,282		
General support services	468,083		
Capital outlay	519,061	964,657	615,580
Total Expenditures	<u>21,087,770</u>	<u>2,637,653</u>	<u>1,511,754</u>
Revenues over (under) Expenditures	<u>95,398</u>	<u>86,271</u>	<u>(363,842)</u>
Other financing sources (uses):			
Transfers in		375,000	434,082
Transfers out	(3,300)	(434,082)	
	<u>(3,300)</u>	<u>(59,082)</u>	<u>434,082</u>
Net Change in Fund Balances	92,098	27,189	70,240
Fund balances at beginning of year	<u>4,386,657</u>	<u>261,457</u>	<u>61,871</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,478,755</u>	<u>\$ 288,646</u>	<u>\$ 132,111</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, 2014	June 30, 2013
\$ 1,501,080	\$ 1,608,202	\$ 15,758,836	\$ 16,194,542
		601,331	611,325
	1,599,266	3,396,124	3,494,178
		6,065,771	5,864,284
153,659	512,181	1,568,186	1,569,942
		138,892	137,061
	916,744	947,431	698,765
		361,487	356,301
	6,550	574,889	71,162
1,758		1,758	1,571
		1,939,739	1,838,693
<u>1,656,497</u>	<u>4,642,943</u>	<u>31,354,444</u>	<u>30,837,824</u>
		2,998,897	3,046,428
	23,272	12,670,195	12,448,342
69,602	2,196,776	6,718,411	6,384,588
		1,661	2,119
		2,570,282	2,300,233
354,770	443,459	1,266,312	1,206,237
	1,478,580	3,577,878	4,172,395
<u>424,372</u>	<u>4,142,087</u>	<u>29,803,636</u>	<u>29,560,342</u>
<u>1,232,125</u>	<u>500,856</u>	<u>1,550,808</u>	<u>1,277,482</u>
	258,355	1,067,437	1,501,786
(375,000)	(255,055)	(1,067,437)	(2,546,786)
<u>(375,000)</u>	<u>3,300</u>		<u>(1,045,000)</u>
857,125	504,156	1,550,808	232,482
<u>2,687,493</u>	<u>7,872,354</u>	<u>15,269,832</u>	<u>15,037,350</u>
<u>\$ 3,544,618</u>	<u>\$ 8,376,510</u>	<u>\$ 16,820,640</u>	<u>\$ 15,269,832</u>

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City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT A-5

Net changes in fund balances - total governmental funds		\$	1,550,808
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			2,274,400
Depreciation expense			(2,791,491)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection			41,930
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	\$	6,586	
Street construction donated from tax increment authorities		<u>131,753</u>	138,339
Internal Service Funds are included as part of governmental activities - change in net position			<u>(806,717)</u>
Change in net position of governmental activities		\$	<u><u>407,269</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, 2014

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2013 Actual
Revenues:					
Taxes:					
Real property taxes	\$ 5,230,000	\$ 5,330,000	\$ 5,323,928	\$ (6,072)	\$ 5,565,462
Personal property taxes	1,080,000	1,080,000	1,084,775	4,775	1,068,364
Income tax	5,800,000	5,930,000	5,934,153	4,153	5,868,284
Other	200,000	300,000	306,698	6,698	432,110
	<u>12,310,000</u>	<u>12,640,000</u>	<u>12,649,554</u>	<u>9,554</u>	<u>12,934,220</u>
Business licenses and permits:					
Cable television	325,000	325,000	328,170	3,170	328,351
Other	20,000	20,000	13,255	(6,745)	18,758
	<u>345,000</u>	<u>345,000</u>	<u>341,425</u>	<u>(3,575)</u>	<u>347,109</u>
Nonbusiness licenses and permits:					
Building	125,000	125,000	147,451	22,451	125,525
Electrical	40,000	40,000	36,252	(3,748)	46,421
Heating	50,000	50,000	42,363	(7,637)	55,572
Plumbing	40,000	40,000	26,595	(13,405)	28,505
Other	15,000	15,000	7,245	(7,755)	8,193
	<u>270,000</u>	<u>270,000</u>	<u>259,906</u>	<u>(10,094)</u>	<u>264,216</u>
Grants	<u>234,000</u>	<u>456,350</u>	<u>676,249</u>	<u>219,899</u>	<u>450,763</u>
State shared revenues	<u>3,225,000</u>	<u>3,235,000</u>	<u>3,314,544</u>	<u>79,544</u>	<u>3,208,847</u>
Charges for services:					
Recreation fees	329,000	350,000	354,452	4,452	334,340
Blue Water Bridge reimbursement	300,000	300,000	300,000		300,000
County parks millage	130,000	130,000	126,945	(3,055)	131,095
Other	101,000	110,000	120,949	10,949	123,788
	<u>860,000</u>	<u>890,000</u>	<u>902,346</u>	<u>12,346</u>	<u>889,223</u>
Fines and forfeits:					
Parking violations	40,000	40,000	31,387	(8,613)	34,423
Ordinance fines	85,000	85,000	107,505	22,505	102,638
	<u>125,000</u>	<u>125,000</u>	<u>138,892</u>	<u>13,892</u>	<u>137,061</u>
Investment income	<u>140,000</u>	<u>40,000</u>	<u>30,687</u>	<u>(9,313)</u>	<u>103,383</u>
Rents	<u>370,000</u>	<u>370,000</u>	<u>361,487</u>	<u>(8,513)</u>	<u>356,301</u>
Sale of property and equipment	<u>210,000</u>	<u>560,000</u>	<u>568,339</u>	<u>8,339</u>	<u>71,162</u>
Charges to other funds:					
Garbage and rubbish collection fund	90,693	90,693	90,693		92,485
Marina fund	26,211	26,211	26,211		22,109
Parking fund	11,733	11,733	11,733		10,655
Water fund	607,515	607,515	607,515		603,132
Wastewater fund	975,460	975,460	975,460		875,800
Central stores fund	10,938	10,938	10,938		11,774
Data processing fund	62,686	62,686	62,686		61,128
Motor vehicle fund	154,503	154,503	154,503		161,610
	<u>1,939,739</u>	<u>1,939,739</u>	<u>1,939,739</u>		<u>1,838,693</u>
Total Revenues	<u>20,028,739</u>	<u>20,871,089</u>	<u>21,183,168</u>	<u>312,079</u>	<u>20,600,978</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, 2014

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2013 Actual
Expenditures:					
Current:					
General government:					
City council	\$ 59,150	\$ 56,150	\$ 55,951	\$ 199	\$ 62,808
City manager	276,271	283,871	283,825	46	268,442
Elections	89,116	52,916	52,857	59	85,925
Finance and accounting	523,908	530,408	530,068	340	572,552
Income tax	299,752	292,752	292,727	25	291,965
Assessor	250,401	237,901	237,578	323	248,855
Legal counsel	170,000	155,000	154,105	895	123,254
Clerk	244,075	224,675	224,646	29	231,436
Personnel	283,424	268,624	268,473	151	263,619
Purchasing	44,285	46,385	46,345	40	40,562
Board of review	2,327	2,327	2,239	88	2,239
Treasurer	170,852	180,052	180,003	49	170,012
Municipal office center	675,389	635,389	635,166	223	674,256
Promotional	15,000	35,000	34,914	86	10,503
	<u>3,103,950</u>	<u>3,001,450</u>	<u>2,998,897</u>	<u>2,553</u>	<u>3,046,428</u>
Public safety:					
Police administration	827,885	846,285	846,197	88	882,835
Detectives	1,189,060	1,215,560	1,215,341	219	1,168,932
Patrol	5,275,654	5,438,804	5,438,663	141	5,330,988
Communications	38,520	41,020	40,909	111	51,731
Fire	5,185,197	5,106,697	5,105,813	884	4,972,201
	<u>12,516,316</u>	<u>12,648,366</u>	<u>12,646,923</u>	<u>1,443</u>	<u>12,406,687</u>
Public works:					
Inspection	285,897	331,897	331,560	337	288,392
Emergency management	3,027	20,027	19,310	717	5,312
Public works administration	204,866	205,066	204,915	151	201,068
Engineering	263,079	219,079	218,856	223	215,755
Street lighting	926,227	884,227	883,890	337	909,400
Blight and code enforcement	116,838	224,838	224,332	506	70,971
	<u>1,799,934</u>	<u>1,885,134</u>	<u>1,882,863</u>	<u>2,271</u>	<u>1,690,898</u>
Senior citizens:					
Discounts for senior citizens	2,000	2,000	1,661	339	1,532
Senior citizens transportation					587
	<u>2,000</u>	<u>2,000</u>	<u>1,661</u>	<u>339</u>	<u>2,119</u>

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City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2013 Actual
Recreation, parks and culture:					
Parks and forestry	\$ 1,108,740	\$ 1,011,740	\$ 1,011,558	\$ 182	\$ 1,045,599
Recreation	587,016	615,016	614,908	108	592,560
20th and Court pool	66,838	60,838	60,765	73	69,836
Sanborn pool	112,400	108,400	108,198	202	106,656
Lighthouse park	2,977	1,477	1,069	408	1,257
Lakeside park	15,001	11,001	10,680	321	13,734
Palmer park recreation center	157,746	149,246	148,772	474	139,897
Lightship					926
McMorran complex	250,000	530,000	530,000		250,000
Library	8,000	8,000	8,000		8,000
Museum	98,056	76,556	76,332	224	71,768
	<u>2,406,774</u>	<u>2,572,274</u>	<u>2,570,282</u>	<u>1,992</u>	<u>2,300,233</u>
General support services:					
Planning	102,241	108,241	108,145	96	117,399
Mitigation grant expenditures	85,000	238,400	238,258	142	89,825
Telephone service	11,224	8,724	8,284	440	10,472
Contingencies	40,000				
Insurance, health and safety	63,000	54,600	54,542	58	57,934
Taxes written off	15,000	7,500	7,226	274	50,190
Demolition	80,000	52,000	51,628	372	102,086
	<u>396,465</u>	<u>469,465</u>	<u>468,083</u>	<u>1,382</u>	<u>427,906</u>
Capital outlay	30,000	519,100	519,061	39	350,676
Total Expenditures	<u>20,255,439</u>	<u>21,097,789</u>	<u>21,087,770</u>	<u>10,019</u>	<u>20,224,947</u>
Revenues over (under) Expenditures	<u>(226,700)</u>	<u>(226,700)</u>	<u>95,398</u>	<u>322,098</u>	<u>376,031</u>
Transfers out:					
Special revenue funds:					
Beautification Commission	(3,300)	(3,300)	(3,300)		(3,300)
Enterprise funds:					
Land Purchase					(360,000)
	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>		<u>(363,300)</u>
Net Change in Fund Balance	(230,000)	(230,000)	92,098	322,098	12,731
Fund balance at beginning of year	<u>4,386,657</u>	<u>4,386,657</u>	<u>4,386,657</u>		<u>4,373,926</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,156,657</u>	<u>\$ 4,156,657</u>	<u>\$ 4,478,755</u>	<u>\$ 322,098</u>	<u>\$ 4,386,657</u>

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

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

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City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2013 Actual
MAJOR STREETS:					
Revenues:					
Grants	\$ 990,000	\$ 990,000	\$ 583,363	\$ (406,637)	\$ 1,521,153
State shared revenues	1,918,452	1,918,452	2,140,561	222,109	2,076,382
Total Revenues	<u>2,908,452</u>	<u>2,908,452</u>	<u>2,723,924</u>	<u>(184,528)</u>	<u>3,597,535</u>
Expenditures:					
Current:					
Public works	1,620,837	1,720,837	1,672,996	47,841	1,476,837
Capital outlay	2,050,000	1,950,000	964,657	985,343	2,224,769
Total Expenditures	<u>3,670,837</u>	<u>3,670,837</u>	<u>2,637,653</u>	<u>1,033,184</u>	<u>3,701,606</u>
Revenues over (under) Expenditures	<u>(762,385)</u>	<u>(762,385)</u>	<u>86,271</u>	<u>848,656</u>	<u>(104,071)</u>
Other financing sources (uses):					
Transfers in	1,150,000	1,150,000	375,000	(775,000)	675,000
Transfers out	(440,000)	(440,000)	(434,082)	5,918	(457,412)
	<u>710,000</u>	<u>710,000</u>	<u>(59,082)</u>	<u>(769,082)</u>	<u>217,588</u>
Net Change in Fund Balances	(52,385)	(52,385)	27,189	79,574	113,517
Fund balance at beginning of year	<u>261,457</u>	<u>261,457</u>	<u>261,457</u>		<u>147,940</u>
FUND BALANCE AT END OF YEAR	<u>\$ 209,072</u>	<u>\$ 209,072</u>	<u>\$ 288,646</u>	<u>\$ 79,574</u>	<u>\$ 261,457</u>
LOCAL STREETS:					
Revenues:					
Grants	\$ 900,000	\$ 900,000	\$ 537,246	\$ (362,754)	\$ 268,055
State shared revenues	512,000	512,000	610,666	98,666	579,055
Total Revenues	<u>1,412,000</u>	<u>1,412,000</u>	<u>1,147,912</u>	<u>(264,088)</u>	<u>847,110</u>
Expenditures:					
Current:					
Public works	1,054,145	1,054,145	896,174	157,971	917,749
Capital outlay	1,690,000	1,690,000	615,580	1,074,420	520,112
Total Expenditures	<u>2,744,145</u>	<u>2,744,145</u>	<u>1,511,754</u>	<u>1,232,391</u>	<u>1,437,861</u>
Revenues over (under) Expenditures	<u>(1,332,145)</u>	<u>(1,332,145)</u>	<u>(363,842)</u>	<u>968,303</u>	<u>(590,751)</u>
Other financing sources (uses):					
Transfers in	1,290,000	1,290,000	434,082	(855,918)	587,412
Net Change in Fund Balances	(42,145)	(42,145)	70,240	112,385	(3,339)
Fund balance at beginning of year	<u>61,871</u>	<u>61,871</u>	<u>61,871</u>		<u>65,210</u>
FUND BALANCE AT END OF YEAR	<u>\$ 19,726</u>	<u>\$ 19,726</u>	<u>\$ 132,111</u>	<u>\$ 112,385</u>	<u>\$ 61,871</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, 2014

EXHIBIT A-7
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2013 Actual
MUNICIPAL STREETS:					
Revenues:					
Taxes - Streets	\$ 1,115,000	\$ 1,115,000	\$ 1,146,310	\$ 31,310	\$ 1,200,680
Taxes - BWATC	430,000	430,000	354,770	(75,230)	366,754
Charges for services			153,659	153,659	158,455
Investment income	5,000	5,000		(5,000)	4,929
Other income			1,758	1,758	1,571
Total Revenues	<u>1,550,000</u>	<u>1,550,000</u>	<u>1,656,497</u>	<u>106,497</u>	<u>1,732,389</u>
Expenditures:					
Current:					
Public works	79,465	79,465	69,602	9,863	67,932
General support services-BWATC	430,000	430,000	354,770	75,230	366,754
Total Expenditures	<u>509,465</u>	<u>509,465</u>	<u>424,372</u>	<u>85,093</u>	<u>434,686</u>
Revenues over (under) Expenditures	1,040,535	1,040,535	1,232,125	191,590	1,297,703
Other financing sources (uses):					
Transfers out	(2,000,000)	(2,000,000)	(375,000)	1,625,000	(1,490,000)
Net Change in Fund Balances	(959,465)	(959,465)	857,125	1,816,590	(192,297)
Fund balance at beginning of year	2,687,493	2,687,493	2,687,493		2,879,790
FUND BALANCE AT END OF YEAR	<u><u>\$ 1,728,028</u></u>	<u><u>\$ 1,728,028</u></u>	<u><u>\$ 3,544,618</u></u>	<u><u>\$ 1,816,590</u></u>	<u><u>\$ 2,687,493</u></u>

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

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF NET POSITION

June 30, 2014

EXHIBIT A-8

ASSETS	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Current assets:			
Cash and cash equivalents	\$ 3,698,913	\$ 5,036,133	\$ 1,563,554
Investments			
Accounts receivable (net of allowances for uncollectibles)	1,654,820	2,298,323	108
Due from other governmental units			37,904
Inventories	487,767	108,911	
Prepaid expenses			
Total Current Assets	<u>5,841,500</u>	<u>7,443,367</u>	<u>1,601,566</u>
Noncurrent assets:			
Restricted cash and cash equivalents			
Capital assets:			
Land	799,823	631,745	1,463,020
Land improvements			944,293
Buildings	6,257,190	25,745,639	1,497,394
Systems	72,651,568	141,933,793	
Machinery and equipment		17,918,210	
Vehicles			
Construction in progress	852,730	1,868,985	
	<u>80,561,311</u>	<u>188,098,372</u>	<u>3,904,707</u>
Less accumulated depreciation	25,045,891	73,109,496	592,158
Total Capital Assets	<u>55,515,420</u>	<u>114,988,876</u>	<u>3,312,549</u>
Other noncurrent assets:			
Bond issuance costs (net of amortization)			
Total Noncurrent Assets	<u>55,515,420</u>	<u>114,988,876</u>	<u>3,312,549</u>
Total Assets	<u>61,356,920</u>	<u>122,432,243</u>	<u>4,914,115</u>
LIABILITIES			
Current liabilities:			
Accounts payable	88,283	146,474	6,456
Accrued payroll	83,213	112,253	
Contracts payable	60,319	52,194	
Accrued interest payable	284,721	531,542	
Other liabilities	337,171		
Current portion of long-term debt	2,701,326	5,378,078	
Claims and judgments payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	<u>3,555,033</u>	<u>6,220,541</u>	<u>6,456</u>
Noncurrent liabilities:			
Long-term debt (exclusive of current portion)	33,408,461	59,974,530	
Claims and judgments payable (exclusive of current portion)			
Compensated absences payable (exclusive of current portion)			
Total Noncurrent Liabilities	<u>33,408,461</u>	<u>59,974,530</u>	
Total Liabilities	<u>36,963,494</u>	<u>66,195,071</u>	<u>6,456</u>
NET POSITION			
Net investment in capital assets	19,405,633	49,636,268	3,312,549
Unrestricted	4,987,793	6,600,904	1,595,110
Total Net Position	<u>\$ 24,393,426</u>	<u>\$ 56,237,172</u>	<u>\$ 4,907,659</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, 2014	June 30, 2013	June 30, 2014	June 30, 2013
\$ 5,303,730	\$ 15,602,330	\$ 16,975,982 2,500,000	\$ 7,834,339	\$ 7,369,840 1,500,000
7,211	3,960,462	4,320,906	1,155,889	806,763
54,096	92,000	11,867	86,596	107,183
	596,678	617,565	271,421	115,822
26,704	26,704	80,607		
<u>5,391,741</u>	<u>20,278,174</u>	<u>24,506,927</u>	<u>9,348,245</u>	<u>9,899,608</u>
		2,214,184		96,714
1,564,178	4,458,766	4,394,296		
487,033	1,431,326	1,379,822	1,824,924	1,809,426
169,387	33,669,610	33,538,568		
	214,585,361	212,673,839		
1,111,133	19,029,343	18,556,049	4,781,310	4,907,444
			5,787,234	5,377,042
	2,721,715	499,826		
<u>3,331,731</u>	<u>275,896,121</u>	<u>271,042,400</u>	<u>12,393,468</u>	<u>12,093,912</u>
<u>1,361,545</u>	<u>100,109,090</u>	<u>93,451,378</u>	<u>5,516,702</u>	<u>4,985,100</u>
<u>1,970,186</u>	<u>175,787,031</u>	<u>177,591,022</u>	<u>6,876,766</u>	<u>7,108,812</u>
		798,006		
<u>1,970,186</u>	<u>175,787,031</u>	<u>180,603,212</u>	<u>6,876,766</u>	<u>7,205,526</u>
<u>7,361,927</u>	<u>196,065,205</u>	<u>205,110,139</u>	<u>16,225,011</u>	<u>17,105,134</u>
7,565	248,778	256,708	72,625	84,765
2,326	197,792	167,260	445,142	419,279
32,046	144,559	106,997		96,714
	816,263	873,571	112,159	119,445
	337,171	315,939		
	8,079,404	7,664,396	123,637	140,522
			792,294	864,758
			192,322	240,707
<u>41,937</u>	<u>9,823,967</u>	<u>9,384,871</u>	<u>1,738,179</u>	<u>1,966,190</u>
	93,382,991	99,337,811	3,358,601	3,341,716
			109,773	84,369
			2,154,711	2,042,395
	<u>93,382,991</u>	<u>99,337,811</u>	<u>5,623,085</u>	<u>5,468,480</u>
<u>41,937</u>	<u>103,206,958</u>	<u>108,722,682</u>	<u>7,361,264</u>	<u>7,434,670</u>
1,970,186	74,324,636	72,802,999	3,394,528	3,626,574
5,349,804	18,533,611	23,584,458	5,469,219	6,043,890
<u>\$ 7,319,990</u>	<u>\$ 92,858,247</u>	<u>\$ 96,387,457</u>	<u>\$ 8,863,747</u>	<u>\$ 9,670,464</u>

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 6,787,849	\$ 10,198,546	\$
Rents			233,328
Total Operating Revenues	<u>6,787,849</u>	<u>10,198,546</u>	<u>233,328</u>
Operating expenses:			
Personal services	1,494,385	2,857,525	
Supplies and materials	224,480	597,224	128
Contractual services	1,575,103	3,639,946	52,537
Depreciation	2,302,801	4,729,880	193,470
Total Operating Expenses	<u>5,596,769</u>	<u>11,824,575</u>	<u>246,135</u>
Operating Income (Loss)	<u>1,191,080</u>	<u>(1,626,029)</u>	<u>(12,807)</u>
Nonoperating revenues (expenses):			
Investment income	5,367	7,340	90,239
Interest expense	(1,559,442)	(2,590,226)	
Operating grants and contributions			890,053
Gain (loss) on sale of property and equipment	39		
Operating assistance - component units			(674,478)
	<u>(1,554,036)</u>	<u>(2,582,886)</u>	<u>305,814</u>
Income (Loss) Before Capital Contributions and Transfers	(362,956)	(4,208,915)	293,007
Capital contributions:			
Grants and contributions received	308,622	479,387	
Income (Loss) Before Transfers	<u>(54,334)</u>	<u>(3,729,528)</u>	<u>293,007</u>
Transfers in (out):			
Transfer in		2,250,000	
Transfer out			(2,430,000)
		<u>2,250,000</u>	<u>(2,430,000)</u>
Change in Net Position	(54,334)	(1,479,528)	(2,136,993)
Net position at beginning of year	<u>24,447,760</u>	<u>57,716,700</u>	<u>7,044,652</u>
NET POSITION AT END OF YEAR	<u>\$ 24,393,426</u>	<u>\$ 56,237,172</u>	<u>\$ 4,907,659</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, 2014	June 30, 2013	June 30, 2014	June 30, 2013
\$ 44,491	\$ 17,030,886	\$ 17,383,256	\$ 12,367,429	\$ 12,034,677
37,473	270,801	269,607		
81,964	17,301,687	17,652,863	12,367,429	12,034,677
62,215	4,414,125	4,434,677	10,509,625	10,467,386
11,959	833,791	801,420	501,661	515,667
254,365	5,521,951	5,362,233	1,231,304	1,336,038
35,154	7,261,305	7,069,217	807,303	762,479
363,693	18,031,172	17,667,547	13,049,893	13,081,570
(281,729)	(729,485)	(14,684)	(682,464)	(1,046,893)
62,712	165,658	138,622	118,835	100,164
	(4,149,668)	(3,597,522)	(268,290)	(136,767)
180,662	1,070,715	1,281,850		3,289
	39	(572)	25,202	37,320
	(674,478)	(100,000)		
243,374	(3,587,734)	(2,277,622)	(124,253)	4,006
(38,355)	(4,317,219)	(2,292,306)	(806,717)	(1,042,887)
	788,009	68,733		729,000
(38,355)	(3,529,210)	(2,223,573)	(806,717)	(313,887)
180,000	2,430,000	3,475,000		
	(2,430,000)	(2,430,000)		
180,000		1,045,000		
141,645	(3,529,210)	(1,178,573)	(806,717)	(313,887)
7,178,345	96,387,457	97,566,030	9,670,464	9,984,351
\$ 7,319,990	\$ 92,858,247	\$ 96,387,457	\$ 8,863,747	\$ 9,670,464

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	\$ 6,876,577	\$ 10,462,104	\$ 200,559
Payments to suppliers for goods and services	(930,898)	(2,717,179)	(48,368)
Payments to employees for services	(1,478,945)	(2,843,805)	
Payments connected with interfund services	(607,515)	(975,460)	
Net cash provided by (used in) operating activities	<u>3,859,219</u>	<u>3,925,660</u>	<u>152,191</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions received			890,053
Operating assistance - component units			(674,478)
Transfers in		2,250,000	
Transfers out			(2,430,000)
Net cash provided by (used in) noncapital financing activities		<u>2,250,000</u>	<u>(2,214,425)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,233,986)	(2,952,328)	(64,470)
Proceeds from issuance of long-term debt	525,650	5,588,020	
Principal payments on long-term debt	(2,276,620)	(9,376,862)	
Interest paid	(1,580,284)	(2,626,692)	
Bond issuance costs			
Proceeds from sale of property and equipment	39		
Capital contributions	308,622	486,262	
Net cash provided by (used in) capital and related financing activities	<u>(5,256,579)</u>	<u>(8,881,600)</u>	<u>(64,470)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments			1,500,000
Investment income received	5,367	7,340	90,239
Net cash provided by (used in) investing activities	<u>5,367</u>	<u>7,340</u>	<u>1,590,239</u>
Net increase (decrease) in cash and cash equivalents	(1,391,993)	(2,698,600)	(536,465)
Cash and cash equivalents at beginning of year	<u>5,090,906</u>	<u>7,734,733</u>	<u>2,100,019</u>
Cash and cash equivalents at end of year	<u>\$ 3,698,913</u>	<u>\$ 5,036,133</u>	<u>\$ 1,563,554</u>
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 3,698,913	\$ 5,036,133	\$ 1,563,554
Restricted assets - cash and cash equivalents			
Total balance sheet classification	<u>\$ 3,698,913</u>	<u>\$ 5,036,133</u>	<u>\$ 1,563,554</u>

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Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
\$ 111,211	\$ 17,650,451	\$ 17,435,899	\$ 12,038,890	\$ 12,545,357
(188,009)	(3,884,454)	(3,715,825)	(1,672,789)	(1,608,843)
(60,843)	(4,383,593)	(4,448,134)	(10,466,679)	(10,652,965)
(37,944)	(1,620,919)	(1,511,696)	(228,127)	(234,512)
<u>(175,585)</u>	<u>7,761,485</u>	<u>7,760,244</u>	<u>(328,705)</u>	<u>49,037</u>
126,566	1,016,619	1,282,069		3,289
	(674,478)	(100,000)		
180,000	2,430,000	3,475,000		
	<u>(2,430,000)</u>	<u>(2,430,000)</u>		
<u>306,566</u>	<u>342,141</u>	<u>2,227,069</u>		<u>3,289</u>
(154,471)	(5,405,255)	(4,286,083)	(671,971)	(1,446,737)
	6,113,670	6,393,824		3,482,238
	(11,653,482)	(12,097,164)		(3,613,739)
	(4,206,976)	(3,624,935)	(275,576)	(147,440)
		7,403		
	39	1,210	25,202	37,320
	<u>794,884</u>	<u>127,528</u>		<u>729,000</u>
<u>(154,471)</u>	<u>(14,357,120)</u>	<u>(13,478,217)</u>	<u>(922,345)</u>	<u>(959,358)</u>
1,000,000	2,500,000		1,500,000	
62,712	165,658	138,622	118,835	100,164
<u>1,062,712</u>	<u>2,665,658</u>	<u>138,622</u>	<u>1,618,835</u>	<u>100,164</u>
1,039,222	(3,587,836)	(3,352,282)	367,785	(806,868)
4,264,508	19,190,166	22,542,448	7,466,554	8,273,422
<u>\$ 5,303,730</u>	<u>\$ 15,602,330</u>	<u>\$ 19,190,166</u>	<u>\$ 7,834,339</u>	<u>\$ 7,466,554</u>
\$ 5,303,730	\$ 15,602,330	\$ 16,975,982	\$ 7,834,339	\$ 7,369,840
		2,214,184		96,714
<u>\$ 5,303,730</u>	<u>\$ 15,602,330</u>	<u>\$ 19,190,166</u>	<u>\$ 7,834,339</u>	<u>\$ 7,466,554</u>

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

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)	\$ 1,191,080	\$ (1,626,029)	\$ (12,807)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,302,801	4,729,880	193,470
Amortization of bond issuance costs	252,019	545,987	
Change in current assets and liabilities:			
Decrease (increase) in account receivables	67,496	263,558	143
Decrease (increase) in due from other government units			(32,912)
Decrease (increase) in inventory	5,605	15,282	
Decrease (increase) in prepaid expenses			
Increase (decrease) in accounts payable	3,546	(16,738)	4,297
Increase (decrease) in accrued payroll	15,440	13,720	
Increase (decrease) in claims and judgments payable			
Increase (decrease) in contracts payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in other liabilities	21,232		
Total Adjustments	<u>2,668,139</u>	<u>5,551,689</u>	<u>164,998</u>
Net cash provided by (used in) operating activities	<u>\$ 3,859,219</u>	<u>\$ 3,925,660</u>	<u>\$ 152,191</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, 2014	June 30, 2013	June 30, 2014	June 30, 2013
\$ (281,729)	\$ (729,485)	\$ (14,684)	\$ (682,464)	\$ (1,046,893)
35,154	7,261,305	7,069,217	807,303	762,479
	798,006	800,519		
29,247	360,444	(227,805)	(349,126)	454,694
	(32,912)	(4,992)	20,587	55,986
	20,887	24,863	(155,599)	31,611
53,903	53,903	(62,455)		
965	(7,930)	193,290	(12,140)	(29,651)
1,372	30,532	(13,457)	25,863	25,564
			(47,060)	(206,594)
(14,497)	(14,497)	(20,085)		
			63,931	1,841
	21,232	15,833		
106,144	8,490,970	7,774,928	353,759	1,095,930
\$ (175,585)	\$ 7,761,485	\$ 7,760,244	\$ (328,705)	\$ 49,037

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

EXHIBIT A-11

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
ASSETS			
Cash and cash equivalents	\$ 838,330	\$ 26,550	\$ 109,923
Interest in pooled investments	13,195,263	<u>26,550</u>	<u>109,923</u>
Total Assets	<u>14,033,593</u>	<u>26,550</u>	<u>\$ 109,923</u>
LIABILITIES			
Liabilities:			
Due to other governmental units			\$ 9,608
Taxes collected in advance			<u>100,315</u>
Total Liabilities			<u>\$ 109,923</u>
NET POSITION			
Net position held in trust	<u>\$ 14,033,593</u>	<u>\$ 26,550</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 POSITION

Year Ended June 30, 2014

EXHIBIT A-12

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
Additions:		
Investment income (loss)	\$ 1,589,258	\$ 40
Employer contributions	3,266,897	
Total Additions	<u>4,856,155</u>	<u>40</u>
Deductions:		
Personal services	2,428,567	
Supplies and materials		600
Total Deductions	<u>2,428,567</u>	<u>600</u>
Change in Net Position	<u>2,427,588</u>	<u>(560)</u>
Net position at beginning of year	<u>11,606,005</u>	<u>27,110</u>
NET POSITION AT END OF YEAR	<u><u>\$ 14,033,593</u></u>	<u><u>\$ 26,550</u></u>

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

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City of Port Huron

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

June 30, 2014

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	\$ 300,550	\$ 307,834	\$	\$ 252,271	\$ 144,020	\$ 1,004,675
Receivables (net of allowances for uncollectibles)	11,098	14	828	8	29,181	41,129
Due from primary government					121,280	121,280
Inventories					25,811	25,811
Prepaid expenses	7,095				5,084	12,179
Capital assets (net of accumulated depreciation)					908,658	908,658
Total Assets	<u>318,743</u>	<u>307,848</u>	<u>828</u>	<u>252,279</u>	<u>1,234,034</u>	<u>2,113,732</u>
LIABILITIES						
Liabilities:						
Accounts payable	3,365	45,270		249,338	25,903	323,876
Accrued payroll					13,301	13,301
Contracts payable					49,285	49,285
Other liabilities						16,450
Unearned revenue	16,450					16,450
Net other post-employment benefits obligation					152,032	152,032
Total Liabilities	<u>19,815</u>	<u>45,270</u>		<u>249,338</u>	<u>240,521</u>	<u>554,944</u>
NET POSITION						
Net investment in capital assets					908,658	908,658
Unrestricted (deficit)	<u>298,928</u>	<u>262,578</u>	<u>828</u>	<u>2,941</u>	<u>84,855</u>	<u>650,130</u>
Net Position	<u>\$ 298,928</u>	<u>\$ 262,578</u>	<u>\$ 828</u>	<u>\$ 2,941</u>	<u>\$ 993,513</u>	<u>\$ 1,558,788</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, 2014

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	\$ 680,054	\$ 18,750	\$	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	103,112			
Taxes disbursed - not captured	1,614,454			
Total tax increment finance	1,717,566			
Local Development Finance:				
Governmental activities:				
Community and economic development	365,544			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	924,000		674,478	
McMorran:				
Business-type activities:				
McMorran	1,663,549	1,163,017	175,000	540,000
Total component units	\$ 5,350,713	\$ 1,181,767	\$ 849,478	\$ 540,000
General revenues:				
Property taxes				
Unrestricted investment income				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
NET POSITION AT END OF YEAR				

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

Net (Expenses) Revenues and Changes in Net Position

Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	McMorran	Total
\$ (661,304)	\$	\$	\$	\$	\$ (661,304)
	(103,112)				(103,112)
	(1,614,454)				(1,614,454)
	(1,717,566)				(1,717,566)
		(365,544)			(365,544)
			(249,522)		(249,522)
				214,468	214,468
(661,304)	(1,717,566)	(365,544)	(249,522)	214,468	(2,779,468)
649,416	1,660,302	365,544	249,460		2,924,722
				110	110
649,416	1,660,302	365,544	249,460	110	2,924,832
(11,888)	(57,264)		(62)	214,578	145,364
310,816	319,842	828	3,003	778,935	1,413,424
\$ 298,928	\$ 262,578	\$ 828	\$ 2,941	\$ 993,513	\$ 1,558,788

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

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 governmental 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, 2014 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, 2014, 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, Michigan 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 (BRDA) 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 functionally obsolete or formerly blighted or 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 BRDA 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, 2014, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2014, the DDA manages five plans (one of which no longer captures taxes), the TIFA manages four (three of which no longer capture taxes), the LDFA manages one plan and the BRDA manages two plans. 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, 2013, the date of its latest audited financial statements, is as follows:

Total Assets	\$ 20,936,303
Total Liabilities	<u>6,312,222</u>
Total Net Position	<u>\$ 14,624,081</u>
Invested in Capital Assets	\$ 12,459,144
Restricted	441,549
Unrestricted	<u>1,723,388</u>
Total Net Position	<u>\$ 14,624,081</u>
Total Operating Revenues	\$ 6,790,706
Total Operating Expenses	(6,967,103)
Capital Grant Contribution	<u>589,114</u>
Change in Net Position	<u>\$ 412,717</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 position 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.

The City reports unearned 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. 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 unearned 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. Securities traded on a national or international exchange are stated at fair value based upon quoted market prices (typically the last reported sales price at current exchange rates). Investments that do not have an established market value are reported at estimated fair value as determined by the management of the City of Port Huron.

Approximately \$13,195,000 or 94 percent of the Retiree Health Care Benefits Fund's net position as of June 30, 2014 is reported as interest in pooled investments. Approximately \$4,455,000 of the interest in pooled investments includes investments that may not be publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for those investments existed. The difference could be material.

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 bond proceeds in the Energy Performance Services 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 position and the statement of cash flows. The restricted assets on the balance sheet as of June 30, 2013 were expended during the year ending June 30, 2014.

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, 2014 the total accrued liability (\$2,347,033) 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 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.

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time.

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 Energy Performance Services Fund (an Internal Service Fund), had negative net investment in capital assets as of June 30, 2014.

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; currently, City Council has not authorized anyone to make assignments on their behalf

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.

ACCOUNTING CHANGE

Effective July 1, 2013, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, deferred revenue previously presented as a liability is now presented as deferred inflows of resources. Bond issuance costs that were previously being amortized have been written off in the current year. The Water Fund expensed \$252,019 and the Wastewater Fund expensed \$545,987.

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 February 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, 2014, building department revenues and expenditures totaled \$259,906 and \$472,369 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$4,568,169 and \$7,175,270 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 \$33,594,435 had \$32,429,251 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	\$ 2,480,081	6.13 years
U.S. Government Agency Notes	<u>578</u>	4.80 years
	<u>2,480,659</u>	
Other Items Reported as Investments:		
Governmental Funds		
Certificates of Deposit	3,021,068	
Cemetery Perpetual Care Fund		
Equities	<u>4,727,412</u>	
Total Other Items	<u>7,748,480</u>	
Total Investments – Primary Government	10,229,139	
Retiree Health Care Benefits Fund	<u>13,195,263</u>	
	<u>\$ 23,424,402</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 Standard & Poor's rating agency to rate its investments. As of June 30, 2014 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	\$ 114,388	AAA
Corporate bonds	1,412,488	AA
Corporate bonds	694,630	A
Corporate bonds	<u>258,575</u>	BBB
Total	<u>\$ 2,480,081</u>	
Retiree Health Care Benefits Fund	<u>\$13,195,263</u>	Not rated

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount it may invest in any one issue or equity. As of June 30, 2014, there were no individual investments with a fair value that represents five percent or more of the investments held in the Cemetery Perpetual Care Fund.

NOTE D--RECEIVABLES

Receivables at June 30, 2014 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	\$1,062,844	\$	\$ 1,062,844	\$	\$ 1,062,844	\$
Interest receivable		33,095	33,095		33,095	
Property taxes	68,464	29,265	97,729		97,729	
Accounts	<u>346,649</u>	<u>2,998,335</u>	<u>3,344,984</u>	<u>1,155,889</u>	<u>4,500,873</u>	<u>4,036,462</u>
Gross Receivables	1,477,957	3,060,695	4,538,652	1,155,889	5,694,541	4,036,462

	<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>
Less allowances for uncollectable	\$ 363,000	\$ 26,000	\$ 389,000	\$	\$ 389,000	\$ 76,000
Net total receivables	<u>\$1,114,957</u>	<u>\$ 3,034,695</u>	<u>\$ 4,149,652</u>	<u>\$1,155,889</u>	<u>\$ 5,305,541</u>	<u>\$ 3,960,462</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 ad valorem real property taxes are returned to the County for collection. The County's policy has been to pay the City for all delinquent ad valorem real property taxes returned. The City continues to collect delinquent personal property taxes and certain real 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 HOME Neighborhood Rehabilitation	\$ 169,866 71,590 <u>2,004</u> <u>\$ 243,460</u>

NOTE F--CAPITAL ASSETS

The components of property and equipment at June 30, 2014 for the primary government's governmental activities are summarized as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Property and equipment not being depreciated:				
Land	\$ 4,260,209	\$	\$	\$ 4,260,209
Construction in progress	<u>478,154</u>	<u>410,390</u>	<u>382,183</u>	<u>506,361</u>
Total property and equipment not being depreciated	<u>4,738,363</u>	<u>410,390</u>	<u>382,183</u>	<u>4,766,570</u>

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Property and equipment being depreciated:				
Land improvements	\$ 10,644,125	\$ 413,270	\$ 53,345	\$ 11,004,050
Buildings	11,201,931		852	11,201,079
Streets, bridges and sidewalks	73,611,431	1,652,191	869,378	74,394,244
Machinery and equipment	14,662,901	280,829	513,385	14,430,345
Vehicles	<u>6,035,444</u>	<u>580,643</u>	<u>7,897</u>	<u>6,608,190</u>
Total property and equipment being depreciated	<u>116,155,832</u>	<u>2,926,933</u>	<u>1,444,857</u>	<u>117,637,908</u>
Less accumulated depreciation:				
Land improvements	8,921,279	225,866	53,345	9,093,800
Buildings	8,667,932	169,434	852	8,836,514
Streets, bridges and sidewalks	38,055,657	2,120,283	869,378	39,306,562
Machinery and equipment	9,878,973	577,574	513,385	9,943,162
Vehicles	<u>3,033,604</u>	<u>505,637</u>	<u>7,897</u>	<u>3,531,344</u>
Total accumulated depreciation	<u>68,557,445</u>	<u>3,598,794</u>	<u>1,444,857</u>	<u>70,711,382</u>
Net property and equipment being depreciated	<u>47,598,387</u>	<u>(671,861)</u>		<u>46,926,526</u>
Net governmental property and equipment	<u>\$ 52,336,750</u>	<u>\$ (261,471)</u>	<u>\$ 382,183</u>	<u>\$ 51,693,096</u>

The components of property and equipment at June 30, 2014 for the primary government's business-type activities are summarized as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Property and equipment not being depreciated:				
Land	\$ 4,394,296	\$ 64,470	\$	\$ 4,458,766
Construction in progress	<u>499,826</u>	<u>2,426,830</u>	<u>204,941</u>	<u>2,721,715</u>
Total property and equipment not being depreciated	<u>4,894,122</u>	<u>2,491,300</u>	<u>204,941</u>	<u>7,180,481</u>
Property and equipment being depreciated:				
Land improvements	1,379,822	124,209	72,705	1,431,326
Buildings	33,538,568	210,116	79,074	33,669,610
Systems	212,673,839	2,083,116	171,594	214,585,361
Machinery and equipment	<u>18,556,049</u>	<u>753,514</u>	<u>280,220</u>	<u>19,029,343</u>
Total property and equipment being depreciated	<u>266,148,278</u>	<u>3,170,955</u>	<u>603,593</u>	<u>268,715,640</u>
Less accumulated depreciation:				
Land improvements	464,060	46,738	72,705	438,093
Buildings	19,995,877	1,051,897	79,074	20,968,700
Systems	60,880,560	5,547,818	171,594	66,256,784
Machinery and equipment	<u>12,110,881</u>	<u>614,852</u>	<u>280,220</u>	<u>12,445,513</u>
Total accumulated depreciation	<u>93,451,378</u>	<u>7,261,305</u>	<u>603,593</u>	<u>100,109,090</u>
Net property and equipment being depreciated	<u>172,696,900</u>	<u>(4,090,350)</u>		<u>168,606,550</u>
Net business-type property and equipment	<u>\$ 177,591,022</u>	<u>\$ (1,599,050)</u>	<u>\$ 204,941</u>	<u>\$ 175,787,031</u>

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

Governmental activities:	
General government	\$ 1,009,432
Community and economic development	4,946
Public safety	310,253
Public works	2,136,176
Recreation, parks and culture	<u>137,987</u>
Total governmental activities	<u>\$ 3,598,794</u>

Business-type activities	
Water	\$ 2,302,801
Wastewater	4,729,880
Land purchase	193,470
Parking	321
Marina	<u>34,833</u>
Total business-type activities	<u>\$ 7,261,305</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 \$ 375,000

 Local Streets Fund from:

 Major Streets Fund \$ 434,082

Transfers to major enterprise funds:

 Wastewater Fund – from:

 Major enterprise fund:

 Land Purchase Fund \$ 2,250,000

Transfers to nonmajor governmental funds from:

 General Fund (to Beautification)

\$ 3,300

 Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)

255,055

 Total

\$ 258,355

Transfer to nonmajor enterprise funds:

 Parking Fund - from:

 Major enterprise fund

 Land Purchase Fund \$ 90,000

 Marina Fund – from:

 Major enterprise fund

 Land Purchase Fund 90,000

 Total

\$ 180,000

The transfer of \$2,250,000 from the Land Purchase Fund to the Wastewater Fund represents revenue that has no legal restrictions and was made to mitigate utility rate increases.

NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	Balance <u>July 1, 2013</u>	<u>*Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2014</u>	Due Within <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 \$83,349; amount of issue - \$6,910,464	\$ 6,788,564	\$	\$ (126,913)	\$ 6,661,651	\$ 126,913
4.0% to 5.0% 2006 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$87,816; amount of issue - \$6,890,000	4,678,598		(450,782)	4,227,816	619,636

	Balance <u>July 1, 2013</u>	<u>*Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$35,325; amount of issue - \$3,000,000	\$ 1,939,250	\$	\$ (158,925)	\$ 1,780,325	\$ 163,925
2.125% to 2.5% Drinking Water Revolving Fund (DWRF) Water Supply System General Obligation Limited Tax Bonds:					
Series 7088-01	4,062,355		(410,000)	3,652,355	415,000
Series 7105-01	945,336		(80,000)	865,336	80,000
Series 7110-01	1,869,976		(165,000)	1,704,976	170,000
Series 7113-01	1,010,000		(90,000)	920,000	95,000
Series 7119-01	1,514,255		(95,000)	1,419,255	95,000
Series 7132-01	296,230		(25,000)	271,230	25,000
Series 7147-01	1,180,245		(85,000)	1,095,245	90,000
Series 7150-01	326,504		(25,000)	301,504	25,000
Series 7167-01	1,171,036		(80,000)	1,091,036	80,000
Series 7168-01	1,060,000		(80,000)	980,000	80,000
Series 7169-01	262,532		(20,000)	242,532	20,000
Series 7185-01	905,053		(60,000)	845,053	60,000
Series 7186-01	561,848		(45,000)	516,848	45,000
Series 7187-01	388,662		(30,000)	358,662	30,000
Series 7188-01	499,909		(35,000)	464,909	35,000
Series 7220-01	1,386,676		(80,000)	1,306,676	80,000
Series 7221-01	415,000		(20,000)	395,000	20,000
Series 7275-01	1,891,539	207,836	(110,000)	1,989,375	115,000
Series 7276-01	150,000		(5,000)	145,000	5,000
Series 7378-01		317,814		317,814	
3.64% 2012B Water Meter Refunding Bonds (Limited Tax General Obligation)	<u>4,557,189</u>			<u>4,557,189</u>	<u>225,852</u>
Total Water Fund	<u>37,860,757</u>	<u>525,650</u>	<u>(2,276,620)</u>	<u>36,109,787</u>	<u>2,701,326</u>
Wastewater Fund:					
2.0% to 5.0% 2014 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$166,099; amount of issue \$4,715,000		4,881,099		4,881,099	325,099
2.0% to 4.25% 2012 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$208,233; amount of issue - \$3,460,000	3,483,682		(80,449)	3,403,233	333,137
2.0% to 5.25% 2011B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$52,164; amount of issue - \$3,300,000	3,180,904		(63,068)	3,117,836	68,068
2.0% to 4.0% 2011 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$7,125,000	6,484,070		(419,070)	6,065,000	570,000
2.0% to 5.25% 2011 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$26,082; amount of issue - \$5,800,000	5,697,216		(136,134)	5,561,082	141,134

	Balance July 1, 2013	*Additions	(Reductions)	Balance June 30, 2014	Due Within One Year
4.0% to 5.0% 2007B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$43,830; amount of issue - \$4,985,000	\$ 4,268,735	\$	\$ (137,565)	\$ 4,131,170	\$ 142,565
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$48,450; amount of issue - \$5,500,000	3,618,555		(335,105)	3,283,450	493,075
3.5% to 4.2% 2005B Wastewater General Obligation Limited Tax Bonds; amount of issue - \$6,500,000	4,988,596		(4,988,596)		
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	2,008,192		(270,000)	1,738,192	275,000
Series 5006-02	1,851,635		(210,000)	1,641,635	220,000
Series 5006-03	4,355,000		(500,000)	3,855,000	510,000
Series 5006-04	3,604,559		(360,000)	3,244,559	375,000
Series 5006-05	185,903		(20,000)	165,903	20,000
Series 5006-06	1,717,776		(155,000)	1,562,776	160,000
Series 5006-07	1,855,000		(165,000)	1,690,000	170,000
Series 5006-08	906,781		(70,000)	836,781	75,000
Series 5006-09	2,047,532		(150,000)	1,897,532	155,000
Series 5006-10	750,000		(55,000)	695,000	60,000
Series 5006-11	1,260,710		(85,000)	1,175,710	90,000
Series 5006-12	1,279,821		(80,000)	1,199,821	80,000
Series 5006-13	904,548		(65,000)	839,548	65,000
Series 5006-14	733,139		(55,000)	678,139	55,000
Series 5006-15	2,013,666		(120,000)	1,893,666	125,000
Series 5006-16	2,609,022	22,994	(125,000)	2,507,016	130,000
Series 5006-17		271,906	(31,875)	240,031	25,000
Series 5006-18	1,253,731		(75,000)	1,178,731	75,000
Series 5006-19	1,792,791	48,320	(95,000)	1,746,111	95,000
Series 5006-20		363,701		363,701	
Series 5177-01	5,740,000		(510,000)	5,230,000	525,000
Series 5413-01	549,886		(20,000)	529,886	20,000
Total Wastewater Fund	<u>69,141,450</u>	<u>5,588,020</u>	<u>(9,376,862)</u>	<u>65,352,608</u>	<u>5,378,078</u>
Total business-type activities	<u>107,002,207</u>	<u>6,113,670</u>	<u>(11,653,482)</u>	<u>101,462,395</u>	<u>8,079,404</u>
Governmental activities:					
Internal Service Funds:					
Energy Performance Services Fund:					
3.80% 2012A Energy Services Refunding Bonds (Limited Tax General Obligation); amount of issue - \$3,736,500	3,482,238			3,482,238	123,637
Claims and judgments payable	949,127	5,175,822	(5,222,882)	902,067	792,294
Compensated absences payable	2,283,102	162,870	(98,939)	2,347,033	192,322
Total governmental activities	<u>6,714,467</u>	<u>5,338,692</u>	<u>(5,321,821)</u>	<u>6,731,338</u>	<u>1,108,253</u>
Total	<u>\$113,716,674</u>	<u>\$ 11,452,362</u>	<u>\$ (16,975,303)</u>	<u>\$108,193,733</u>	<u>\$ 9,187,657</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.

On February 27, 2014, the City issued \$4,715,000 of 2014 Wastewater General Obligation Limited Tax Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$4,881,099 of the 2005B

Wastewater General Obligation Limited Tax Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt of \$79,358. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$253,386 and resulted in an economic gain of \$219,431.

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, 2014, the City's debt limit amounted to \$60,152,920 and indebtedness subject to the limitation totaled \$26,922,233 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$33,230,687. 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 \$19,655,273. During the current year, net revenues of the system were \$3,499,287 compared to the annual debt requirements of \$1,513,203.

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, 2014, 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, 2014, 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 16 th Street Pump Station 10 th Street Pump Station
March 29, 2001	SRF	5006-04	7,289,559*	7,289,559	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

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount or Final Amount *</u>	<u>Advances</u>	<u>Projects</u>
March 31, 2005	DWRF	7167-01	\$ 1,751,036*	\$ 1,751,036	16 th Avenue Area 2
March 31, 2005	DWRF	7168-01	1,747,813*	1,747,813	Military Street
June 23, 2005	DWRF	7169-01	407,532*	407,532	Woodstock Area 2
March 30, 2006	SRF	5006-12	1,789,821*	1,789,821	16 th Avenue Area 3
March 30, 2006	DWRF	7185-01	1,225,053*	1,225,053	16 th Avenue Area 3
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	2,992,016	21 st Street Area Part 1
April 17, 2009**	DWRF	7275-01	2,637,000	2,421,375	21 st Street Area Part 1
June 22, 2009**	SRF	5006-17	612,000	337,031	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	1,323,731	Erie North Area
June 24, 2011	SRF	5006-19	2,350,000	1,931,111	21 st Street Area Part 2
April 10, 2012	SRF	5413-01	560,000	549,886	Clarifier and Pump
April 9, 2014	SRF	5006-20	2,535,000	363,701	Nern Street Area
April 9, 2014	DWRF	7378-01	<u>2,300,000</u>	<u>317,814</u>	Nern Street Area
Total			<u>\$103,859,692</u>	<u>\$98,272,357</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, 2014, 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 amounting to \$94,800,744 at June 30, 2014 for which the City's full faith and credit is pledged. Recorded in the Water Fund is a revenue bond in the amount of \$6,661,651 at June 30, 2014 for which the net revenue of the water system 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, 2014 are as follows:

	<u>Business-Type Activities (Enterprise Funds)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,079,404	\$ 3,235,923	\$ 11,315,327
2016	8,600,538	2,925,224	11,525,762
2017	8,731,669	2,684,009	11,415,678
2018	9,199,769	2,441,248	11,641,017

	Business-Type Activities (Enterprise Funds)		
	Principal	Interest	Total
2019	\$ 9,344,433	\$ 2,187,053	\$ 11,531,486
2020-2024	35,730,393	6,880,287	42,610,680
2025-2029	11,501,637	3,533,337	15,034,974
2030-2034	4,911,283	2,084,905	6,996,188
2035-2039	4,073,307	918,440	4,991,747
2040-2041	1,289,962	82,741	1,372,703
	<u>\$ 101,462,395</u>	<u>\$ 26,973,167</u>	<u>\$ 128,435,562</u>

Recorded in the Internal Service Funds is a general obligation bond amounting to \$3,482,238 at June 30, 2014 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 this fund. 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, 2014 are as follows:

	Governmental Activities (Internal Service Funds)		
	Principal	Interest	Total
2015	\$ 123,637	\$ 166,770	\$ 290,407
2016	203,563	95,722	299,285
2017	233,680	89,920	323,600
2018	250,214	83,259	333,473
2019	267,514	76,129	343,643
2020-2024	1,626,166	255,602	1,881,768
2025-2026	777,464	33,222	810,686
	<u>\$ 3,482,238</u>	<u>\$ 800,624</u>	<u>\$ 4,282,862</u>

NOTE I--COMMITMENTS FROM COMPONENT UNITS

The Downtown Development Authority, the Tax Increment Finance Authority, Local Development Finance Authority and the Brownfield Redevelopment Authority have committed to repay the General Fund (\$1,106,326) and the Land Purchase Fund (\$12,001,495) 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, 2014 are summarized as follows:

	Balance July 1, 2013	Additions	(Reductions)	Balance June 30, 2014
Commitment from Component Units:				
Downtown Development - On behalf of payments from primary government:				
General Fund	\$ 551,166	\$	\$	\$ 551,166
Land Purchase Fund	8,552,130		(548,877)	8,003,253
Total Downtown Development	<u>9,103,296</u>		<u>(548,877)</u>	<u>8,554,419</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2014</u>
Tax Increment Finance - On behalf of payments from primary government:				
General Fund	\$ 163,863	\$	\$	\$ 163,863
Land Purchase Fund	<u>1,867,794</u>	<u> </u>	<u> </u>	<u>1,867,794</u>
Total Tax Increment Finance	<u>2,031,657</u>	<u> </u>	<u> </u>	<u>2,031,657</u>
Local Development Finance - On behalf of payments from primary government:				
General Fund	391,297			391,297
Land Purchase Fund	<u>1,797,146</u>	<u> </u>	<u>(341,176)</u>	<u>1,455,970</u>
Total Local Development Finance	<u>2,188,443</u>	<u> </u>	<u>(341,176)</u>	<u>1,847,267</u>
Brownfield Redevelopment Authority - On behalf of payments from primary government:				
Land Purchase Fund	<u> </u>	<u>674,478</u>	<u> </u>	<u>674,478</u>
Total Commitment from Component Units	<u>\$ 13,323,396</u>	<u>\$ 674,478</u>	<u>\$ (890,053)</u>	<u>\$ 13,107,821</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, 2014, 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, 2014, taxes of approximately \$2.9 million have been captured to fund such reimbursements.

NOTE J--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 K--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 278 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, 2014 the City's annual Other Post Employment Benefit (OPEB) cost of \$3,266,897 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, 2014 and the two preceding years were as follows:

Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$3,583,611	100%	\$0
2013	3,701,740	100%	0
2014	3,266,897	100%	0

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

Valuation as of June 30, 2013:

(Dollar amounts in thousands)

Actuarial value of assets	\$ 10,452
Actuarial accrued liability	\$ 58,162
Unfunded AAL	\$ 47,710
Funded ratio	20.0%
Annual covered payroll	\$ 13,712
UAAL as a percentage to covered payroll	348.0%

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, 2013, 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 7.72 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after fourteen 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, 2013, was twenty-five years.

NOTE L--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, 2014, 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%, 2.00%, 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, 2013.

Certain new employees hired after July 1, 2008 began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 participating. 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% (2.00% for police officers and firefighters) 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 11.71% depending on the employee's classification and bargaining unit). The City is required to contribute at an actuarially determined amount; the amount was \$2,941,737 for the year ended June 30, 2014 and is expected to be \$3,400,000 and \$3,700,000 for the years ending June 30, 2015, and 2016, respectively, based upon projected wages.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2014 contributions totaling \$4,122,824 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011. The City contributed \$2,941,737 and employees contributed \$1,181,087. Gross payroll subject to MERS for the year ended June 30, 2014, was \$13,775,289. 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 25 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% (1.0% to 3.0% for calendar years 2014-16) 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-five year period, if applicable. Over-funding is amortized over a ten year open period.

THREE YEAR TREND INFORMATION

Year Ended <u>June 30,</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	\$2,489,132	100%	\$0
2013	2,779,836	100%	0
2014	2,941,737	100%	0

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2013, the most recent actuarial valuation date, the plan was 64.90 percent funded. The actuarial accrued liability for benefits was \$139.9 million, and the actuarial value of assets was \$90.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$49.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.7 million, and the ratio of the UAAL to the covered payroll was 358.5 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 M--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 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 N--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 participates in the Michigan Municipal Risk

Management Authority (MMRMA) program for general, auto, professional, public officials and errors and omissions liabilities. MMRMA also provides coverage for property damage, inland marine/mobile equipment (contractor type of equipment), electronic data processing (EDP) media and equipment and blanket employee fidelity. 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 \$450,000. The City is uninsured for acts of nature 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, 2014</u>	Year ended <u>June 30, 2013</u>
Estimated liability, beginning of year	\$ 949,127	\$ 1,155,721
Estimated claims incurred including changes in estimates	5,175,822	5,248,362
Claim payments	<u>(5,222,882)</u>	<u>(5,454,956)</u>
Estimated liability, end of year	<u>\$ 902,067</u>	<u>\$ 949,127</u>

NOTE O--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, 2014. The total contractual commitments outstanding as of June 30, 2014, aggregated approximately \$900,000. The City has sufficient funds available or has approved borrowings to cover these commitments.

NOTE P—UPCOMING REPORTING CHANGE

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.

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, 2014

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>
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
2012	91,644	137,393	45,749	66.7	13,648	335.2
2013	90,772	139,864	49,092	64.9	13,693	358.5

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

June 30, 2014

EXHIBIT B-1

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

<u>Actuarial Valuation</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>
December 31, 2005	\$ 0	\$ 55,051	\$ 55,051	0%	\$ 17,210	319.9%
December 31, 2007	6,058	56,466	50,408	10.7%	15,990	315.3%
December 31, 2009	5,789	55,796	50,007	10.4%	15,028	332.8%
June 30, 2012	8,517	66,503	57,986	12.8%	13,841	418.9%
June 30, 2013	10,452	58,162	47,710	18.0%	13,712	347.9%

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
2013	3,702	2,547	1,155	0
2014	3,267	2,429	838	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, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	25 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

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FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Nonmajor Special Revenue Funds are comprised of the following individual funds:

Rental Certification Fund - This fund records the activities under the rental housing certification program.

Law Enforcement Fund - Property forfeited to the City in connection with drug related activities and the enhanced 911 communications program are accounted for in this fund.

Rubbish and Garbage Collection Fund - This fund has been established to account for property tax revenues restricted for rubbish and garbage collection.

Cemetery Fund - This fund has been established to account for the operation of the City cemetery.

Loan Revolving Fund - This fund has been established to account for grants received from the Department of Housing and Urban Development. The grant proceeds were advanced to a local minority business for the purpose of acquiring machinery and equipment and to a developer to assist in the construction of rental property. Revenue, which will be recognized when the advance is repaid, is restricted for specific community projects in the City.

Community Development Block Grant Fund - This fund was established to account for grants received from the Department of Housing and Urban Development for residential and other capital improvements.

Home Fund - Grants received from the Department of Housing and Urban Development for housing and related programs are accounted for in this fund.

Neighborhood Rehabilitation Fund - This fund accounts for federal, state and other grants and private contributions to rehabilitate neighborhood property throughout the City.

Streetscape Maintenance Fund - This fund records the activity under the streetscape maintenance program.

Beautification Commission Fund - This fund was established to account for private donations that are used for beautification projects throughout the City.

PERMANENT FUNDS

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

Cemetery Perpetual Care Fund - This endowment fund was established to invest the proceeds from the sale of burial plots and utilize the investment income in the operations of the City-owned cemetery.

City of Port Huron

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2014

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets						
Cash and cash equivalents	\$ 62,240	\$ 418,263	\$ 191,362	\$ 282,884	\$	\$ 150
Investments						
Receivables	49,712		2,115	2,648	2,945,975	
Due from other governmental units						178,865
Due from other funds			243,460			
Total Assets	\$ 111,952	\$ 418,263	\$ 436,937	\$ 285,532	\$ 2,945,975	\$ 179,015
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 4,597	\$ 3,701	\$ 7,697	\$	\$ 1,000
Accrued payroll	6,512		4,134	17,474		7,189
Due to other funds						169,866
Unearned revenue		380	4,400		2,945,975	960
Other liabilities	64,500		10,274			
Total Liabilities	71,012	4,977	22,509	25,171	2,945,975	179,015
Fund balances:						
Nonspendable:						
Endowments						
Restricted:						
Law enforcement		413,286				
Rubbish and garbage collection			414,428			
Streetscape maintenance						
Committed:						
Subsequent year's expenditures	28,752			20,411		
Other	12,188			239,950		
Total Fund Balances	40,940	413,286	414,428	260,361		
Total Liabilities and Fund Balances	\$ 111,952	\$ 418,263	\$ 436,937	\$ 285,532	\$ 2,945,975	\$ 179,015

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2014	June 30, 2013
\$	\$	\$ 103,363	\$ 4,786	\$ 19,171	\$ 1,082,219	\$ 1,715,801
				7,208,071	7,208,071	6,372,807
				33,095	3,033,545	3,031,016
72,152	2,811				253,828	129,040
					243,460	121,873
<u>\$ 72,152</u>	<u>\$ 2,811</u>	<u>\$ 103,363</u>	<u>\$ 4,786</u>	<u>\$ 7,260,337</u>	<u>\$ 11,821,123</u>	<u>\$ 11,370,537</u>
\$ 60	\$ 18	\$ 18,766	\$ 251	\$	\$ 36,090	\$ 189,645
502	789	329			36,929	29,093
71,590	2,004				243,460	121,873
					2,951,715	2,959,834
				101,645	176,419	197,738
<u>72,152</u>	<u>2,811</u>	<u>19,095</u>	<u>251</u>	<u>101,645</u>	<u>3,444,613</u>	<u>3,498,183</u>
				7,158,692	7,158,692	6,456,502
					413,286	397,749
					414,428	494,168
		84,268			84,268	128,055
				1,500	50,663	57,017
				3,035	255,173	338,863
		<u>84,268</u>	<u>4,535</u>	<u>7,158,692</u>	<u>8,376,510</u>	<u>7,872,354</u>
<u>\$ 72,152</u>	<u>\$ 2,811</u>	<u>\$ 103,363</u>	<u>\$ 4,786</u>	<u>\$ 7,260,337</u>	<u>\$ 11,821,123</u>	<u>\$ 11,370,537</u>

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

Year Ended June 30, 2014

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	\$	\$	\$ 1,608,202	\$	\$	\$
Grants		10,238				658,634
Charges for services	242,525	48,970		124,366		24,910
Sale of property				6,550		
Investment income:						
Interest and dividends						
Net increase (decrease) in fair value of investments						
Total Revenues	<u>242,525</u>	<u>59,208</u>	<u>1,608,202</u>	<u>130,916</u>		<u>683,544</u>
Expenditures:						
Current:						
Public safety		23,272				
Public works			1,687,942	439,156		
General support services	236,513					133,607
Capital outlay		20,399		42,623		549,937
Total Expenditures	<u>236,513</u>	<u>43,671</u>	<u>1,687,942</u>	<u>481,779</u>		<u>683,544</u>
Revenue over (under) Expenditures	<u>6,012</u>	<u>15,537</u>	<u>(79,740)</u>	<u>(350,863)</u>		
Other financing sources (uses):						
Transfers in				255,055		
Transfers out				<u>255,055</u>		
Net change in fund balances	6,012	15,537	(79,740)	(95,808)		
Fund balances at beginning of year	<u>34,928</u>	<u>397,749</u>	<u>494,168</u>	<u>356,169</u>		
FUND BALANCES AT END OF YEAR	<u><u>\$ 40,940</u></u>	<u><u>\$ 413,286</u></u>	<u><u>\$ 414,428</u></u>	<u><u>\$ 260,361</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2014	June 30, 2013
\$ 301,333 3,978	\$ 629,061	\$ 25,891	\$ 1,040	\$ 40,501	\$ 1,608,202 1,599,266 512,181 6,550	\$ 1,692,888 1,254,207 522,264
				255,055	255,055	236,074
				661,689	661,689	354,379
<u>305,311</u>	<u>629,061</u>	<u>25,891</u>	<u>1,040</u>	<u>957,245</u>	<u>4,642,943</u>	<u>4,059,812</u>
		69,678	4,588		23,272 2,196,776 443,459 1,478,580	41,655 2,231,172 411,577 1,076,838
9,181 296,130 <u>305,311</u>	59,570 569,491 <u>629,061</u>	<u>69,678</u>	<u>4,588</u>		<u>4,142,087</u>	<u>3,761,242</u>
		(43,787)	(3,548)	957,245	500,856	298,570
			3,300	(255,055)	258,355 (255,055)	239,374 (236,074)
			3,300	(255,055)	3,300	3,300
		(43,787) 128,055	(248) 4,783	702,190 6,456,502	504,156 7,872,354	301,870 7,570,484
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,268</u>	<u>\$ 4,535</u>	<u>\$ 7,158,692</u>	<u>\$ 8,376,510</u>	<u>\$ 7,872,354</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, 2014

EXHIBIT C-2

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
RENTAL CERTIFICATION:				
Revenues:				
Charges for services	\$ 227,011	\$ 227,011	\$ 242,525	\$ 15,514
Expenditures:				
Current:				
General support services	240,740	240,740	236,513	4,227
Capital outlay	10,000	10,000	10,000	10,000
Total Expenditures	<u>250,740</u>	<u>250,740</u>	<u>236,513</u>	<u>14,227</u>
Revenues over (under) Expenditures	(23,729)	(23,729)	6,012	29,741
Fund balance at beginning of year	<u>34,928</u>	<u>34,928</u>	<u>34,928</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 11,199</u>	<u>\$ 11,199</u>	<u>\$ 40,940</u>	<u>\$ 29,741</u>
LAW ENFORCEMENT:				
Revenues:				
Grants	\$ 72,000	\$ 72,000	\$ 10,238	\$ 10,238
Charges for services	72,000	72,000	48,970	(23,030)
Total Revenues	<u>72,000</u>	<u>72,000</u>	<u>59,208</u>	<u>(12,792)</u>
Expenditures:				
Current:				
Public safety	22,000	27,000	23,272	3,728
Capital outlay	75,000	70,000	20,399	49,601
Total Expenditures	<u>97,000</u>	<u>97,000</u>	<u>43,671</u>	<u>53,329</u>
Revenues over (under) Expenditures	(25,000)	(25,000)	15,537	40,537
Fund balance at beginning of year	<u>397,749</u>	<u>397,749</u>	<u>397,749</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 372,749</u>	<u>\$ 372,749</u>	<u>\$ 413,286</u>	<u>\$ 40,537</u>
RUBBISH AND GARBAGE COLLECTION:				
Revenues:				
Taxes	\$ 1,580,000	\$ 1,580,000	\$ 1,608,202	\$ 28,202
Expenditures:				
Current:				
Public works	1,705,310	1,705,310	1,687,942	17,368
Revenues over (under) Expenditures	(125,310)	(125,310)	(79,740)	45,570
Fund balance at beginning of year	<u>494,168</u>	<u>494,168</u>	<u>494,168</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 368,858</u>	<u>\$ 368,858</u>	<u>\$ 414,428</u>	<u>\$ 45,570</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, 2014

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
CEMETERY:				
Revenues:				
Charges for services	\$ 150,000	\$ 150,000	\$ 124,366	\$ (25,634)
Sale of property		10,000	6,550	(3,450)
Total Revenues	<u>150,000</u>	<u>160,000</u>	<u>130,916</u>	<u>(29,084)</u>
Expenditures:				
Current:				
Public works	392,788	462,788	439,156	23,632
Capital outlay	29,000	44,000	42,623	1,377
Total Expenditures	<u>421,788</u>	<u>506,788</u>	<u>481,779</u>	<u>25,009</u>
Revenues over (under) Expenditures	(271,788)	(346,788)	(350,863)	(4,075)
Other financing sources (uses):				
Transfers in	240,000	240,000	255,055	15,055
Net change in fund balances	(31,788)	(106,788)	(95,808)	10,980
Fund balance at beginning of year	<u>356,169</u>	<u>356,169</u>	<u>356,169</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ 324,381</u></u>	<u><u>\$ 249,381</u></u>	<u><u>\$ 260,361</u></u>	<u><u>\$ 10,980</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	\$ 650,000	\$ 1,050,000	\$ 658,634	\$ (391,366)
Charges for services			24,910	24,910
Total Revenues	<u>650,000</u>	<u>1,050,000</u>	<u>683,544</u>	<u>(366,456)</u>
Expenditures:				
Current:				
General support services	130,000	140,000	133,607	6,393
Capital outlay	520,000	910,000	549,937	360,063
Total Expenditures	<u>650,000</u>	<u>1,050,000</u>	<u>683,544</u>	<u>366,456</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, 2014

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
HOME:				
Revenues:				
Grants	\$ 164,000	\$ 414,000	\$ 301,333	\$ (112,667)
Charges for services			3,978	3,978
	<u>164,000</u>	<u>414,000</u>	<u>305,311</u>	<u>(108,689)</u>
Expenditures:				
Current:				
General support services	20,000	20,000	9,181	10,819
Capital outlay	144,000	394,000	296,130	97,870
Total Expenditures	<u>164,000</u>	<u>414,000</u>	<u>305,311</u>	<u>108,689</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	\$ 500,000	\$ 700,000	\$ 629,061	\$ (70,939)
Charges for services				
Total Revenues	<u>500,000</u>	<u>700,000</u>	<u>629,061</u>	<u>(70,939)</u>
Expenditures:				
Current:				
General support services	40,000	60,000	59,570	430
Capital outlay	460,000	640,000	569,491	70,509
Total Expenditures	<u>500,000</u>	<u>700,000</u>	<u>629,061</u>	<u>70,939</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	\$ 25,891	\$ (21,609)
Expenditures:				
Current:				
Public works	46,000	70,000	69,678	322
Capital outlay	24,000			
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>69,678</u>	<u>322</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u><u>\$ 105,555</u></u>	<u><u>\$ 105,555</u></u>	<u><u>\$ 84,268</u></u>	<u><u>\$ (21,287)</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, 2014

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
BEAUTIFICATION COMMISSION:				
Revenues:				
Charges for services	\$ 2,500	\$ 2,500	\$ 1,040	\$ (1,460)
Expenditures:				
Current:				
General support services	7,300	7,300	4,588	2,712
Revenues over (under) Expenditures	(4,800)	(4,800)	(3,548)	1,252
Other financing sources (uses):				
Transfers in	3,300	3,300	3,300	
Net change in fund balances	(1,500)	(1,500)	(248)	1,252
Fund balance at beginning of year	4,783	4,783	4,783	
FUND BALANCE AT END OF YEAR	<u>\$ 3,283</u>	<u>\$ 3,283</u>	<u>\$ 4,535</u>	<u>\$ 1,252</u>

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FINANCIAL STATEMENTS

NONMAJOR ENTERPRISE FUNDS

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

Parking Fund - The operation of the City's metered 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 comprised 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 POSITION

June 30, 2014

EXHIBIT D

ASSETS	Parking	Senior Citizens	Marina
Current assets:			
Cash and cash equivalents	\$ 110,723	\$ 4,716,263	\$ 476,744
Investments			
Accounts receivable (net of allowances for uncollectibles)			7,211
Due from other governmental units			54,096
Prepaid expenses			26,704
Total Current Assets	<u>110,723</u>	<u>4,716,263</u>	<u>564,755</u>
Capital assets:			
Land	861,665		702,513
Land improvements	201,830		285,203
Buildings			169,387
Equipment	3,370		1,107,763
	<u>1,066,865</u>		<u>2,264,866</u>
Less accumulated depreciation	199,094		1,162,451
Total Capital Assets	<u>867,771</u>		<u>1,102,415</u>
Total Assets	<u>978,494</u>	<u>4,716,263</u>	<u>1,667,170</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,687		5,878
Accrued payroll	1,661		665
Contracts payable			32,046
Total Current Liabilities	<u>3,348</u>		<u>38,589</u>
NET POSITION			
Net investment in capital assets	867,771		1,102,415
Unrestricted	107,375	4,716,263	526,166
Total Net Position	<u>\$ 975,146</u>	<u>\$ 4,716,263</u>	<u>\$ 1,628,581</u>

Totals

June 30, 2014	June 30, 2013
\$ 5,303,730 7,211 54,096 26,704 <hr/> 5,391,741 <hr/> 1,564,178 487,033 169,387 1,111,133 <hr/> 3,331,731 1,361,545 <hr/> 1,970,186 <hr/> 7,361,927 <hr/> 7,565 2,326 32,046 <hr/> 41,937 <hr/> 1,970,186 5,349,804 <hr/> \$ 7,319,990 <hr/>	\$ 4,264,508 1,000,000 36,458 80,607 <hr/> 5,381,573 <hr/> 1,564,178 435,529 169,387 1,167,156 <hr/> 3,336,250 1,485,381 <hr/> 1,850,869 <hr/> 7,232,442 <hr/> 6,600 954 46,543 <hr/> 54,097 <hr/> 1,850,869 5,327,476 <hr/> \$ 7,178,345 <hr/>

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT D-1

	Parking	Senior Citizens	Marina
Operating revenues:			
Charges for services	\$ 44,491	\$	\$
Rents			37,473
Total Operating Revenues	<u>44,491</u>	<u></u>	<u>37,473</u>
Operating expenses:			
Personal services	40,305		21,910
Supplies and materials	7,845		4,114
Contractual services	80,324		174,041
Depreciation	321		34,833
Total Operating Expenses	<u>128,795</u>	<u></u>	<u>234,898</u>
Operating Income (Loss)	<u>(84,304)</u>	<u></u>	<u>(197,425)</u>
Nonoperating revenue (expenses):			
Investment income		62,712	
Operating grants			180,662
Gain (loss) on sale of property and equipment			
		<u>62,712</u>	<u>180,662</u>
Income (Loss) Before Operating Transfers	<u>(84,304)</u>	<u>62,712</u>	<u>(16,763)</u>
Transfers in (out):			
Transfer in	90,000		90,000
Change in Net Position	<u>5,696</u>	<u>62,712</u>	<u>73,237</u>
Net position at beginning of year	<u>969,450</u>	<u>4,653,551</u>	<u>1,555,344</u>
NET POSITION AT END OF YEAR	<u><u>\$ 975,146</u></u>	<u><u>\$ 4,716,263</u></u>	<u><u>\$ 1,628,581</u></u>

Totals

June 30, 2014	June 30, 2013
\$ 44,491	\$ 43,313
37,473	36,279
81,964	79,592
62,215	32,809
11,959	4,320
254,365	215,248
35,154	35,334
363,693	287,711
(281,729)	(208,119)
62,712	46,948
180,662	4,110
	(1,782)
243,374	49,276
(38,355)	(158,843)
180,000	180,000
141,645	21,157
7,178,345	7,157,188
\$ 7,319,990	\$ 7,178,345

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT
OF CASH FLOWS

Year Ended June 30, 2014

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 44,491	\$	\$ 66,720
Payments to suppliers for goods and services	(76,768)		(111,241)
Payments to employees for services	(38,947)		(21,896)
Payments connected with interfund services	(11,733)		(26,211)
Net cash provided by (used in) operating activities	<u>(82,957)</u>		<u>(92,628)</u>
Cash flows from noncapital financing activities:			
Operating grants received			126,566
Transfers in	90,000		90,000
Net cash provided by (used in) noncapital financing activities	<u>90,000</u>		<u>216,566</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(6,427)		(148,044)
Proceeds from sale of property and equipment			
Net cash provided by (used in) capital and related financing activities	<u>(6,427)</u>		<u>(148,044)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		1,000,000	
Investment income		62,712	
Net cash provided by (used in) investing activities		<u>1,062,712</u>	
Net increase (decrease) in cash and cash equivalents	616	1,062,712	(24,106)
Cash and cash equivalents at beginning of year	110,107	3,653,551	500,850
Cash and cash equivalents at end of year	<u>\$ 110,723</u>	<u>\$ 4,716,263</u>	<u>\$ 476,744</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (84,304)	\$	\$ (197,425)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	321		34,833
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables			29,247
Decrease (increase) in prepaid expenses			53,903
Increase (decrease) in accounts payable	(332)		1,297
Increase (decrease) in accrued payroll	1,358		14
Increase (decrease) in contracts payable			(14,497)
Total Adjustments	<u>1,347</u>		<u>104,797</u>
Net cash provided by (used in) operating activities	<u>\$ (82,957)</u>	<u>\$ 0</u>	<u>\$ (92,628)</u>

Totals

June 30, 2014	June 30, 2013
\$ 111,211	\$ 78,956
(188,009)	(206,533)
(60,843)	(32,354)
(37,944)	(32,764)
<u>(175,585)</u>	<u>(192,695)</u>
126,566	4,329
<u>180,000</u>	<u>180,000</u>
306,566	184,329
(154,471)	(56,845)
<u>(154,471)</u>	<u>(1,782)</u>
(154,471)	(58,627)
1,000,000	
<u>62,712</u>	<u>46,948</u>
1,062,712	46,948
1,039,222	(20,045)
<u>4,264,508</u>	<u>4,284,553</u>
\$ <u>5,303,730</u>	\$ <u>4,264,508</u>
\$ (281,729)	\$ (208,119)
35,154	35,334
29,247	(636)
53,903	(62,455)
965	1,303
1,372	455
(14,497)	41,423
<u>106,144</u>	<u>15,424</u>
\$ <u>(175,585)</u>	\$ <u>(192,695)</u>

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FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

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

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

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

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

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 POSITION

June 30, 2014

EXHIBIT E

	Central Stores	Motor Vehicle	Data Processing
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,318	\$ 37,846	\$ 337,733
Investments			
Accounts receivable			625
Due from other governmental units			
Inventories	25,370	229,055	16,996
Total Current Assets	<u>35,688</u>	<u>266,901</u>	<u>355,354</u>
Noncurrent assets:			
Restricted cash and cash equivalents			
Capital assets:			
Land improvements		1,824,924	
Machinery and equipment	45,988	251,958	475,562
Vehicles		5,787,234	
	<u>45,988</u>	<u>7,864,116</u>	<u>475,562</u>
Less accumulated depreciation	43,266	4,541,843	340,094
Total Capital Assets	<u>2,722</u>	<u>3,322,273</u>	<u>135,468</u>
Total Assets	<u>38,410</u>	<u>3,589,174</u>	<u>490,822</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,485	50,834	654
Accrued payroll		21,551	16,239
Contracts payable			
Accrued interest payable			
Current portion of long-term debt			
Claims and judgments payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	<u>5,485</u>	<u>72,385</u>	<u>16,893</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>5,485</u>	<u>72,385</u>	<u>16,893</u>
NET POSITION			
Net investment in capital assets	2,722	3,322,273	135,468
Unrestricted	30,203	194,516	338,461
Total Net Position	<u>\$ 32,925</u>	<u>\$ 3,516,789</u>	<u>\$ 473,929</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2014	June 30, 2013
\$ 253,939	\$ 7,194,503	\$ 7,834,339	\$ 7,369,840
	1,155,264	1,155,889	1,500,000
	86,596	86,596	806,763
		271,421	107,183
			115,822
<u>253,939</u>	<u>8,436,363</u>	<u>9,348,245</u>	<u>9,899,608</u>
			96,714
		1,824,924	1,809,426
4,007,802		4,781,310	4,907,444
		5,787,234	5,377,042
<u>4,007,802</u>		<u>12,393,468</u>	<u>12,093,912</u>
591,499		5,516,702	4,985,100
<u>3,416,303</u>		<u>6,876,766</u>	<u>7,108,812</u>
<u>3,670,242</u>	<u>8,436,363</u>	<u>16,225,011</u>	<u>17,105,134</u>
	15,652	72,625	84,765
	407,352	445,142	419,279
			96,714
112,159		112,159	119,445
123,637		123,637	140,522
	792,294	792,294	864,758
	192,322	192,322	240,707
<u>235,796</u>	<u>1,407,620</u>	<u>1,738,179</u>	<u>1,966,190</u>
3,358,601		3,358,601	3,341,716
	109,773	109,773	84,369
	2,154,711	2,154,711	2,042,395
<u>3,358,601</u>	<u>2,264,484</u>	<u>5,623,085</u>	<u>5,468,480</u>
<u>3,594,397</u>	<u>3,672,104</u>	<u>7,361,264</u>	<u>7,434,670</u>
(65,935)		3,394,528	3,626,574
141,780	4,764,259	5,469,219	6,043,890
<u>\$ 75,845</u>	<u>\$ 4,764,259</u>	<u>\$ 8,863,747</u>	<u>\$ 9,670,464</u>

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 86,540	\$ 1,896,070	\$ 551,289
Operating expenses:			
Personal services	14,760	531,266	384,253
Supplies and materials	30,721	397,352	72,755
Contractual services	55,852	453,727	169,424
Depreciation	2,294	568,840	35,779
Total Operating Expenses	<u>103,627</u>	<u>1,951,185</u>	<u>662,211</u>
Operating Income (Loss)	<u>(17,087)</u>	<u>(55,115)</u>	<u>(110,922)</u>
Nonoperating revenues (expenses):			
Investment income			
Interest expense			
Operating grants			
Gain on sale of property and equipment		25,202	
Total Nonoperating Revenues		<u>25,202</u>	
Income (Loss) Before Capital Contributions and Operating Transfers	(17,087)	(29,913)	(110,922)
Capital contributions:			
Grants and contributions received			
Change in Net Position	<u>(17,087)</u>	<u>(29,913)</u>	<u>(110,922)</u>
Net position at beginning of year	<u>50,012</u>	<u>3,546,702</u>	<u>584,851</u>
NET POSITION AT END OF YEAR	<u>\$ 32,925</u>	<u>\$ 3,516,789</u>	<u>\$ 473,929</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2014	June 30, 2013
\$ 377,000	\$ 9,456,530	\$ 12,367,429	\$ 12,034,677
	9,579,346	10,509,625	10,467,386
	833	501,661	515,667
	552,301	1,231,304	1,336,038
200,390		807,303	762,479
200,390	10,132,480	13,049,893	13,081,570
176,610	(675,950)	(682,464)	(1,046,893)
26	118,809	118,835	100,164
(268,290)		(268,290)	(136,767)
		25,202	3,289
(268,264)	118,809	(124,253)	37,320
			4,006
(91,654)	(557,141)	(806,717)	(1,042,887)
			729,000
(91,654)	(557,141)	(806,717)	(313,887)
167,499	5,321,400	9,670,464	9,984,351
\$ 75,845	\$ 4,764,259	\$ 8,863,747	\$ 9,670,464

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows operating activities:			
Receipts from customers	\$ 86,540	\$ 1,896,070	\$ 550,789
Payments to suppliers for goods and services	(67,254)	(872,210)	(180,191)
Payments to employees for services	(14,760)	(527,607)	(382,688)
Payments connected with interfund services	(10,938)	(154,503)	(62,686)
Net cash provided by (used in) operating activities	<u>(6,412)</u>	<u>341,750</u>	<u>(74,776)</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions received			
Transfers in			
Net cash provided by (used in) noncapital financing activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(497,800)	(77,457)
Proceeds from issuance of long-term debt			
Proceeds from sale of equipment		25,202	
Interest paid			
Principal payment on long-term debt			
Capital contributions			
Net cash provided by (used in) capital and related financial activities		<u>(472,598)</u>	<u>(77,457)</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	(6,412)	(130,848)	(152,233)
Cash and cash equivalents at beginning of year	16,730	168,694	489,966
Cash and cash equivalents at end of year	<u>\$ 10,318</u>	<u>\$ 37,846</u>	<u>\$ 337,733</u>
Balance sheet classification of cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 10,318	\$ 37,846	\$ 337,733
Restricted assets - cash and cash equivalents			
Total balance sheet classification	<u>\$ 10,318</u>	<u>\$ 37,846</u>	<u>\$ 337,733</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (17,087)	\$ (55,115)	\$ (110,922)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,294	568,840	35,779
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			(500)
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	7,079	(167,295)	4,617
Increase (decrease) in accounts payable	1,302	(8,339)	(5,315)
Increase (decrease) in accrued payroll		3,659	1,565
Increase (decrease) in claims and judgments payable			
Increase (decrease) in compensated absences payable			
Total adjustments	<u>10,675</u>	<u>396,865</u>	<u>36,146</u>
Net cash provided by (used in) operating activities	<u>\$ (6,412)</u>	<u>\$ 341,750</u>	<u>\$ (74,776)</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2014	June 30, 2013
\$ 377,000	\$ 9,128,491	\$ 12,038,890	\$ 12,545,357
	(553,134)	(1,672,789)	(1,608,843)
	(9,541,624)	(10,466,679)	(10,652,965)
		(228,127)	(234,512)
<u>377,000</u>	<u>(966,267)</u>	<u>(328,705)</u>	<u>49,037</u>
			3,289
			<u>3,289</u>
(96,714)		(671,971)	(1,446,737)
			3,482,238
		25,202	37,320
(275,576)		(275,576)	(147,440)
			(3,613,739)
			729,000
<u>(372,290)</u>		<u>(922,345)</u>	<u>(959,358)</u>
	1,500,000	1,500,000	
26	118,809	118,835	100,164
26	1,618,809	1,618,835	100,164
4,736	652,542	367,785	(806,868)
249,203	6,541,961	7,466,554	8,273,422
<u>\$ 253,939</u>	<u>\$ 7,194,503</u>	<u>\$ 7,834,339</u>	<u>\$ 7,466,554</u>
\$ 253,939	\$ 7,194,503	\$ 7,834,339	\$ 7,369,840
			96,714
<u>\$ 253,939</u>	<u>\$ 7,194,503</u>	<u>\$ 7,834,339</u>	<u>\$ 7,466,554</u>
\$ 176,610	\$ (675,950)	\$ (682,464)	\$ (1,046,893)
200,390		807,303	762,479
	(348,626)	(349,126)	454,694
	20,587	20,587	55,986
		(155,599)	31,611
	212	(12,140)	(29,651)
	20,639	25,863	25,564
	(47,060)	(47,060)	(206,594)
	63,931	63,931	1,841
<u>200,390</u>	<u>(290,317)</u>	<u>353,759</u>	<u>1,095,930</u>
<u>\$ 377,000</u>	<u>\$ (966,267)</u>	<u>\$ (328,705)</u>	<u>\$ 49,037</u>

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FINANCIAL STATEMENTS

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity for others and therefore cannot be used to support the City's own programs. The Retiree Health Care Benefits Fund is a pension and other employee benefits trust fund. This type of fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans or other employee benefit plans. 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 POSITION**

June 30, 2014

EXHIBIT F

	Trust Funds			
	Pension and Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
ASSETS				
Cash and cash equivalents	\$ 838,330	\$ 1,154,489	\$ 26,550	\$ 27,110
Interest in pooled investments	13,195,263	10,451,516		
Total Assets	<u>\$ 14,033,593</u>	<u>\$ 11,606,005</u>	<u>\$ 26,550</u>	<u>\$ 27,110</u>
LIABILITIES				
Other liabilities				
NET POSITION				
Net position held in trust	<u>\$ 14,033,593</u>	<u>\$ 11,606,005</u>	<u>\$ 26,550</u>	<u>\$ 27,110</u>

City of Port Huron

**FIDUCIARY FUNDS -
STATEMENT OF CHANGES IN NET POSITION**
Year Ended June 30, 2014

EXHIBIT F-1

	Trust Funds			
	Pension and Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Additions:				
Investment income (loss)	\$ 1,589,258	\$ 1,074,238	\$ 40	\$ 50
Employer contributions	3,266,897	3,701,740		
Total Additions	4,856,155	4,775,978	40	50
Deductions:				
Personal services	2,428,567	2,547,251		
Supplies and materials			600	600
Total Deductions	2,428,567	2,547,251	600	600
Change in Net Position	2,427,588	2,228,727	(560)	(550)
Net position at beginning of year	11,606,005	9,377,278	27,110	27,660
NET POSITION AT END OF YEAR	\$ 14,033,593	\$ 11,606,005	\$ 26,550	\$ 27,110

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT F-2

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 616,761	\$ 27,018,224	\$ 27,525,062	\$ 109,923
LIABILITIES				
Due to other governmental units	\$ 5,638	\$ 16,531,775	\$ 16,527,805	\$ 9,608
Taxes collected in advance	611,123	100,315	611,123	100,315
TOTAL LIABILITIES	\$ 616,761	\$ 16,632,090	\$ 17,138,928	\$ 109,923

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 each 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, 2014

EXHIBIT G

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
ASSETS					
Cash and cash equivalents	\$ 300,550	\$ 307,834	\$	\$ 252,271	\$ 860,655
Receivables	11,098	14	828	8	11,948
Prepaid expenses	7,095				7,095
Total Assets	<u>\$ 318,743</u>	<u>\$ 307,848</u>	<u>\$ 828</u>	<u>\$ 252,279</u>	<u>\$ 879,698</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,365	\$ 45,270	\$	\$ 249,338	\$ 297,973
Accrued payroll					
Contracts payable					
Unearned revenue	16,450				16,450
Total Liabilities	<u>19,815</u>	<u>45,270</u>		<u>249,338</u>	<u>314,423</u>
Fund balances:					
Assigned:					
Subsequent year's expenditures	215,000	200,932			415,932
Unassigned	83,928	61,646	828	2,941	149,343
Total Fund Balances	<u>298,928</u>	<u>262,578</u>	<u>828</u>	<u>2,941</u>	<u>565,275</u>
Total Liabilities and Fund Balances	<u>\$ 318,743</u>	<u>\$ 307,848</u>	<u>\$ 828</u>	<u>\$ 252,279</u>	<u>\$ 879,698</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, 2014

EXHIBIT G-1

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
Revenues:					
Taxes	\$ 649,416	\$ 1,660,302	\$ 365,544	\$ 249,460	\$ 2,924,722
Charges for services	18,750				18,750
Total Revenues	<u>668,166</u>	<u>1,660,302</u>	<u>365,544</u>	<u>249,460</u>	<u>2,943,472</u>
Expenditures:					
Current:					
Taxes disbursed - not captured		1,614,454			1,614,454
General support services	120,326	103,112	24,368	249,522	497,328
Capital outlay	10,851			674,478	685,329
Total Expenditures	<u>131,177</u>	<u>1,717,566</u>	<u>24,368</u>	<u>924,000</u>	<u>2,797,111</u>
Revenues over (under) Expenditures	<u>536,989</u>	<u>(57,264)</u>	<u>341,176</u>	<u>(674,540)</u>	<u>146,361</u>
Other financing sources (uses):					
Transfers in:					
Primary government				674,478	674,478
Transfers out:					
Primary government	(548,877)		(341,176)		(890,053)
	<u>(548,877)</u>		<u>(341,176)</u>	<u>674,478</u>	<u>(215,575)</u>
Net change in fund balances	(11,888)	(57,264)		(62)	(69,214)
Fund balances at beginning of year	<u>310,816</u>	<u>319,842</u>	<u>828</u>	<u>3,003</u>	<u>634,489</u>
FUND BALANCES AT END OF YEAR	<u>\$ 298,928</u>	<u>\$ 262,578</u>	<u>\$ 828</u>	<u>\$ 2,941</u>	<u>\$ 565,275</u>

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2014

EXHIBIT G-2

				Special Revenue
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
ASSETS				
Cash and cash equivalents	\$ 186,954	\$ 110,231	\$	\$
Receivables	1,379		8	
Prepaid Expenses	7,095			
Total Assets	\$ 195,428	\$ 110,231	\$ 8	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	\$	\$	\$
Accrued payroll				
Contracts payable				
Unearned revenue	16,450			
Total Liabilities	16,450			
Fund balances:				
Committed:				
Subsequent year's expenditures	125,000	90,000		
Unassigned	53,978	20,231	8	
Total Fund Balances	178,978	110,231	8	
Total Liabilities and Fund Balances	\$ 195,428	\$ 110,231	\$ 8	\$ 0

Funds

<u>Mainstreet</u>	<u>Water Street</u>	<u>Totals</u>
\$ 9,711	\$ 3,365	\$ 300,550 11,098 7,095
<u>\$ 9,711</u>	<u>\$ 3,365</u>	<u>\$ 318,743</u>
\$	\$ 3,365	\$ 3,365
<u> </u>	<u>3,365</u>	<u>16,450</u> <u>19,815</u>
<u>9,711</u>	<u> </u>	<u>215,000</u> <u>83,928</u>
<u>9,711</u>	<u> </u>	<u>298,928</u>
<u>\$ 9,711</u>	<u>\$ 3,365</u>	<u>\$ 318,743</u>

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 72,923	\$	\$ 8,330	\$ 267,748
Charges for services	18,750			
Total Revenues	<u>91,673</u>	<u></u>	<u>8,330</u>	<u>267,748</u>
Expenditures:				
Current:				
General support services	97,105	1,675		
Capital outlay			8,322	
Total Expenditures	<u>97,105</u>	<u>1,675</u>	<u>8,322</u>	<u></u>
Revenues over (under)				
Expenditures	<u>(5,432)</u>	<u>(1,675)</u>	<u>8</u>	<u>267,748</u>
Other financing sources (uses):				
Transfers in:				
Primary government				
Transfers out:				
Primary government				(267,748)
				<u>(267,748)</u>
Net change in fund balances	(5,432)	(1,675)	8	
Fund balances at beginning of year	<u>184,410</u>	<u>111,906</u>		
FUND BALANCES AT END OF YEAR	<u><u>\$ 178,978</u></u>	<u><u>\$ 110,231</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 0</u></u>

Mainstreet	Water Street	Totals
\$ 57,330	\$ 243,085	\$ 649,416
<u>57,330</u>	<u>243,085</u>	<u>668,166</u>
14,619	6,927	120,326
2,529		10,851
<u>17,148</u>	<u>6,927</u>	<u>131,177</u>
40,182	236,158	536,989
<u>(44,971)</u>	<u>(236,158)</u>	<u>(548,877)</u>
<u>(44,971)</u>	<u>(236,158)</u>	<u>(548,877)</u>
(4,789)		(11,888)
<u>14,500</u>		<u>310,816</u>
<u>\$ 9,711</u>	<u>\$ 0</u>	<u>\$ 298,928</u>

City of Port Huron

TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2014

EXHIBIT G-4

	Special Revenue Funds				Totals
	Industrial Park	Paper Company	Krafft Holland	Peerless Site	
ASSETS					
Cash and cash equivalents	\$ 108,814	\$ 85,932	\$ 65,508	\$ 47,580	\$ 307,834
Receivables				14	14
Total Assets	<u>\$ 108,814</u>	<u>\$ 85,932</u>	<u>\$ 65,508</u>	<u>\$ 47,594</u>	<u>\$ 307,848</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$	\$	\$ 45,270	\$ 45,270
Total Liabilities				<u>45,270</u>	<u>45,270</u>
Fund balances:					
Committed:					
Subsequent year's expenditures	50,000	85,932	65,000		200,932
Unassigned	58,814		508	2,324	61,646
Total Fund Balances	<u>108,814</u>	<u>85,932</u>	<u>65,508</u>	<u>2,324</u>	<u>262,578</u>
Total Liabilities and Fund Balances	<u>\$ 108,814</u>	<u>\$ 85,932</u>	<u>\$ 65,508</u>	<u>\$ 47,594</u>	<u>\$ 307,848</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, 2014

EXHIBIT G-5

	Industrial Park	Paper Company	Krafft Holland	Peerless Site	Totals
Revenues:					
Taxes	\$ 1,038,085	\$ 115,790	\$ 460,579	\$ 45,848	\$ 1,660,302
Expenditures:					
Current:					
Taxes disbursed - not captured	1,038,085	115,790	460,579		1,614,454
General support services	36,536	21,306		45,270	103,112
Total Expenditures	1,074,621	137,096	460,579	45,270	1,717,566
Revenues over (under) Expenditures	(36,536)	(21,306)		578	(57,264)
Other financing sources (uses):					
Transfers out - primary government					
Net change in fund balances	(36,536)	(21,306)		578	(57,264)
Fund balances at beginning of year	145,350	107,238	65,508	1,746	319,842
FUND BALANCES AT END OF YEAR	\$ 108,814	\$ 85,932	\$ 65,508	\$ 2,324	\$ 262,578

City of Port Huron

BROWNFIELD REDEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2014

EXHIBIT G-6

	Special Revenue Funds		
	Southside Redevelopment	Harker Street	Totals
ASSETS			
Cash and cash equivalents	\$ 252,271	\$	\$ 252,271
Receivables	8		8
Total Assets	<u>\$ 252,279</u>	<u>\$ 0</u>	<u>\$ 252,279</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 249,338	\$	\$ 249,338
Total Liabilities	<u>249,338</u>		<u>249,338</u>
Fund balances:			
Assigned:			
Subsequent year's expenditures			
Unassigned	2,941		2,941
Total Fund Balances	<u>2,941</u>		<u>2,941</u>
Total Liabilities and Fund Balances	<u>\$ 252,279</u>	<u>\$ 0</u>	<u>\$ 252,279</u>

City of Port Huron

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

Year Ended June 30, 2014

EXHIBIT G-7

	Southside Redevelopment	Harker Street	Totals
Revenues:			
Taxes	\$ 249,460	\$	\$ 249,460
Expenditures:			
Current:			
Taxes disbursed - not captured			
General support services	249,522		249,522
Capital outlay		674,478	674,478
Total Expenditures	<u>249,522</u>	<u>674,478</u>	<u>924,000</u>
Revenues over (under)			
Expenditures	(62)	(674,478)	(674,540)
Other financing sources (uses):			
Transfers in - primary government		674,478	674,478
Net change in fund balances	(62)		(62)
Fund balances at beginning of year	<u>3,003</u>		<u>3,003</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,941</u>	<u>\$ 0</u>	<u>\$ 2,941</u>

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STATISTICAL SECTION

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

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

- Net Position by Component
- Changes in Net Position
- 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 POSITION BY COMPONENT
Last Ten Fiscal Years

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Governmental Activities:				
Net investment in capital assets	\$ 36,890,140	\$ 37,917,205	\$ 39,143,574	\$ 44,477,669
Restricted	8,045,437	8,395,407	7,756,905	7,076,526
Unrestricted	<u>18,754,236</u>	<u>20,930,937</u>	<u>24,441,973</u>	<u>19,262,766</u>
Total Net Position	<u>63,689,813</u>	<u>67,243,549</u>	<u>71,342,452</u>	<u>70,816,961</u>
Business Type Activities:				
Net investment in capital assets	63,399,007	62,988,238	65,911,126	64,591,888
Restricted	1,148,328	1,135,607		
Unrestricted	<u>22,439,504</u>	<u>20,645,596</u>	<u>18,689,014</u>	<u>23,701,301</u>
Total Net Position	<u>86,986,839</u>	<u>84,769,441</u>	<u>84,600,140</u>	<u>88,293,189</u>
Total Primary Government:				
Net investment in capital assets	100,289,147	100,905,443	105,054,700	109,069,557
Restricted	9,193,765	9,531,014	7,756,905	7,076,526
Unrestricted	<u>41,193,740</u>	<u>41,576,533</u>	<u>43,130,987</u>	<u>42,964,067</u>
TOTAL NET POSITION	<u><u>\$ 150,676,652</u></u>	<u><u>\$ 152,012,990</u></u>	<u><u>\$ 155,942,592</u></u>	<u><u>\$ 159,110,150</u></u>

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
\$ 46,307,732	\$ 50,020,197	\$ 48,571,987	\$ 47,589,593	\$ 48,854,512	\$ 48,210,858
6,481,405	7,215,511	7,643,116	7,892,815	8,791,022	10,106,748
18,726,336	17,827,132	16,251,270	14,873,855	13,008,811	12,744,008
<u>71,515,473</u>	<u>75,062,840</u>	<u>72,466,373</u>	<u>70,356,263</u>	<u>70,654,345</u>	<u>71,061,614</u>
64,614,670	71,617,288	73,500,530	72,865,287	72,802,999	74,324,636
27,215,638	23,753,143	23,328,114	24,700,743	23,584,458	18,533,611
<u>91,830,308</u>	<u>95,370,431</u>	<u>96,828,644</u>	<u>97,566,030</u>	<u>96,387,457</u>	<u>92,858,247</u>
110,922,402	121,637,485	122,072,517	120,454,880	121,657,511	122,535,494
6,481,405	7,215,511	7,643,116	7,892,815	8,791,023	10,106,748
45,941,974	41,580,275	39,579,384	39,574,598	36,593,268	31,277,619
<u>\$ 163,345,781</u>	<u>\$ 170,433,271</u>	<u>\$ 169,295,017</u>	<u>\$ 167,922,293</u>	<u>\$ 167,041,802</u>	<u>\$ 163,919,861</u>

City of Port Huron

CHANGES IN NET POSITION
Last Ten Fiscal Years

	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
Expenses:				
Governmental activities:				
General government	\$ 4,337,928	\$ 4,352,715	\$ 3,294,266	\$ 4,414,041
Public safety	12,370,766	12,870,592	12,775,838	15,945,019
Public works	8,089,009	8,033,049	8,822,339	10,397,388
Health and welfare	13,895	18,171	17,851	17,508
Community and economic development	2,524,509	2,111,966	2,396,732	2,298,805
Recreation, parks and culture	2,758,417	2,922,958	2,628,408	3,163,955
Total Governmental Activities Expenses	<u>30,094,524</u>	<u>30,309,451</u>	<u>29,935,434</u>	<u>36,236,716</u>
Business Type Activities:				
Water	5,592,090	6,143,152	6,296,545	6,414,288
Wastewater	11,504,952	12,852,702	13,269,918	13,201,522
Land purchase	453,972	833,578	193,013	105,397
Parking	191,747	202,593	185,541	200,970
Senior citizens	749,544	866,645	889,992	777,558
Marina	942,724	1,004,366	813,049	923,130
Total Business-Type Activities Expenses	<u>19,435,029</u>	<u>21,903,036</u>	<u>21,648,058</u>	<u>21,622,865</u>
Total Primary Governmental Expenses	<u>49,529,553</u>	<u>52,212,487</u>	<u>51,583,492</u>	<u>57,859,581</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	2,173,930	2,407,797	1,636,600	1,768,932
Public safety	565,830	825,494	673,556	697,377
Public works	240,756	263,250	246,799	239,394
Community and economic development	611,872	762,589	723,750	557,277
Recreation, parks and culture	168,378	123,254	183,387	203,358
Operating grants and contributions:				
General government				
Public safety	151,174	63,337	89,077	21,964
Public works	2,684,859	2,586,679	2,570,537	2,593,958
Community and economic development	1,597,341	1,166,245	1,454,286	1,150,793
Recreation, parks and culture				
Capital grants and contributions:				
Public safety	485,064	1,323,802	532,389	472,876
Public works	934,408	836,753	1,547,572	6,266,508
Recreation, parks and culture	116,837	125,626	127,832	134,720
Total Governmental Activities Program Revenues	<u>\$ 9,730,449</u>	<u>\$ 10,484,826</u>	<u>\$ 9,785,785</u>	<u>\$ 14,107,157</u>

(Continued on next page)

Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014
\$ 3,210,760	\$ 3,261,989	\$ 3,263,183	\$ 3,335,078	\$ 3,210,408	\$ 3,090,941
12,289,894	13,649,257	13,780,456	13,163,254	13,374,286	13,389,126
9,209,602	9,494,516	10,484,294	9,530,837	8,722,765	8,880,522
14,143	13,284	12,964	13,875	2,119	1,661
1,422,748	2,932,936	2,722,309	2,530,839	2,098,021	2,809,208
2,462,383	2,472,097	2,401,142	2,637,516	2,509,891	2,781,203
<u>28,609,530</u>	<u>31,824,079</u>	<u>32,664,348</u>	<u>31,211,399</u>	<u>29,917,490</u>	<u>30,952,661</u>
6,315,255	6,300,395	6,217,770	6,121,010	6,816,156	7,156,211
13,051,805	12,760,248	12,662,562	13,172,270	14,028,061	14,414,801
169,431	229,475	470,322	555,416	233,141	920,613
189,966	116,941	133,305	104,312	100,072	128,795
92,697	1,530				
297,049	234,805	185,932	156,283	187,639	234,898
<u>20,116,203</u>	<u>19,643,394</u>	<u>19,669,891</u>	<u>20,109,291</u>	<u>21,365,069</u>	<u>22,855,318</u>
<u>48,725,733</u>	<u>51,467,473</u>	<u>52,334,239</u>	<u>51,320,690</u>	<u>51,282,559</u>	<u>53,807,979</u>
1,723,305	1,853,228	1,896,985	1,889,219	2,031,756	2,103,355
408,184	389,990	361,434	456,490	513,038	487,862
205,906	215,878	227,277	280,098	373,791	345,457
407,725	509,833	482,336	617,037	495,167	531,319
279,898	325,026	293,247	319,373	338,789	354,452
		4,660	32,532	33,233	
160,723	249,065	173,768	221,809	222,915	182,995
2,476,795	2,418,350	2,504,490	2,441,961	2,469,346	2,751,227
611,213	2,080,752	1,883,243	1,753,969	1,349,786	1,827,286
		58,453	203,964	37,049	30,506
277,165	114,319	61,177	76,808	802,424	226,415
2,340,550	5,983,171	424,116	646,931	1,792,497	1,252,362
140,218	209,033	149,487	221,410	139,540	162,229
<u>\$ 9,031,682</u>	<u>\$ 14,348,645</u>	<u>\$ 8,520,673</u>	<u>\$ 9,161,601</u>	<u>\$ 10,599,331</u>	<u>\$ 10,255,465</u>

City of Port Huron

CHANGES IN NET POSITION
Last Ten Fiscal Years

	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
Business-type activities:				
Charges for services:				
Water	\$ 5,237,462	\$ 5,542,397	\$ 5,601,863	\$ 6,372,676
Wastewater	8,415,350	8,783,025	8,942,423	9,527,064
Land purchase	211,643	251,600	307,432	328,264
Parking	215,617	187,623	188,225	171,730
Senior citizens	368,805	375,771	377,665	316,059
Marina	604,697	561,154	471,840	332,212
Operating grants and contributions:				
Water				
Wastewater				
Land purchase	1,059,947	1,230,828	1,893,862	1,468,352
Parking				
Senior citizens	450,619	456,525	439,507	429,672
Marina			67,962	44,175
Capital grants and contributions:				
Water	217		107,153	33,119
Wastewater	250,816	779,138	1,139,982	724,657
Land purchase	39,705	405,910		
Marina				
Total Business-Type Activities Program Revenues	<u>16,854,878</u>	<u>18,573,971</u>	<u>19,537,914</u>	<u>19,747,980</u>
Total Primary Government Program Revenues	<u>26,585,327</u>	<u>29,058,797</u>	<u>29,323,699</u>	<u>33,855,137</u>
Net (expense)/revenue:				
Governmental activities	(20,364,075)	(19,824,625)	(20,149,649)	(22,129,559)
Business-type activities	<u>(2,580,151)</u>	<u>(3,329,065)</u>	<u>(2,110,144)</u>	<u>(1,874,885)</u>
Total Primary Government Net Expense	<u>(22,944,226)</u>	<u>(23,153,690)</u>	<u>(22,259,793)</u>	<u>(24,004,444)</u>
General revenues and other changes in net position:				
Governmental activities:				
Property taxes	11,453,590	11,863,700	12,214,363	12,695,112
Income tax	5,955,633	6,142,537	6,404,789	8,172,561
Unrestricted state-shared revenues	4,134,528	4,101,722	3,979,187	4,020,443
Unrestricted investment income	953,716	1,209,797	2,272,546	1,249,999
Gain on sale of capital assets	27,691	4,074	18,176	35,082
Unrestricted cable fees and other income	307,931	306,531	391,798	348,271
Special item-custodial capital transfer			(332,307)	
Transfers	(500,000)	(250,000)	(700,000)	(4,917,400)
Total Governmental Activities	<u>22,333,089</u>	<u>23,378,361</u>	<u>24,248,552</u>	<u>21,604,068</u>
Business-type activities:				
Unrestricted investment income	431,755	851,667	873,039	624,517
Gain on sale of capital assets	2,689		362,734	25,925
Unrestricted other income	50,504	10,000	5,070	92
Transfers	500,000	250,000	700,000	4,917,400
Total Business-Type Activities	<u>984,948</u>	<u>1,111,667</u>	<u>1,940,843</u>	<u>5,567,934</u>
Total Primary Government	<u>23,318,037</u>	<u>24,490,028</u>	<u>26,189,395</u>	<u>27,172,002</u>
Change in net position:				
Governmental activities	1,969,014	3,553,736	4,098,903	(525,491)
Business-type activities	<u>(1,595,203)</u>	<u>(2,217,398)</u>	<u>(169,301)</u>	<u>3,693,049</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 373,811</u>	<u>\$ 1,336,338</u>	<u>\$ 3,929,602</u>	<u>\$ 3,167,558</u>

Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014
\$ 6,046,044	\$ 5,831,281	\$ 6,226,214	\$ 6,587,975	\$ 6,999,418	\$ 6,787,849
9,312,839	9,038,255	9,602,732	9,160,568	10,340,457	10,198,546
168,653	175,296	226,545	234,578	233,396	233,328
81,536	62,077	59,223	53,129	43,313	44,491
25,246		29,000	1,462		
46,014	33,358	44,341	35,822	36,279	37,473
				3,355	
			1,685	14,452	
1,594,741	1,314,362	1,375,321	1,152,999	1,259,933	890,053
			2,495	4,110	
32,399					
36,258	47,349	50,427	480		180,662
681,705	1,230,079	87,351	554,986		308,622
1,221,737	2,946,983	1,738,287	1,071,298	45,856	479,387
		69,058	852,358	22,877	
<u>19,247,172</u>	<u>20,679,040</u>	<u>19,508,499</u>	<u>19,709,835</u>	<u>19,003,446</u>	<u>19,160,411</u>
<u>28,278,854</u>	<u>35,027,685</u>	<u>28,029,172</u>	<u>28,871,436</u>	<u>29,602,777</u>	<u>29,415,876</u>
(19,577,848)	(17,475,434)	(24,143,675)	(22,049,798)	(19,318,159)	(20,697,196)
(869,031)	1,035,646	(161,392)	(399,456)	(2,361,623)	(3,694,907)
<u>(20,446,879)</u>	<u>(16,439,788)</u>	<u>(24,305,067)</u>	<u>(22,449,254)</u>	<u>(21,679,782)</u>	<u>(24,392,103)</u>
12,889,994	12,618,927	11,554,089	10,766,285	10,301,650	9,824,683
5,777,447	5,654,697	5,781,024	5,818,786	5,868,284	5,934,153
3,872,453	3,446,988	3,447,475	3,123,392	3,235,216	3,336,089
340,132	1,081,237	1,050,535	887,990	798,929	1,066,266
4,688	32,877	354,928	1,600	108,482	600,091
331,139	338,075	352,181	341,635	348,680	343,183
(2,939,493)	(2,150,000)	(993,024)	(1,000,000)	(1,045,000)	
<u>20,276,360</u>	<u>21,022,801</u>	<u>21,547,208</u>	<u>19,939,688</u>	<u>19,616,241</u>	<u>21,104,465</u>
296,258	283,431	272,892	242,754	138,622	165,658
1,170,399	71,046	353,689	(105,912)	(572)	39
2,939,493	2,150,000	993,024	1,000,000	1,045,000	
<u>4,406,150</u>	<u>2,504,477</u>	<u>1,619,605</u>	<u>1,136,842</u>	<u>1,183,050</u>	<u>165,697</u>
<u>24,682,510</u>	<u>23,527,278</u>	<u>23,166,813</u>	<u>21,076,530</u>	<u>20,799,291</u>	<u>21,270,162</u>
698,512	3,547,367	(2,596,467)	(2,110,110)	298,082	407,269
3,537,119	3,540,123	1,458,213	737,386	(1,178,573)	(3,529,210)
<u>\$ 4,235,631</u>	<u>\$ 7,087,490</u>	<u>\$ (1,138,254)</u>	<u>\$ (1,372,724)</u>	<u>\$ (880,491)</u>	<u>\$ (3,121,941)</u>

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
General Fund:				
Nonspendable:				
Inventories	\$	\$	\$	\$
Prepaid items	5,866	5,728	5,133	20,349
Assigned:				
Subsequent year's expenditures	400,000			
Unassigned	3,423,280	3,895,856	4,093,971	4,232,753
Total General Fund	<u>3,829,146</u>	<u>3,901,584</u>	<u>4,099,104</u>	<u>4,253,102</u>
All Other Governmental Funds:				
Nonspendable:				
Inventories	165,207	201,587	223,456	229,600
Endowments	5,258,001	5,191,744	5,500,407	5,181,164
Restricted:				
Streets	999,092	1,087,993	422,081	248,115
Law enforcement	560,669	687,396	649,171	563,935
Rubbish and garbage collection	1,105,990	1,307,502	1,332,197	1,317,744
Streetscape maintenance	50,451	76,918	118,741	98,225
Permanent funds	121,685	120,772		
Committed:				
Subsequent year's expenditures	3,209,481	3,269,994	1,680,082	1,782,875
Municipal streets	3,158,133	3,340,948	4,981,027	4,028,882
Nonmajor governmental funds	141,636	43,196	211,174	319,165
Total All Governmental Funds	<u>14,770,345</u>	<u>15,328,050</u>	<u>15,118,336</u>	<u>13,769,705</u>
TOTAL ALL GOVERNMENTAL FUNDS	<u>\$ 18,599,491</u>	<u>\$ 19,229,634</u>	<u>\$ 19,217,440</u>	<u>\$ 18,022,807</u>

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
\$ 34,099	\$ 88,752	\$ 180,319	\$ 46,922	\$ 83,382	\$ 153,286
387,980	383,802		192,308	230,000	231,777
<u>3,922,444</u>	<u>3,882,520</u>	<u>4,181,549</u>	<u>4,134,696</u>	<u>4,073,275</u>	<u>4,093,692</u>
<u>4,344,523</u>	<u>4,355,074</u>	<u>4,361,868</u>	<u>4,373,926</u>	<u>4,386,657</u>	<u>4,478,755</u>
238,104	302,748	174,234	310,242	309,485	153,035
4,739,731	5,204,861	5,653,910	6,062,783	6,456,502	7,158,692
208,698	434,120	717,047	716,596	1,314,548	2,269,102
501,658	435,329	376,082	373,797	397,749	413,286
1,240,016	1,141,201	792,445	620,892	494,168	414,428
90,530	95,164	103,632	118,747	128,055	84,268
1,562,590	1,427,265	1,864,333	2,069,103	1,016,482	1,593,901
2,920,678	2,653,581	1,344,732		427,323	
284,399	333,145	315,939	391,264	338,863	255,173
<u>11,786,404</u>	<u>12,027,414</u>	<u>11,342,354</u>	<u>10,663,424</u>	<u>10,883,175</u>	<u>12,341,885</u>
<u>\$ 16,130,927</u>	<u>\$ 16,382,488</u>	<u>\$ 15,704,222</u>	<u>\$ 15,037,350</u>	<u>\$ 15,269,832</u>	<u>\$ 16,820,640</u>

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2007	Year Ended June 30, 2008
Revenues:				
Taxes:				
Property taxes:				
General fund	\$ 7,782,286	\$ 8,049,963	\$ 8,286,548	\$ 8,611,085
Municipal street fund:				
Streets millage	1,350,942	1,401,182	1,444,684	1,502,995
BWATC millage	417,181	438,891	448,195	463,982
Rubbish and garbage collection fund	1,903,181	1,973,664	2,034,936	2,117,050
Total	<u>11,453,590</u>	<u>11,863,700</u>	<u>12,214,363</u>	<u>12,695,112</u>
Income taxes	5,955,633	6,142,537	6,404,789	8,172,561
Total Taxes	<u>17,409,223</u>	<u>18,006,237</u>	<u>18,619,152</u>	<u>20,867,673</u>
Licenses and permits	608,278	764,635	736,935	632,314
Grants	3,145,132	3,418,137	2,075,752	7,462,502
State shared revenues	6,839,326	6,689,794	6,630,858	6,545,693
Charges for services	1,280,043	1,533,599	1,416,319	1,419,248
Fines and forfeits	209,910	203,515	211,878	208,584
Investment income	791,134	822,544	1,657,250	807,733
Rents	214,062	240,776	251,090	258,587
Sale of property	14,378	1,044	6,943	2,657
Other income			75,000	31,667
Administrative charges	1,487,565	1,616,251	1,720,005	1,853,621
Total Revenues	<u>31,999,051</u>	<u>33,296,532</u>	<u>33,401,182</u>	<u>40,090,279</u>
Expenditures:				
Current:				
General government	3,337,326	3,691,208	3,885,773	3,567,228
Public safety	12,949,822	13,750,871	13,528,954	12,897,969
Public works	6,209,151	6,517,340	6,929,700	6,861,503
Senior citizens	13,895	18,171	17,851	17,508
Recreation, parks and culture	2,709,954	2,916,950	2,776,161	2,561,153
General support services	1,446,623	1,365,483	1,290,166	1,252,839
Capital outlay	3,841,702	4,156,366	3,952,464	9,209,312
Total Expenditures	<u>30,508,473</u>	<u>32,416,389</u>	<u>32,381,069</u>	<u>36,367,512</u>
Revenues over (under) Expenditures	<u>1,490,578</u>	<u>880,143</u>	<u>1,020,113</u>	<u>3,722,767</u>
Other financing sources (uses):				
Transfers in	1,709,889	2,004,731	3,058,374	2,248,150
Transfers out	<u>(2,259,889)</u>	<u>(2,254,731)</u>	<u>(3,758,374)</u>	<u>(7,165,550)</u>
	<u>(550,000)</u>	<u>(250,000)</u>	<u>(700,000)</u>	<u>(4,917,400)</u>
Special item:				
Custodial capital transfer			<u>(332,307)</u>	
NET CHANGE IN FUND BALANCES	<u>\$ 940,578</u>	<u>\$ 630,143</u>	<u>\$ (12,194)</u>	<u>\$ (1,194,633)</u>

Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014
\$ 8,776,661	\$ 8,604,072	\$ 7,899,429	\$ 7,344,599	\$ 7,065,936	\$ 6,715,401
1,512,854	1,475,145	1,341,699	1,245,819	1,200,680	1,146,310
469,415	461,673	423,543	395,402	366,754	354,770
2,131,064	2,078,037	1,889,418	1,755,857	1,692,888	1,608,202
<u>12,889,994</u>	<u>12,618,927</u>	<u>11,554,089</u>	<u>10,741,677</u>	<u>10,326,258</u>	<u>9,824,683</u>
5,777,447	5,654,697	5,781,024	5,818,786	5,868,284	5,934,153
<u>18,667,441</u>	<u>18,273,624</u>	<u>17,335,113</u>	<u>16,560,463</u>	<u>16,194,542</u>	<u>15,758,836</u>
571,834	670,558	577,045	667,464	611,325	601,331
3,350,941	8,010,928	2,352,355	2,741,304	3,494,178	3,396,124
6,516,297	5,823,202	5,864,511	5,815,483	5,864,284	6,065,771
1,132,656	1,255,276	1,255,850	1,445,591	1,569,942	1,568,186
169,200	145,581	132,271	120,052	137,061	138,892
253,189	941,222	889,675	746,695	698,765	947,431
271,129	331,041	343,812	354,064	356,301	361,487
4,150	4,993	342,487	1,600	71,162	574,889
	3,900		392	1,571	1,758
1,800,500	1,875,807	1,874,558	1,815,505	1,838,693	1,939,739
<u>32,737,337</u>	<u>37,336,132</u>	<u>30,967,677</u>	<u>30,268,613</u>	<u>30,837,824</u>	<u>31,354,444</u>
3,394,770	3,161,209	3,263,408	3,318,936	3,046,428	2,998,897
12,705,024	13,000,990	13,081,810	12,758,777	12,448,342	12,670,195
6,904,497	6,437,203	6,913,499	6,321,262	6,384,588	6,718,411
14,143	13,284	12,964	13,875	2,119	1,661
2,514,336	2,392,262	2,314,188	2,172,985	2,300,233	2,570,282
1,057,042	1,117,076	1,380,749	1,246,429	1,206,237	1,266,312
5,099,912	8,812,547	3,686,301	4,023,221	4,172,395	3,577,878
<u>31,689,724</u>	<u>34,934,571</u>	<u>30,652,919</u>	<u>29,855,485</u>	<u>29,560,342</u>	<u>29,803,636</u>
<u>1,047,613</u>	<u>2,401,561</u>	<u>314,758</u>	<u>413,128</u>	<u>1,277,482</u>	<u>1,550,808</u>
2,571,673	1,119,678	2,193,627	1,860,759	1,501,786	1,067,437
(5,511,166)	(3,269,678)	(3,186,651)	(2,940,759)	(2,546,786)	(1,067,437)
<u>(2,939,493)</u>	<u>(2,150,000)</u>	<u>(993,024)</u>	<u>(1,080,000)</u>	<u>(1,045,000)</u>	
<u>\$ (1,891,880)</u>	<u>\$ 251,561</u>	<u>\$ (678,266)</u>	<u>\$ (666,872)</u>	<u>\$ 232,482</u>	<u>\$ 1,550,808</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>
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
2013-2014	347,365,012	117,213,382	35,261,743	499,840,137	95,837,300	595,677,437
2014-2015	344,676,626	120,237,031	36,234,808	501,148,465	84,704,400	585,852,865

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>
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
2013-2014	353,021,500	123,244,500	35,561,900	511,827,900	95,837,300	607,665,200
2014-2015	354,162,400	126,067,500	36,594,900	516,824,800	84,704,400	601,529,200

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>
\$ 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%
5,759,700	23,457,500	766,863	29,984,063	625,661,500	48.98%
3,902,800	18,825,000	766,871	23,494,671	609,347,536	48.66%

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>
\$ 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
6,051,800	23,457,500	1,565,100	31,074,400	638,739,600	1,277,479,200
4,194,900	18,825,000	1,555,200	24,575,100	626,104,300	1,252,208,600

Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years. The City Council has adopted a policy that such abatements will be twelve years for real property and six years for personal property. The ad valorem taxable valuation of \$595,677,437 and the abated taxable valuation of \$29,984,063 as of December 31, 2012 were used as the basis for determining the fiscal 2013-2014 operating taxes.

During August, 2014 Michigan voters approved Proposal 1, thereby instituting personal property tax reform. This reform exempts two categories of personal property from taxation. The first category exempts small taxpayers whose true cash value totals less than \$80,000. The small taxpayer exemption went into effect during 2014. The second category of property is Eligible Manufacturing Personal Property (EMPP). Taxation of EMPP will be phased out through 2022.

City of Port Huron

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2014

<u>Taxpayer</u>	<u>2014 Ad Valorem Taxable Valuation</u>	<u>2014 Industrial Facilities Taxable Value</u>	<u>2014 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2014 Rank</u>
Domtar (E.B. Eddy Paper)	\$ 15,578,168	\$ 2,928,100	\$ 18,506,268	3.04%	1
Acheson Ventures/ Acheson Foundation	14,555,589		14,555,589	2.39%	2
Mueller Brass Company	14,005,172		14,005,172	2.30%	3
ALD Thermal	3,726,300	6,711,700	10,438,000	1.71%	4
DTE Energy (Detroit Edison)	10,317,930		10,317,930	1.69%	5
SMW Automotive	6,228,200	3,856,500	10,084,700	1.65%	6
H.P. Pelzer	5,810,000	973,600	6,783,600	1.11%	7
SEMCO Energy Company	6,528,464		6,528,464	1.07%	8
Dunn Paper	4,393,107	1,535,300	5,928,407	.97%	9
Royal Oak Boring	4,188,200		4,188,200	.69%	10
Parkview Property Management	3,821,004		3,821,004	.63%	11
Henkel-Acheson Industries, Inc.	3,721,716		3,721,716	.61%	12
JB Real Estate/Hilton Double Tree (formerly Edison Inn)	3,384,100		3,384,100	.56%	13
Orthopedic Associates Campus	3,274,779		3,274,779	.54%	14
JCIM (formerly Plastech & LDM)	2,900,600	242,600	3,143,200	.52%	15
Shawmut Mills	2,682,000	138,400	2,820,400	.46%	16
Cross Hueller Ex-Cell-O-Lamb	1,546,300	1,265,600	2,811,900	.46%	17
Northport Association	2,810,600		2,810,600	.46%	18
I.A.C. (formerly Lear Corporation)	2,052,000	691,700	2,743,700	.45%	19
Michigan Metal Coatings	1,890,800	765,300	2,656,100	.44%	20
Textron Auto/Davidson Trim/ Dove Street Ind.					
Port Huron Molded Products/ BW Plastics					
Sportrack (Advanced Accessory)					
Huron Inc.					
General Electric Capital Corp.					
Black River Plastics					
Takata - Petri Inc.					
	<u>\$ 113,415,029</u>	<u>\$ 19,108,800</u>	<u>\$ 132,523,829</u>	<u>21.75%</u>	

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

<u>2005 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2005 Rank</u>
\$ 23,964,682	3.10%	1
23,442,942	3.04%	2
18,551,308	2.40%	3
16,287,189	2.11%	4
3,104,900	.40%	20
5,184,651	.67%	11
6,396,941	.83%	9
6,685,300	.87%	8
3,491,604	.45%	16
10,476,777	1.36%	6
3,607,821	.47%	13
5,276,218	.68%	10
8,535,894	1.11%	7
12,130,089	1.57%	5
4,825,100	.63%	12
3,601,000	.47%	14
3,520,720	.46%	15
3,444,500	.45%	17
3,436,906	.44%	18
<u>3,356,557</u>	<u>.43%</u>	19
<u>\$ 169,321,099</u>	<u>21.94%</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>
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	9,469,477	8,623,374	91.06%	9,418,754	99.46%
2013-2014	9,148,123	8,251,485	90.20%	9,130,086	99.80%
2014-2015	8,940,411				

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>
\$ 104,035	\$11,157,422	99.98%
7,905	11,535,710	99.99%
11,626	11,933,041	99.91%
47,352	12,071,858	99.77%
10,595	11,832,936	99.76%
27,919	10,804,864	99.80%
23,883	10,169,778	99.80%
41,540	9,460,294	99.90%

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
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
2012-2013	11.2696		2.0000	2.8173	16.0869	.6214
2013-2014	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
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
2012-2013	7.9522	.1938	2.3113	.9245	11.3818	1.8891
2013-2014	7.9522	.1938	2.3113	.9245	11.3818	1.8891

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2012-2013	18.0000*	2.5000	20.5000	6.0000	38.4792	56.4792
2013-2014	18.0000*	2.5000	20.5000	6.0000	38.4792	56.4792

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, 2017	Year 2014
May, 2018	Year 2015

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, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Outstanding Debt:				
Business-type Activities:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	11,238,740	10,754,609	10,344,893	9,820,249
Wastewater General Obligation Limited Tax Bonds	21,298,738	26,891,480	25,951,299	29,784,574
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	42,954,918	44,302,998	44,946,322	43,873,329
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	16,526,916	20,046,128	22,478,620	23,425,604
Water Meter Refunding Bonds (Limited Tax General Obligation)				
Total Business-type Activities Debt	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>	<u>\$ 103,721,134</u>	<u>\$ 106,903,756</u>
Governmental Activities:				
Energy Services Refunding Bonds (Limited Tax General Obligation)				
Total Outstanding Debt	<u>\$ 92,019,312</u>	<u>\$ 101,995,215</u>	<u>\$ 103,721,134</u>	<u>\$ 106,903,756</u>
Total Taxable Valuation	\$ 725,001,239	\$ 771,813,515	\$ 794,443,800	\$ 821,511,082
Ratio of Outstanding Debt to Taxable Value	12.69%	13.22%	13.06%	13.01%
Population	32,338	32,338	32,338	32,338
Per Capita Direct Outstanding Debt	\$ 2,845.55	\$ 3,154.04	\$ 3,207.41	\$ 3,305.82

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

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
\$	\$	\$ 6,910,464	\$ 6,910,464	\$ 6,788,564	\$ 6,661,651
9,240,604	8,621,165	7,971,726	7,312,287	6,617,848	6,008,141
28,483,712	27,111,858	25,740,004	33,469,725	31,721,758	30,442,870
42,269,201	40,051,442	39,897,713	38,890,647	37,419,692	34,909,738
23,269,724	22,613,988	22,744,783 4,947,968	21,377,181 4,743,461	19,897,156 4,557,189	18,882,806 4,557,189
<u>\$ 103,263,241</u>	<u>\$ 98,398,453</u>	<u>\$ 108,212,658</u>	<u>\$ 112,703,765</u>	<u>\$ 107,002,207</u>	<u>\$ 101,462,395</u>
		3,868,559	3,613,739	3,482,238	3,482,238
<u>\$ 103,263,241</u>	<u>\$ 98,398,453</u>	<u>\$ 112,081,217</u>	<u>\$ 116,317,504</u>	<u>\$ 110,484,445</u>	<u>\$ 104,944,633</u>
\$ 837,481,149	\$ 824,496,271	\$ 751,837,493	\$ 708,603,813	\$ 657,451,500	\$ 625,661,500
12.33%	11.93%	14.91%	16.42%	16.81%	16.77%
32,338	32,338	30,184	30,184	30,184	30,184
\$ 3,193.25	\$ 3,042.81	\$ 3,713.26	\$ 3,853.61	\$ 3,660.37	\$ 3,476.83

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2014

DIRECT BONDED DEBT:

Water Supply System Revenue Bonds		\$ 6,661,651
Water Supply System Revenue Bonds (Limited Tax General Obligation)		6,008,141
Wastewater General Obligation Limited Tax Bonds		30,442,870
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		34,909,738
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		18,882,806
Water Meter Refunding Bonds (Limited Tax General Obligation)		4,557,189
Energy Services Refunding Bonds (Limited Tax General Obligation)		<u>3,482,238</u>
Total Direct Bonded Debt		104,944,633

Less self-supporting general obligation bonds

Water Supply System Revenue Bonds	\$ 6,661,651	
Water Supply System Revenue Bonds (Limited Tax General Obligation)	6,008,141	
Wastewater General Obligation Limited Tax Bonds	30,442,870	
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	34,909,738	
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	18,882,806	
Water Meter Refunding Bonds (Limited Tax General Obligation)	<u>4,557,189</u>	<u>101,462,395</u>

Net Direct Bonded Debt

3,482,238

OVERLAPPING BONDED DEBT:

11.63% of St. Clair County Regional Educational Service Agency debt	239,578	
11.72% of St. Clair County Community College debt	322,300	
10.91% of St. Clair County debt	6,533,482	
35.54% of Port Huron Area School District debt	<u>11,106,250</u>	
Overlapping Bonded Debt		<u>18,201,610</u>

NET DIRECT AND OVERLAPPING BONDED DEBT

\$ 21,683,848

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	\$ 115.37	.58%
Net Direct and Overlapping Bonded Debt	\$ 718.39	3.61%

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, 2014

STATE EQUALIZED VALUATION AT DECEMBER 31, 2013 \$ 601,529,200

	Legal Margin			Legal Debt Margin Totals
	Actual Net Debt	Percentage of State Equalized Valuation	Amount	
General obligation debt	\$ 92,274,841			
Portion issued under order	<u>(65,352,608)</u>			
Balance	<u>\$ 26,922,233</u>	10%	<u>\$ 60,152,920</u>	<u>\$ 33,230,687</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 2,255,735</u>	<u>\$ 2,255,735</u>
Special assessment bonds	None	12%	<u>\$ 72,183,504</u>	<u>\$ 72,183,504</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 (\$601,529,200), 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, 2013 of \$585,852,865 will be used as a basis for determining the fiscal 2014-2015 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN

Last Ten Fiscal Years

	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Direct Bonded Debt:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	11,238,740	10,754,609	10,344,893	9,820,249
Wastewater General Obligation Limited Tax Bonds	21,298,738	26,891,480	25,951,299	29,784,574
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	42,954,918	44,302,998	44,946,322	43,873,329
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	16,526,916	20,046,128	22,478,620	23,425,604
Water Meter Refunding Bonds (Limited Tax General Obligation)				
Energy Performance Services Bonds (Limited Tax General Obligation)				
Total Direct Bonded Debt	<u>92,019,312</u>	<u>101,995,215</u>	<u>103,721,134</u>	<u>106,903,756</u>
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds				
Water Supply System Revenue Bonds (Limited Tax General Obligation)	11,238,740	10,754,609	10,344,893	9,820,249
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	21,298,738	26,891,480	25,951,299	29,784,574
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	42,954,918	44,302,998	44,946,322	43,873,329
Total Excluded	<u>75,492,396</u>	<u>81,949,087</u>	<u>81,242,514</u>	<u>83,478,152</u>
Net debt applicable to limit	16,526,916	20,046,128	22,478,620	23,425,604
Debt limit	<u>86,060,385</u>	<u>89,952,610</u>	<u>91,798,940</u>	<u>91,626,770</u>
Legal debt margin	<u>\$ 69,533,469</u>	<u>\$ 69,906,482</u>	<u>\$ 69,320,320</u>	<u>\$ 68,201,166</u>
Total net debt applicable to the limit as a percentage of debt limit	19.20%	22.29%	24.49%	25.57%

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
\$	\$	\$ 6,910,464	\$ 6,910,464	\$ 6,788,564	\$ 6,661,651
9,240,604	8,621,165	7,971,726	7,312,287	6,617,848	6,008,141
28,483,712	27,111,858	25,740,004	33,469,725	31,721,758	30,442,870
42,269,201	40,051,442	39,897,713	38,890,647	37,419,692	34,909,738
23,269,724	22,613,988	22,744,783	21,377,181	19,897,156	18,882,806
				4,557,189	4,557,189
				3,482,238	3,482,238
<u>103,263,241</u>	<u>98,398,453</u>	<u>103,264,690</u>	<u>107,960,304</u>	<u>110,484,445</u>	<u>104,944,633</u>
		6,910,464	6,910,464	6,788,564	6,661,651
9,240,604	8,621,165	7,971,726	7,312,287	6,617,848	6,008,141
28,483,712	27,111,858	25,740,004	33,469,725	31,721,758	30,442,870
42,269,201	40,051,442	39,897,713	38,890,647	37,419,692	34,909,738
<u>79,993,517</u>	<u>75,784,465</u>	<u>80,519,907</u>	<u>86,583,123</u>	<u>82,547,862</u>	<u>78,022,400</u>
23,269,724	22,613,988	22,744,783	21,377,181	27,936,583	26,922,233
<u>85,253,110</u>	<u>76,156,460</u>	<u>70,561,980</u>	<u>64,376,320</u>	<u>60,766,520</u>	<u>60,152,920</u>
<u>\$ 61,983,386</u>	<u>\$ 53,542,472</u>	<u>\$ 47,817,197</u>	<u>\$ 42,999,139</u>	<u>\$ 32,829,937</u>	<u>\$ 33,230,687</u>
27.29%	29.69%	32.23%	33.21%	45.97%	44.76%

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>	
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
2012-2013	7,014,640	3,207,142	3,807,498	816,339	666,313	1,482,652	2.57
2013-2014	6,793,255	3,293,968	3,499,287	736,620	776,583	1,513,203	2.31

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

WATER AND WASTEWATER – CURRENT RATES IN EFFECT

June 30, 2014

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

<u>Water</u>	<u>Wastewater</u>
<u>\$14.34</u>	<u>\$36.16</u>

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

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>
5/8"	\$ 8.50	\$ 21.50
3/4"	12.75	32.25
1"	21.25	53.75
1-1/2"	42.50	107.50
2"	68.00	172.00
3"	148.75	376.25
4"	255.00	645.00
6"	531.25	1,343.75
8"	765.00	1,935.00
10"	1,232.50	3,117.50
12"	1,827.50	4,622.50
16"	2,550.00	6,450.00
20"	3,825.00	9,675.00
24"	5,737.50	14,512.50

Each customer pays a Monthly Fixed Charge based upon the size of the meter and a Commodity Charge based on the quantity of water used. The monthly rate charged for water and wastewater for consumers within the limits of the City is equal to the sum of the Monthly Fixed Charge and the Commodity Charge multiplied by the monthly usage. The rates above reflect charges to City customers. Users outside of the City generally pay 150% of City rates. Prior to December 1, 2014, City of Port Huron customers were billed on a quarterly, rather than monthly basis.

City of Port Huron

WATER AND WASTEWATER - HISTORY OF RESIDENTIAL UTILITY RATES

June 30, 2014

RATE HISTORY

<u>Effective Date</u>	<u>Water</u>		<u>Wastewater</u>	
	<u>Commodity</u>	<u>Monthly Fixed Charge</u>	<u>Commodity</u>	<u>Monthly Fixed Charge</u>
July 1, 2014	\$14.34	\$8.50	\$36.16	\$21.50
July 1, 2013	14.00	8.33	34.80	20.50
July 1, 2012	13.64	8.00	32.40	19.00
July 1, 2011	12.86	7.47	30.60	17.73
July 1, 2010	12.12	7.00	28.72	16.67
July 1, 2009	11.48	6.59	27.24	15.60
July 1, 2008	11.48	6.59	27.24	15.60
October 1, 2007	11.48	6.59	27.24	15.60
July 1, 2007	10.60	6.08	27.24	15.60
July 1, 2006	10.00	5.73	24.32	13.93
July 1, 2005	9.34	5.43	22.70	13.17
July 1, 2004	8.66	5.17	21.38	12.33
July 1, 2003	7.98	4.83	20.14	11.67
July 1, 2002	7.32	4.53	18.84	11.13
July 1, 2001	6.70	4.33	17.50	10.67
July 1, 2000	6.40	4.33	16.48	10.67
July 1, 1999	6.30	4.33	15.76	10.67
July 1, 1998	6.10	4.33	15.40	10.67
July 1, 1997	5.70	4.00	11.34	8.67
July 1, 1996	5.40	4.00	10.60	8.67
July 1, 1995	4.90	4.00	9.86	8.67

COMPARABLE MONTHLY BILLING

<u>Effective Date</u>	<u>Monthly Billing</u>	<u>Percent Change</u>
July 1, 2014	\$63.67	3.75%
July 1, 2013	61.37	6.37%
July 1, 2012	57.69	6.50%
July 1, 2011	54.17	6.44%
July 1, 2010	50.89	6.03%
July 1, 2009	48.00	0.00%
July 1, 2008	48.00	0.00%
October 1, 2007	48.00	2.33%
July 1, 2007	46.91	10.25%
July 1, 2006	42.55	6.47%
July 1, 2005	39.96	6.48%
July 1, 2004	37.53	6.47%
July 1, 2003	35.25	6.46%
July 1, 2002	33.11	6.34%
July 1, 2001	31.13	2.91%
July 1, 2000	30.25	1.84%
July 1, 1999	29.71	1.30%
July 1, 1998	29.33	22.06%
July 1, 1997	24.03	2.97%
July 1, 1996	23.33	3.67%
July 1, 1995	22.51	2.80%

Comparable Monthly Billing assumes 667 metered cubic feet of usage and a 5/8" water meter.

The average monthly residential usage for the twelve months ended March 31, 2014 was 562 metered cubic feet of usage. One metered cubic foot of water is equal to 7.48 gallons.

City of Port Huron

PRINCIPAL WATER AND WASTEWATER CUSTOMERS

June 30, 2014

WATER USAGE

<u>Customer</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Fort Gratiot Township	59,626,000	21.8%
Port Huron Township	51,176,180	18.7%
Kimball Township	24,744,840	9.1%
Mueller Brass	6,608,900	2.4%
Dunn Paper	6,080,000	2.2%
Port Huron Hospital	4,559,300	1.7%
Domtar	3,660,400	1.3%
Port Huron Housing Commission (Various Sites)	1,692,600	0.6%
Marwood Manor	1,588,400	0.6%
St. Joseph Mercy Hospital	1,560,300	0.6%
Estimate for all others	<u>112,215,200</u>	<u>41.0%</u>
Total	<u>273,512,120</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	\$ 1,288,315	19.0%	\$ 671,680	6.6%
Port Huron Township	1,185,190	17.4%	777,991	7.6%
Kimball Township	548,721	8.1%	279,644	2.8%
Mueller Brass	114,025	1.7%	282,880	2.8%
Dunn Paper	65,746	1.0%	163,052	1.6%
Port Huron Hospital	93,120	1.4%	231,264	2.3%
Domtar	75,630	1.1%	187,692	1.8%
Port Huron Housing Commission (Various Site)	46,024	0.7%	113,662	1.1%
Marwood Manor	29,238	0.4%	72,496	0.7%
St. Joseph Mercy Hospital	58,146	0.8%	143,649	1.4%
Estimate for all others	<u>3,283,694</u>	<u>48.4%</u>	<u>7,274,536</u>	<u>71.3%</u>
Total	<u>\$ 6,787,849</u>	<u>100.0%</u>	<u>\$10,198,546</u>	<u>100.0%</u>

The Township usage and revenues are as of June 30, 2014. The other Major customer data is for the twelve months ended March 31, 2014. Volume of water used is shown in metered cubic feet.

The City of Port Huron had 11,841 water customers and 11,373 wastewater customers as of March 31, 2014.

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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: 239 regular budgeted, 235 regular filled, 34 part-time filled, 150 seasonal positions

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

Police Protection: 1 station, 50 police officers, 2-way radio equipment

Streets: 141.976 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, 2005 11.6%
State of Michigan 2006 10.6%
2007 12.9%
2008 14.8%
2009 26.3%
2010 20.7%
2011 17.8%
2012 15.6%
2013 15.3%
2014 13.3%

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, 2014

<u>Firm Name</u>	<u>Product/Service</u>	<u>2014 Approximate Number of Employees</u>	<u>2014 Rank</u>
Port Huron Hospital	Health care services	1,406	1
St. Joseph Mercy Port Huron	Health care services	758	2
* Port Huron Area School District	Public education	632	3
* SMW Automotive	Automotive supplier	389	4
* St. Clair County	Public government	377	5
J.C.I.M. (formerly Plastech Engineered Products)	Automotive suppliers/plastics	310	6
U.S. Farathane Corp.	Automotive supplier/plastics	303	7
IAC (formerly Lear Corporation)	Freight and cargo	267	8
Mueller Brass	Copper and brass tubing	258	9
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	250	10
City of Port Huron	Public government		
* AT&T	Telephone service (call center)		
St. Clair County Community College	Education		
United Technologies Automotive	Automotive supplier		
SBC	Telephone service		

* 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 2014. The information pertaining to 2005 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>2005 Approximate Number of Employees</u>	<u>2005 Rank</u>
1,057	1
693	4
790	2
882	3
450	6
400	8
344	10
450	6
350	9
600	5

City of Port Huron

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES

Last Ten Fiscal Years

<u>Function/Program</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
General government:				
City manager	3.00	3.00	2.00	2.00
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	4.00
City treasurer/water office	4.91	4.91	4.91	4.91
Data processing	6.00	6.00	5.00	5.00
Personnel	2.90	2.90	2.90	2.90
Health and safety/marinas	1.50	1.50	1.50	0
Public safety:				
Police	71.00	69.00	70.00	58.00
Fire	48.70	50.70	48.70	42.70
Public works:				
DPW administration	1.80	1.80	1.80	1.80
MOC grounds	3.00	3.00	3.00	3.00
Engineering	6.10	6.10	5.10	5.00
Streets	20.20	20.20	20.20	19.20
Refuse collection/disposal	0.125	0.125	0.125	0.125
Motor vehicle pool	10.875	10.875	8.875	8.875
Water filtration plant	12.75	12.75	12.75	12.75
Utilities - water distribution	10.85	9.85	10.05	8.05
Water meter	5.25	5.25	5.25	5.25
Water reclamation facility	26.90	24.90	24.20	20.20
Utilities - sewer collection	11.15	11.15	9.65	9.75
Community and economic development	13.50	13.50	13.50	12.00
Recreation, parks and culture:				
Recreation	6.10	6.10	6.10	6.10
Cemetery	5.00	5.00	4.00	3.10
Parking	1.09	1.09	1.09	1.09
Parks and forestry	12.30	12.30	11.30	8.20
	<u>305.00</u>	<u>302.00</u>	<u>292.00</u>	<u>259.00</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.

Source: City of Port Huron Human Resources Department

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
2.00	2.00	2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.00	3.00	3.00
6.80	6.80	6.80	6.80	6.00	6.00
3.00	3.00	3.00	3.00	3.00	3.00
4.00	4.00	3.00	2.00	2.00	2.00
4.20	4.20	4.20	4.20	4.00	5.00
5.00	5.00	4.00	4.00	4.00	4.00
2.90	3.00	2.00	2.50	2.50	2.50
0					
57.00	60.00 *	57.00	57.00	57.50	57.50
44.70	44.70	42.70	42.00	42.50	42.50
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	5.10	5.10	5.10	5.00	4.00
17.04	16.04	14.70	16.36	15.485	15.485
0.125	0.125	0.125	0.125	0.125	0.125
8.875	8.875	7.875	7.375	6.25	6.10
10.75	10.75	9.75	9.75	9.75	9.75
7.35	6.175	5.925	5.925	5.925	6.00
5.25	5.25	4.50	4.50	3.50	2.50
22.06	22.235	22.235	20.075	21.075	21.075
10.65	10.65	9.99	9.99	9.09	9.165
11.00	9.00	10.00	10.00	10.00	12.00
5.10	3.90	4.00	5.00	4.70	4.65
2.35	2.35	2.10	2.10	2.25	3.15
0.50	0.50				
9.45	9.55	9.20	8.40	8.55	8.70
<u>253.00</u>	<u>251.00</u>	<u>238.00</u>	<u>236.00</u>	<u>233.00</u>	<u>235.00</u>

City of Port Huron

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Election data:				
Registered voters - November	20,831	21,745	20,445	20,551
Voters (at the polls or absentee) - November	12,418	3,543	8,875	3,742
Percent voting	59.6%	16.7%	43.4%	18.2%
Police:				
Physical arrests*	2,770	2,773	2,325	2,940
Traffic violations*	4,715	4,513	5,339	5,434
Police reports*	6,546	6,584	6,879	6,499
Calls for service*	18,151	18,840	19,120	18,827
Fire:				
Fire runs*	207	137	137	312
Emergency medical runs*	2,390	2,615	2,712	2,975
Other*	628	869	872	754
Public works:				
Miles of streets resurfaced	0.00	0.26	1.65	0.13
Miles of streets reconstructed	6.24	2.65	4.53	5.06
Water:				
Accounts:				
City - regular	12,726	12,770	12,814	12,814
Port Huron Township	3,355	3,392	3,350	3,350
Fort Gratiot - regular	85	137	136	136
Fort Gratiot - Water District No. F	4,544	4,971	4,858	4,858
Kimball Township	1,640	1,668	1,993	1,993
Clyde Township	736	736	743	743
Average daily pumpage (gallons per day)	7,300,000	7,000,000	6,800,000	6,800,000
Sewer:				
Equivalent connected population (based on flows)	64,571	64,571	65,556	65,556
Average daily sewer treatment (gallons per day)	11,300,000	11,730,000	11,800,000	11,800,000
Building construction:				
Residential:				
New construction permits	49	28	15	5
Estimated value	\$ 4,739,625	\$ 3,733,400	\$ 1,203,050	\$ 1,940,000
Alterations/additions/demo permits	879	828	707	595
Estimated value	\$ 5,097,170	\$ 5,027,022	\$ 4,694,740	\$ 2,783,536
Commercial:				
New construction permits	1	5	1	1
Estimated value	\$ 2,000,000	\$ 17,465,103	\$ 1,145,112	\$ 5,461,844
Alterations/additions/demo permits	114	90	95	77
Estimated value	\$ 4,004,686	\$ 9,686,362	\$ 5,917,878	\$ 2,839,665

*All information as of December 31st

Source: City of Port Huron

June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
21,151	20,815	20,956	20,875	21,106	20,898
12,471	3,601	6,940	3,681	10,631	3,331
59.0%	17.3%	33.1%	17.6%	50.4%	15.9%
2,113	1,948	1,895	2,168	2,644	2,460
4,476	4,255	4,574	4,617	4,691	5,334
6,566	6,348	6,378	6,518	7,329	7,268
25,970	31,493	29,398	31,805	34,874	32,586
287	355	129	156	145	123
2,653	2,600	2,849	2,979	3,112	2,867
915	873	1,183	1,154	1,124	1,053
0.00	0.84	2.86	0	0	0
4.00	4.22	0.56	8.43	5.28	1.00
12,878	12,930	12,676	12,676	12,716	12,716
3,350	3,350	3,350	3,350	3,350	3,350
136	136	135	135	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
6,200,000	6,000,000	6,800,000	6,100,000	6,248,000	5,788,000
63,889	55,556	55,556	55,556	55,556	55,556
11,500,000	10,000,000	12,000,000	10,700,000	9,960,000	9,010,000
2	2	1	2	1	4
\$ 360,000	\$ 140,000	\$ 150,000	\$ 337,355	\$ 118,420	\$ 1,262,470
432	522	600	556	524	468
\$ 2,632,927	\$ 4,753,320	\$ 3,702,970	\$ 2,953,210	\$ 3,601,635	\$ 3,453,068
1	1	0	0	1	2
\$ 3,000,000	\$ 4,144,000	\$ 0	\$ 0	\$ 1,500,000	\$ 8,500,000
90	80	111	41	74	67
\$ 5,799,025	\$ 9,063,735	\$ 2,508,795	\$ 8,793,179	\$ 7,203,607	\$ 6,049,106

City of Port Huron

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Police:				
Stations	1	1	1	1
Fire:				
Stations	3	3	3	3
Fire fighting apparatus	7	6	6	6
Rescue boat	1	1	1	1
Special response van	1			
Heavy rescue truck		1	1	1
Hazmat trailer	1	1	1	1
Specialized equipment trailer	1			
Special response trailer				
Marina:				
Seasonal boat wells*	129	118	122	122
Transcient boat wells*	296	307	303	303
Wells out of service	84	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	10.076	10.076	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
ADA Accessible Kayak/Canoe Launch	0	0	0	0
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	865	866	867	867
Unmetered lots				
Spaces - unmetered lots				
Permit only lot - spaces	33	33	33	33
Seasonal attended lot - spaces	460	460	460	460
Permit only spaces in metered/unmetered lot:	135	168	168	168
Seasonal unattended lots - spaces	73	73	73	73
ADA market spaced in City lots		48	48	48
Free lot - spaces	228			
Street meters - spaces	547	479	484	328
Street meters - government zone				
Water:				
Water mains (miles)	164.0	164.3	165.0	165.0
Average capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000
Maximum daily capacity (gallons per day)	30,000,000	30,000,000	30,000,000	30,000,000
Fire hydrants (City maintained)	1,314	1,369	1,394	1,374
Fire hydrants (private)	129	129	129	128
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	238.0	243.9	253.0	242.0
Average treatment capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000
Maximum treatment capacity (gallons per day)	33,000,000	33,000,000	33,000,000	33,000,000

*Water Street Marina sold June, 2009

Source: City of Port Huron

<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
1	1	1	1	1	1
3	3	3	3	3	3
6	6	6	6	5	5
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
	1	1	1	1	1
54	55	55	55	66	66
77	76	76	76	65	65
43.220	43.410	43.410	43.330	43.210	43.210
91.370	91.230	91.230	90.750	90.750	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	32	32	32	32
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
0	0	0	0	0	1
3	3	3	3	3	5
2	2	2	2	2	2
195.25	195.25	195.25	195.25	195.25	195.25
11	10	10	10	10	10
94.5	94	94	94	94	94
1	1	1	1	1	1
3	3	3	3	3	3
227	218	227	226	226	223
10	10	10	10	10	10
770	770	770	770	770	770
460	460	460	460	460	460
121	121	121	98	98	98
73	73	73	72	72	72
46	46	46	56	56	58
370	370	370	209	209	209
250	261	261	487	487	487
169.0	169.0	171.0	171.0	171.1	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
1,421	1,421	1,424	1,432	1,453	1,457
128	128	128	128	128	127
244.0	244.0	244.0	244.0	245.0	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, 2014

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

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>	
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	****
Harker Street	937,054	308,030	234,694	1,479,778	****
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	****
Riverside Drive – Part 3	352,250	165,246	18,367	535,863	****
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	
Water Street – 13 th to Taylor	1,599,090	553,115	213,347	2,365,552	****
LaSalle Area	559,358	115,643	104,018	779,019	
24 th Street/Dove Street Intersection	150,445	23,484		173,929	****
Riverside Drive – Sanborn to Pine Grove	264,914	138,617	5,807	409,338	****
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)	609,735	4,550,451	7,554,023	12,714,209	****
Stone – McPherson to State	535,141	206,004	168,771	909,916	****
21 st Street Area – Part 2 (CSO)	1,119,833	3,106,362	4,455,691	8,681,886	**
10 th Avenue – River to Pine Grove (CSO)		650,354	4,982,100	5,632,454	***

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS
COMPLETED PROJECTS
June 30, 2014**

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Gratiot Avenue – Keewahdin to Krafft	\$ 1,987,038	\$ 110,076	\$ 117,855	\$ 2,214,969 ****
16 th Street – Gordon to Wells	298,295			298,295 ****
Peavey Area (CSO)		1,376,731	3,244,327	4,621,058 *
Union Street – 6 th to 10 th	413,716			413,716
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 ****
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	1,555,646	3,707,761
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
Dove Street – 16 th to 24 th	858,623	313,724		1,172,347 ****
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)		2,158,868	4,316,850	6,475,718 ****
Sanborn Street – 12 th to Appomattox	170,773	19,956	24,813	215,542
Sanborn Street – 10 th to Appomattox	484,485	166,510	254,639	905,634 ****
Appomattox Area – Sanborn Park Drive	438,443	61,314		499,757
Sewer Lining			191,054	191,054
10 th Street – Electric to Lapeer	116,606			116,606
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 **

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS
COMPLETED PROJECTS**
June 30, 2014

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
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			<u>4,910,967</u>	<u>4,910,967</u>
Total public works projects	<u>\$ 59,199,670</u>	<u>\$ 57,678,449</u>	<u>\$ 139,120,332</u>	<u>\$ 255,998,451</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, 2014

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, 2014 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 2013-2014 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Harker Street – Convention Center	\$ 596,001	\$ 200,387	\$ 137,396	\$ 933,784
Riverside Drive – Part 3	24,862	11,663	1,296	37,821
Water Street – 10 th to Taylor	73,052	25,268	9,746	108,066
Riverside Drive – Sanborn to Pine Grove	242,929	138,617	5,807	387,353
Stone Street – Lincoln to Washington	36,711			36,711
Reid – 16 th to Electric	1,779			1,779
Quay Street – Huron to Fort	188			188
River Street – Glenwood East	186			186
21 st Street Area Part 1 (CSO)	27,735	206,984	343,606	578,325
21 st Street Area Part 2 (CSO)	18,206	50,501	72,438	141,145
16 th Street – Gordon to Wells	279,151			279,151
Nern Street Area (CSO)		852,138	1,374,693	2,226,831
Dove Street – 16 th to 24 th	4,894	1,788		6,682
Erie North Area (CSO)		62	124	186
Sanborn Street – 12 th to 10 th	1,915	658	1,006	3,579
Sanborn Street – 10 th to Stone	247,669			247,669
Sanborn Street – Stone to Gratiot	18,896			18,896
Stone Street – Pine Grove to McPherson	2,856			2,856
Washington – 10 th to Stone	1,792			1,792
Monticello – Garfield to Brandywine	122			122
Lincoln – 10 th to St. Clair	506			506
Riverview – 15 th to 19 th	17,480			17,480
Hickory Area	23,438			23,438
Northern Woods Phase 1	38,066			38,066
Aspen Area	5,165			5,165
Ramblewood Court	1,720			1,720
Thomas Edison Drive	13,423			13,423
Thomas Edison Parkway Area	393			393
Total public works projects	<u>\$ 1,679,135</u>	<u>\$ 1,488,066</u>	<u>\$ 1,946,112</u>	<u>\$ 5,113,313</u>

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

Total public works projects above	\$ 1,679,135	\$ 1,488,066	\$ 1,946,112
Wastewater Treatment Plant			798,703
Water Treatment Plant		805,492	
Other capital additions	32,857		
Change in contracts payable		(60,164)	8,105
Projects recorded in or funded by other funds:			
Community Development Block Grant		592	199,408
Tax Increment Authority	<u>(131,755)</u>		
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	<u>\$ 1,580,237</u>		
Acquisition and construction of capital assets (Exhibit A-10)		<u>\$ 2,233,986</u>	<u>\$ 2,952,328</u>

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SINGLE AUDIT SECTION

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

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

We have audited the basic 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Port Huron, Michigan's basic financial statements. We issued our report thereon dated November 26, 2014, which contained unmodified opinions on the governmental activities, business type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Port Huron, Michigan. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to November 26, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Plante & Moran, PLLC

Flint, Michigan
November 26, 2014

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

We have audited, 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, the basic 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, 2014 and the related notes to the financial statements, which collectively comprise the City of Port Huron, Michigan's basic financial statements, and have issued our report thereon dated November 26, 2014. The financial statements of McMorran (a discretely presented component unit) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City of Port Huron, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Port Huron, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Port Huron, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Port Huron, Michigan's basic financial statements are free from 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*.

City of Port Huron, Michigan's Responses to Findings

The City of Port Huron, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Port Huron, Michigan's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Flint, Michigan
November 26, 2014

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Port Huron, Michigan's (the "City") compliance 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, 2014. The City of Port Huron, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Port Huron, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Port Huron, Michigan's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the City of Port Huron, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Port Huron, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Port Huron, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 City of Port Huron, Michigan'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Flint & Morex, PLLC

Flint, Michigan
November 26, 2014

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City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

<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 2010	14.218	B-10-MC-26-0038	1,007,710	\$ 22,834
Program year 2011	14.218	B-11-MC-26-0038	742,867	39,109
Program year 2012	14.218	B-12-MC-26-0038	682,837	250,306
Program year 2013	14.218	B-13-MC-26-0038	694,652	<u>346,385</u>
Total				<u>658,634</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	1,336,095	<u>597,438</u>
Total CDBG – Entitlement Grants Cluster				<u>1,256,072</u>
Home Investment Partnership Program:				
Program year 2007	14.239	M-07-MC-260217	270,141	61,386
Program year 2008		M-08-MC-260217	259,493	35,937
Program year 2009		M-10-MC-260217	293,106	15,054
Program year 2011		M-11-MC-260217	255,368	53,319
Program year 2012		M-12-MC-260217	184,327	107,090
Program year 2013		M-13-MC-260217	181,812	<u>28,547</u>
Total				<u>301,333</u>
Economic Development Initiative Special Program Grant:				
Program year 2012	14.246	B-06-SPM-0127	247,500	<u>31,623</u>
Total U.S. Department of Housing and Urban Development				<u>1,589,028</u>
U.S. Department of Homeland Security – Passed through Michigan Department of State Police, Emergency Management Division – Passed through St. Clair County/Oakland County/Macomb County; Homeland Security Clusters:				
Operation Stonegarden	97.067	N/A	31,929	31,929
Training	97.067	N/A	158	158
Planning	97.067	N/A	4,961	4,961
Equipment	97.067	N/A	54,584	<u>54,584</u>
Total Homeland Security Cluster				<u>91,632</u>
U.S. Department of Homeland Security – Federal Emergency Management Agency:				
Port Security Grant Program	97.056	EMW-2012-PU-00029	206,250	<u>121,915</u>
Total U.S. Department of Homeland Security				<u>213,547</u>
U.S. Department of Justice – Office of Community Oriented Policing Services				
ARRA – Cops Hiring Recovery Program	16.710	2009-RK-WX-0458		<u>40,145</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2014

<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 – Bureau of Justice Bulletproof Vest Partnership Program	16.607	N/A	938	<u>938</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	15,402
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1074	30,923	2,251
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0674	15,847	6,333
ARRA – Edward Byrne Memorial Justice Assistance Grant Program	16.803	2009-SB-B9-1823	127,249	<u>4,314</u>
U.S. Department of Justice – Office of Justice – Passed through Michigan Department of State Police, Emergency Management Division Edward Byrne Justice Assistance Grant – Operation – TCR	16.738	2012-DJ-BX-0109	55,555	38,004
ARRA – Edward Byrne Justice Assistance Grant Operation – TIP	16.803	2009-SU-B9-4017	44,444	<u>29,916</u>
Total JAG Program Cluster				<u>96,220</u>
Total U.S. Department of Justice				<u>137,303</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	1,598	1,598
State and Community Highway Safety – OWI	20.601	N/A	13,960	<u>13,960</u>
Total Highway Safety Cluster				<u>15,558</u>
U.S. Department of Transportation – Passed through Michigan Department of Transportation: Highway Research Planning & Construction	20.205	TAP1377 (021)-RR8478	250,614	<u>35,284</u>
Total U.S. Department of Transportation				<u>50,842</u>
U.S. Environmental Protection Agency – Passed through Michigan Department of Environmental Quality; Capitalization Grants for State Revolving Funds Cluster: Capitalization Grants for State Revolving Funds:	66.458			
Project Number 5006-16			5,000,000	2,343
Project Number 5006-17			1,020,000	2,172
Project Number 5006-19			2,350,000	3,906
Project Number 5006-20			2,535,000	<u>210,546</u>
Total				<u>218,967</u>

City of Port Huron

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2014

<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. 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	167,799
Project number 7378-01			2,300,000	<u>255,356</u>
Total				<u>423,155</u>
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality				<u>642,122</u>
Total federal awards				<u>\$ 2,632,842</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

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City of Port Huron, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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
14.239	Home Investment Partnership Program
66.468	Drinking Water State Revolving Fund Cluster

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, 2014

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p>Finding Type - Material weakness</p> <p>Criteria - Management should have a process in place to reconcile ending general ledger balances to supporting documentation and record all year-end closing entries in accordance with generally accepted accounting principles prior to the start of the audit.</p> <p>Condition - For the McMorran Civic Center Authority, which is a discretely presented component unit of the City of Port Huron, adjusting journal entries were proposed in order to prepare the Authority's financial statements in accordance with GAAP. These entries related to adjusting accounts payable, OPEB liability, construction in progress, and capital contributions.</p> <p>Context - Based on management's review and our testing, an entry was recorded to increase accounts payable and expense by \$25,865. Additionally, we found that the OPEB liability was not properly adjusted at June 30, 2014, which required an entry to increase the OPEB liability and expense by \$50,439. Also, during our testing of fixed assets, we noted that the addition of the marquee sign was not included in construction in progress at June 30, 2014. An entry was recorded to increase CIP and capital contributions by \$185,000.</p> <p>Cause - The Authority did not identify the above-described journal entries prior to the start of the audit.</p> <p>Effect - Auditor proposed journal entries were recorded by management. Without these proposed adjustments, the financial statements would have been materially misstated.</p> <p>Recommendation - The Authority should implement procedures to ensure that all appropriate journal entries are made and independently reviewed prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Authority's intent is to present the auditors with the Authority's financial statements including all necessary adjustments prior to commencement of the annual audit. Accordingly, the Authority will make every effort to ensure that all appropriate year-end closing journal entries are reviewed and recorded prior to the start of the audit for the fiscal year ending June 30, 2015.</p>

City of Port Huron, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - Duties related to custody, authorization, and recordkeeping should be fulfilled by separate individuals to maintain segregation of duties. Bank reconciliations for cash should be fully reconciled to the general ledger balances for each account.</p> <p>Condition - For the McMorran Civic Center Authority, which is a discretely presented component unit of the City of Port Huron, there is a limited number of staff and therefore many crucial duties are combined and given to the available employees. The bank reconciliations for each cash account were not fully reconciled to the individual general ledger balance.</p> <p>Context - Currently, the same individual that prepares the bank reconciliations also has the ability to handle cash receipts, generate check disbursements, record related journal entries, and access administrative controls within the accounting software.</p> <p>Cause - The individual responsible for custody, authorization, and recordkeeping duties prepared the bank reconciliations and identified that the amount of cash included in the bank reconciliations in total was properly stated but did not identify that the amount for each cash account was misstated by the amount of internal transfers that were outstanding at year end.</p> <p>Effect - The general ledger balances on the bank reconciliations did not match the general ledger balances on the trial balance provided for the audit. The custody, authorization, and recordkeeping duties are not fully segregated. Without these controls in place, it is possible for material misstatements or potentially fraudulent transactions to occur.</p> <p>Recommendation - We recommend that as part of the bank reconciliation review that the general ledger balances per the bank reconciliation are agreed to the actual general ledger balances in the financial system. We also recommend that the custody, authorization, and recordkeeping duties be segregated as much as possible to prevent possible material misstatements or potentially fraudulent transactions from occurring.</p> <p>Views of Responsible Officials and Planned Corrective Actions - We are aware of this deficiency, and to the extent possible, we will attempt to segregate the duties and implement additional internal controls.</p>

City of Port Huron, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

Section III - Federal Program Audit Findings

None

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