

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2016



**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, 2016

---

**CITY COUNCIL**

Pauline M. Repp – Mayor

Alphonso D. Amos

Kenneth D. Harris

Sherry L. Archibald

Alan R. Lewandowski

Anita R. Ashford

Rico A. Ruiz

---

JAMES R. FREED – City Manager

---

**DEPARTMENT OF FINANCE**

EDWARD P. BRENNAN, C.P.A. – Director

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

Ryan P. Porte – 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, 2016

**TABLE OF CONTENTS**

<u><b>EXHIBIT</b></u>		<u><b>PAGE</b></u>
<b>INTRODUCTORY SECTION</b>		
	<b>Letter of Transmittal</b> .....	5
	<b>GFOA Certificate of Achievement</b> .....	13
	<b>Organizational Chart</b> .....	14
<b>FINANCIAL SECTION</b>		
	<b>Independent Auditor’s Report</b> .....	16
	<b>Management’s Discussion and Analysis</b> .....	20
	<b>Basic Financial Statements:</b>	
	Government-wide Financial Statements:	
A	Statement of Net Position .....	29
A-1	Statement of Activities .....	30
	Fund Financial Statements:	
A-2	Balance Sheet - Governmental Funds .....	32
A-3	Reconciliation of Fund Balances to the Statement of Net Position - Governmental Funds .....	35
A-4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	36
A-5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	39
A-6	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund. ....	40
A-7	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Special Revenue Funds. ....	44
A-8	Statement of Net Position - Proprietary Funds. ....	46
A-9	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds .....	48
A-10	Statement of Cash Flows - Proprietary Funds .....	50
A-11	Statement of Fiduciary Net Position - Fiduciary Funds. ....	54
A-12	Statement of Changes in Fiduciary Net Position - Fiduciary Funds. ....	55
	Component Units:	
A-13	Combining Statement of Net Position - Discretely Presented Component Units. ....	57
A-14	Combining Statement of Activities - Discretely Presented Component Units .....	58
A-15	Notes to the Financial Statements .....	60
	<b>Required Supplementary Information:</b>	
B	Schedule of Funding Progress - Post Employment Health Care Benefits .....	86
B-1	Schedule of Changes in the Net Pension Liability and Related Ratios. ....	87
B-2	Schedule of Employer Contributions. ....	88

City of Port Huron  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2016

**TABLE OF CONTENTS**

<u><b>EXHIBIT</b></u>		<u><b>PAGE</b></u>
	<b>Combining and Individual Fund Statements and Schedules:</b>	
C	Combining Balance Sheet - Nonmajor Governmental Funds . . . . .	92
C-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds . . . . .	94
C-2	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds . . . . .	96
D	Combining Statement of Net Position - Nonmajor Enterprise Funds . . . . .	102
D-1	Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds . . . . .	104
D-2	Combining Statement of Cash Flows - Nonmajor Enterprise Funds . . . . .	106
E	Combining Statement of Net Position - Internal Service Funds . . . . .	110
E-1	Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds . . . . .	112
E-2	Combining Statement of Cash Flows - Internal Service Funds . . . . .	114
F	Statement of Net Position - Fiduciary Funds . . . . .	118
F-1	Statement of Changes in Net Position - Fiduciary Funds . . . . .	119
F-2	Statement of Changes in Assets and Liabilities - Agency Fund . . . . .	120
	<b>Discretely Presented Governmental Component Units:</b>	
G	Tax Increment Authorities - Combining Balance Sheet Schedule . . . . .	122
G-1	Tax Increment Authorities - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances . . . . .	123
G-2	Downtown Development Authority - Balance Sheet Schedule. . . . .	124
G-3	Downtown Development Authority - Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds . . . . .	126
G-4	Tax Increment Finance Authority - Balance Sheet Schedule . . . . .	128
G-5	Tax Increment Finance Authority - Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds . . . . .	129
G-6	Brownfield Redevelopment Authority - Balance Sheet Schedule . . . . .	130
G-7	Brownfield Redevelopment Authority - Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds . . . . .	131

**STATISTICAL SECTION**

**Financial Trends:**

Net Position by Component . . . . .	134
Changes in Net Position . . . . .	136
Fund Balances of Governmental Funds . . . . .	140
Changes in Fund Balances of Governmental Funds . . . . .	142

**Revenue Capacity:**

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property . . . . .	144
Direct and Overlapping Property Tax Rates . . . . .	146
Tax Information . . . . .	147
Principal Property Taxpayers . . . . .	148
Property Tax Levies and Collections . . . . .	150

City of Port Huron  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2016

**TABLE OF CONTENTS**

**EXHIBIT**

**PAGE**

**STATISTICAL SECTION (Continued)**

**Debt Capacity:**

Ratios of Outstanding Debt by Type .....	152
Direct and Overlapping Bonded Debt .....	154
Computation of Legal Debt Margin .....	155
Legal Debt Margin .....	156
Revenue Bond Coverage .....	158

**Water and Wastewater Information:**

Water and Wastewater – Current Rates in Effect .....	159
Water and Wastewater – History of Residential Utility Rates.....	160
Principal Water and Wastewater Customers .....	161
Water Usage by Customer Type .....	162

**Demographic and Economic Information:**

Demographic and Economic Statistics .....	163
Principal Employers .....	164

**Operation Information:**

Full-time Equivalent Government Employees .....	166
Operating Indicators .....	168
Capital Asset Statistics .....	170
Public Works Projects - Completed Projects .....	172
Public Works Projects - Current Year Projects .....	175

**SINGLE AUDIT SECTION**

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 .....	178
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance - Independent Auditor’s Report .....	180
Schedule of Expenditures of Federal Awards .....	184
Notes to Schedule of Expenditures of Federal Awards .....	188
Schedule of Findings and Questioned Costs .....	190
Summary Schedule of Prior Audit Findings .....	194



November 28, 2016

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, 2016. 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 this requirement, we hereby issue the comprehensive annual financial report of the City of Port Huron for the fiscal year ended June 30, 2016. 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, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Port Huron was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls

and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

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

## PROFILE OF THE GOVERNMENT

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

The City of Port Huron is operated under the council-manager form of government. Policy-making and legislative authority are vested in City Council, consisting of six at large members and an elected Mayor. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. As a result of the adoption of a new charter, which took effect January 1, 2011, council members serve four year terms, with three council members elected every two years. The Mayor is elected separately for a two year term.

The City of Port Huron provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; sanitation services and recreational activities and cultural events. The City's parks include three and a half miles of public water frontage with two beaches on Lake Huron, four large parks and parkways along the St. Clair River and marina facilities on the Black River. The City provides water distribution and wastewater collection services for its residents and for portions of five surrounding communities, serving a population in excess of 60,000.

## FINANCIAL PLANNING AND POLICIES

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 \_\_ 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 \_\_, for governmental funds with appropriated annual budgets other than the general fund and the major special revenue funds.

Beginning in 2015, the City Council is presented with a three-year budget for the General Fund. However, only the current year's budget is formally adopted. The two outlying years are presented to help facilitate long-term financial planning within the General Fund. This enables the City to identify trends sooner, thereby providing the City Council with additional time to take any corrective budgetary measures that would be beneficial. Also, City staff annually prepares a six-year Capital Improvement Program (CIP). The intent of the CIP is to establish capital priorities and therefore assist in the most efficient allocation of the City's financial resources. The City Council adopts the CIP as a guide when the budget resolution is adopted.

The City of Port Huron has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the year. The City's Fund Balance Policy was adopted by the City Council during 2015. It specifies that the City's General Fund should be managed in such a way, that over time, its fund balance would move toward 25 percent of adopted expenditures. The City has also adopted a Debt Management Policy. This policy, also adopted in 2015 by the City Council, details underlying principles and restrictions for incurring debt and payment of debt service.

### 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. The Blue Water Bridge is among the five busiest Ontario crossings, both commercially and overall. Over 5 million vehicles annually cross the twin spans, including approximately 10,000 passenger vehicles on an average day. 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 been completed on MDOT's reconstruction of the I-94/I-69 interchange, located just outside the City limits. The improvements to 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 McLaren Port Huron Hospital and Lake Huron Medical Center 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 continued 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 collaborate with a local college to provide students with experience in the food and hospitality/convention atmosphere, maximizing the proximity of the culinary school and location of the restaurant and convention center. The Blue Water Convention Center, featuring over 34,000 square feet of state-of-the-art meeting space and on-site dining and catering, opened in the spring of 2015.

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. These renovations include a twelve screen movie theater along with a restaurant. The developers have received federal and state historic tax credits and the development includes HUD grants and loans. The complex is expected to open during December, 2016. Another developer has renovated several loft projects in the downtown area. Additionally, plans were announced in December, 2014 to redevelop a former bank headquarters as a boutique hotel. Redevelopment of the hotel, which will feature 36 guest rooms, is expected to begin during 2017.

The City's major construction initiative to upgrade streets, water distribution and sanitary and storm sewers is approaching completion. In accordance with the Michigan Department of Environmental Quality requirements, this process included reducing combined sewer overflows (CSO's). It is particularly noteworthy that the major construction projects have been 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 and the related debt payments.

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 2016. 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 hotel opened for business in early 2016.
- 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 is currently using 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 federal and state programs will make it extremely challenging 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. Further, the City's 2016-17 budget calls for an additional \$500,000 payment in order to more adequately fund the plan.

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 286 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, 2016, the value in the fund is over \$14.4 million. The post employment health care benefits are projected annually and required contributions are actuarially computed.

Additional information on the City of Port Huron's pension arrangements and post-employment benefits can be found in Notes 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

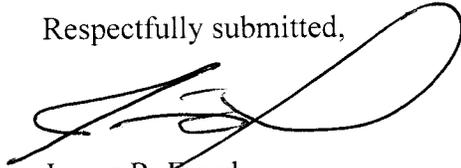
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Huron for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the forty-first 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/je

This page is intentionally left blank.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Port Huron  
Michigan**

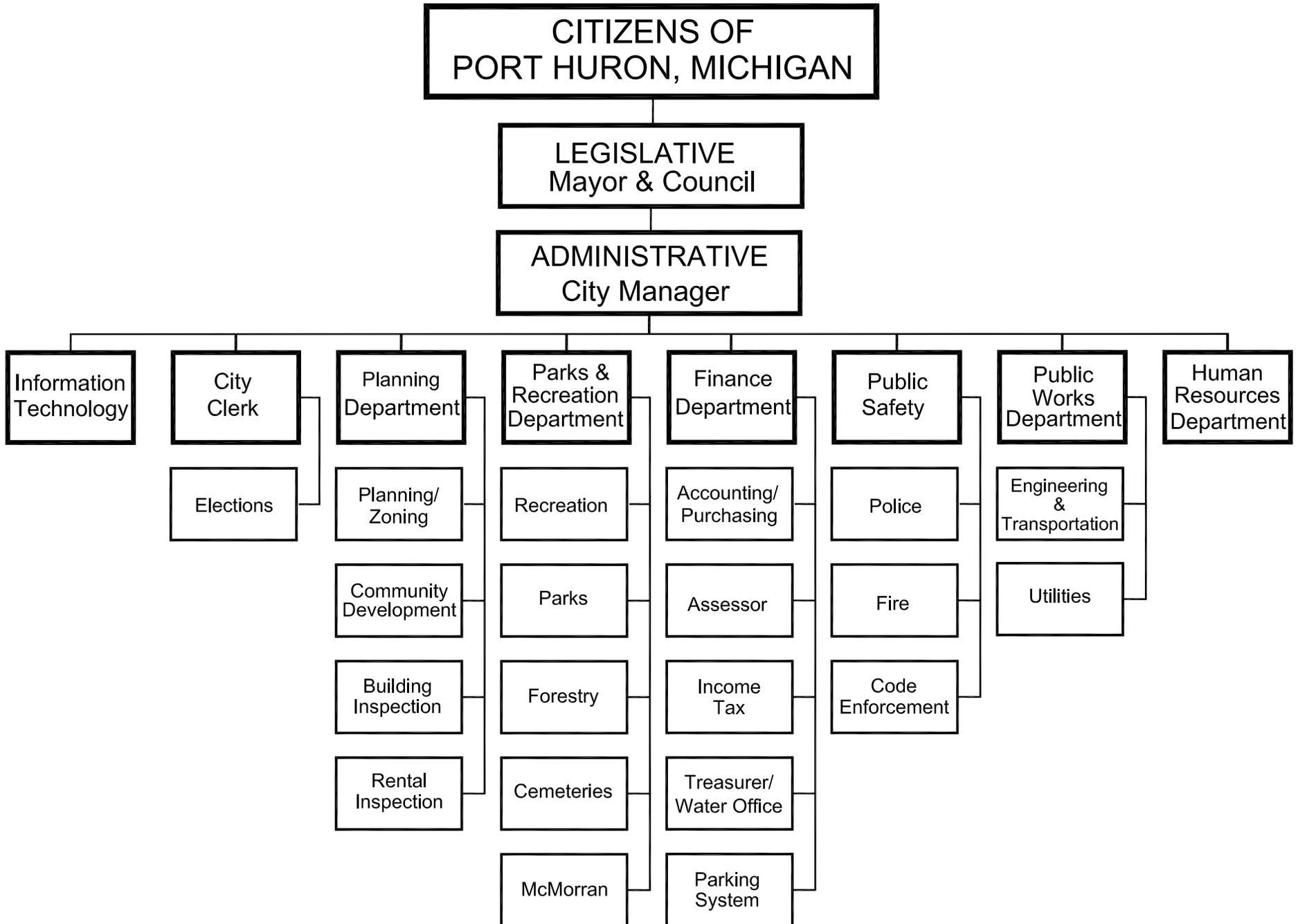
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

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, 2016 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2016, 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 explained in Note A, the financial statements include investments in a pooled market fund valued at \$14,794,297 (103 percent of net position of the fiduciary funds) at June 30, 2016. Approximately \$7,101,000 of that pooled market fund includes investments that may not be publicly traded and therefore do not always have a 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. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the healthcare plan schedules of funding progress, pension system schedule of changes in the net pension liability and related ratios, and the schedule of pension contributions, 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.

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

### **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 the purpose of additional analysis and are not a required part of the 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, 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 accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited 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 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 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, 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 28, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2016

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, 2016. 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 \$107,817,554 (net position). Included in this amount is a negative \$32,799,342 of unrestricted net position.
- The government's total net position decreased by \$3,187,411. This decrease is primarily the result of planned expenditure of fund balances which had been accumulated in prior years and the increase in the City's net pension liability.
- GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will require the City to recognize on the face of the financial statements its net OPEB liability effective for fiscal years beginning after June 15, 2017. Additional information can be found in Note P on page 83 of this report.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$16,418,791, a decrease of \$1,012,610, in comparison with the prior year. Approximately 28 percent of this total amount, \$4,617,524, 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 \$4,617,524, or 21.3 percent of total general fund expenditures and transfers.
- The City of Port Huron's total bonded debt (net of repayments and refundings) decreased by \$8,638,777 (8.6 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 72 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 83 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 pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 86 through 89 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 92 through 115 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 \$107,817,554 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net position (121.2 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 29,539,912	\$ 28,937,815	\$ 15,085,033	\$ 18,466,409	\$ 44,624,945	\$ 47,404,224
Capital assets	<u>52,469,012</u>	<u>50,840,279</u>	<u>169,615,880</u>	<u>172,867,982</u>	<u>222,084,892</u>	<u>223,708,261</u>
Total assets	<u>82,008,924</u>	<u>79,778,094</u>	<u>184,700,913</u>	<u>191,334,391</u>	<u>266,709,837</u>	<u>271,112,485</u>
Deferred outflows of resources	<u>12,697,440</u>	<u>2,545,210</u>	<u>3,174,359</u>	<u>636,303</u>	<u>15,871,799</u>	<u>3,181,513</u>
Long-term liabilities	63,305,747	49,469,006	94,165,107	99,072,079	157,470,854	148,541,085
Other liabilities	<u>6,709,351</u>	<u>4,412,708</u>	<u>10,583,877</u>	<u>10,335,240</u>	<u>17,293,228</u>	<u>14,747,948</u>
Total liabilities	<u>70,015,098</u>	<u>53,881,714</u>	<u>104,748,984</u>	<u>109,407,319</u>	<u>174,764,082</u>	<u>163,289,033</u>
Net position:						
Net investment in capital assets	49,313,974	47,481,678	81,339,430	76,156,318	130,653,404	123,637,996
Restricted	9,963,492	11,027,891			9,963,492	11,027,891
Unrestricted (deficit)	<u>(34,586,200)</u>	<u>(30,067,979)</u>	<u>1,786,858</u>	<u>6,407,057</u>	<u>(32,799,342)</u>	<u>(23,660,922)</u>
Total net position	<u>\$ 24,691,266</u>	<u>\$ 28,441,590</u>	<u>\$ 83,126,288</u>	<u>\$ 82,563,375</u>	<u>\$107,817,554</u>	<u>\$111,004,965</u>

An additional portion of the City of Port Huron's net position (9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is negative 30.4 percent or a

deficit of \$32,799,342.

At the end of the current fiscal year, except for the unrestricted net position deficit in both governmental and business-type activities, the City of Port Huron is able to report positive balances in all other categories of net position, both for the government as a whole, as well as its separate governmental and business-type activities. Positive balances for all categories were also reported for the prior fiscal year.

The City of Port Huron's net position decreased by \$3,187,411 during the current fiscal year. This decrease primarily represents planned expenditure of fund balances which had been accumulated in prior years and the increase of the City's net pension liability.

CITY OF PORT HURON'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$4,493,645	\$ 5,213,247	\$ 20,863,694	\$ 19,391,592	\$ 25,357,339	\$ 24,604,839
Operating grants and contributions	4,510,020	3,863,351	1,002,150	1,000,550	5,512,170	4,863,901
Capital grants and contributions	1,469,567	509,760	581,183	107,885	2,050,750	617,645
General revenues:						
Property taxes	9,552,236	9,607,615			9,552,236	9,607,615
Income taxes	6,366,498	6,431,121			6,366,498	6,431,121
State shared revenue	3,915,367	3,414,887			3,915,367	3,414,887
Investment income	792,532	403,634	13,254	6,799	805,786	410,433
Gain on sale of capital assets	60,477	141,526	2,138	3,895	62,615	145,421
Other	376,647	357,291			376,647	357,291
Total revenues	<u>31,536,989</u>	<u>29,942,432</u>	<u>22,462,419</u>	<u>20,510,721</u>	<u>53,999,408</u>	<u>50,453,153</u>
Expenses:						
General government	3,754,388	3,406,255			3,754,388	3,406,255
Public safety	15,574,118	14,845,689			15,574,118	14,845,689
Public works	9,849,087	9,322,369			9,849,087	9,322,369
Health and welfare	1,056	2,063			1,056	2,063
Community and economic development	3,156,293	1,944,973			3,156,293	1,944,973
Recreation, parks and culture	2,952,371	3,060,253			2,952,371	3,060,253
Water			7,067,753	6,962,269	7,067,753	6,962,269
Wastewater			13,726,582	13,292,051	13,726,582	13,292,051
Land purchase			739,554	253,718	739,554	253,718
Parking			144,040	114,255	144,040	114,255
Marina			221,577	188,090	221,577	188,090
Total expenses	<u>35,287,313</u>	<u>32,581,602</u>	<u>21,899,506</u>	<u>20,810,383</u>	<u>57,186,819</u>	<u>53,391,985</u>
Increase (decrease) in net position before transfers	(3,750,324)	(2,639,170)	562,913	(299,662)	(3,187,411)	(2,938,832)
Transfers						
Increase (decrease) in net position	(3,750,324)	(2,639,170)	562,913	(299,662)	(3,187,411)	(2,938,832)
Restatement of net position		(39,980,854)		(9,995,210)		(49,976,064)
Net position – beginning of year	<u>28,441,590</u>	<u>71,061,614</u>	<u>82,563,375</u>	<u>92,858,247</u>	<u>111,004,965</u>	<u>163,919,861</u>
Net position - end of year	<u>\$ 24,691,266</u>	<u>\$28,441,590</u>	<u>\$ 83,126,288</u>	<u>\$ 82,563,375</u>	<u>\$107,817,554</u>	<u>\$111,004,965</u>

## GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City of Port Huron's net position by \$3,750,324. As discussed above, the decrease in net position attributable to governmental activities is primarily the result of planned expenditure of fund balances which were accumulated in prior years, and the increase in net pension liability. A summary of the changes follows:

- Property taxes (including related revenue, primarily delinquent taxes, penalties and interest) decreased by \$55,379 (0.6 percent) during the year, a small decrease from the prior year.
- Income tax revenue decreased by \$64,623 (1.0 percent), a small decrease from the prior year. Income tax revenue is budgeted at \$6.2 million for the year ending June 30, 2017.
- State revenue sharing payments increased by \$500,480, primarily due to use tax distributions from the Local Community Stabilization Authority.
- Operating grants and contributions increased by \$646,669, primarily due to increased grant activity in the areas of community development.
- Capital grants and contributions increased by \$959,807, primarily due to an increase in grants related to infrastructure projects and park improvements.
- Investment income increased by \$388,898, primarily due to more favorable market conditions during the year 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 \$2,705,711 is primarily due to increased fringe benefit costs and increased activity in grants provided in special revenue funds.

## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net position by 562,913. Key elements affecting business-type activities are as follows:

- Charges for services increased by \$1,472,102 (7.6 percent) during the year. The increase was primarily due to increased revenue in the City's two utility funds.
- Operating grants and contributions increased by \$1,600 during the year, a small increase from the prior year.
- Capital grants and contributions increased by \$473,298 during the year. The increase was primarily due to a contribution to the City's Parking Fund from a governmental fund.
- Expenses have increased by \$1,089,123, compared to the prior year primarily due to increased fringe benefit costs and \$490,000 of operating assistance provided by the Land Purchase Fund to a component unit (McMorran).

## 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 \$16,418,791, a decrease of \$1,012,610 in comparison with the prior year. Of this amount, 28.1 percent (\$4,617,524) 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 (\$7,711,530), 2) restricted or committed for a variety of other specific purposes (3,779,026), or 3) converted to nonspendable form (\$310,711).

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 \$4,617,524, while total fund balance reached \$4,690,473. 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 21.3 percent of total general fund expenditures, while total fund balance represents 21.6 percent of that same amount.

The fund balance of the City of Port Huron's general fund increased by \$198,939 during the current fiscal year. Key factors in the changes in the General Fund are as follows:

- Income tax revenue decreased by 1.0% primarily due to a one-time receipt in the prior year. Current year property tax revenues increased by 0.1% as a result of increased real property tax revenue. Other property tax related revenue, primarily delinquent taxes, penalties and interest, decreased by \$51,059. Overall tax revenue decreased by \$108,879.
- State shared revenues increased by \$327,087 primarily due to use tax distributions from the Local Community Stabilization Authority.
- Grants increased by \$487,979 primarily due to an increase in grants received for park improvements.
- Total revenues increased by \$853,346 or 4.1%. The overall revenue increase is primarily due to State shared revenues and grants discussed above.
- General government expenditures increased by \$90,058, primarily due to increased fringe benefit costs.
- Public safety expenditures decreased by \$42,887, (0.3%), a small decrease from the prior year.
- Recreation, parks and culture expenditures increased by \$40,883, a small increase from the prior year.
- In the aggregate, general fund expenditures increased by \$967,186 or 4.7% primarily as a result of increased fringe benefit costs and capital outlay expenditures in the current year.

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 \$2,490,992, a decrease of \$1,105,931 during the fiscal year, primarily as a result of an increase in capital outlay expenditures. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements decreased by \$4,654, a decrease of 0.4%.
- State shared revenues increased by \$386,031, an increase of 13.7%.
- Public works expenses increased by 3.6% primarily as a result of increased winter maintenance costs.
- Capital outlay increased by \$1,428,237 due to an increase in ongoing projects.

The Municipal Streets Fund committed fund balance of \$1,458,511 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 \$21,282,598, net position for the Wastewater Fund was \$52,781,165 and net position for the Land Purchase Fund was \$6,140,627. The total net position for the Water and Wastewater funds increased by \$625,528 and \$1,474,057, respectively, while the net position for the Land Purchase Fund increased by \$400,890. The increase for the Water and Wastewater Funds was primarily due to rate increases. Unrestricted net position at the end of the year for the Water Fund was negative \$608,002, unrestricted net position for the Wastewater Fund was negative \$1,094,160 and unrestricted net position for the Land Purchase Fund was \$3,033,578. Unrestricted net position for the Water and Wastewater Funds decreased by \$1,328,281 and \$1,340,788 respectively. Unrestricted net position for the Land Purchased Fund increased by \$511,502. The decrease for the Water and Wastewater Funds was primarily the result of the increase in net pension liability. The increase for the Land Purchase Fund was primarily the result of collection of funds previously advanced to tax increment districts. 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 \$350,000, primarily due to an increase in the fringe benefit rates which was effective October 1, 2015. These increases were paid to the Insurance and Fringe Benefit Fund and will be used to offset the cost of unfunded liabilities related to the City's pension and OPEB (other post-employment benefit) plans. Year end transfers to the Land Purchase Fund in prior years have resulted in \$893,024 available at June 30, 2016, for capital purchases and significant maintenance and repair items. During the year ended June 30, 2016, there were no expenditures from this account.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

The City of Port Huron's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$222,084,892 (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 \$1,623,369 (a 3.2 percent increase for governmental activities and a 1.9 percent decrease for business-type activities).

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

- A variety of infrastructure improvements were completed during the year.
- 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,260,209	\$ 4,260,209	\$ 4,466,453	\$ 4,557,348	\$ 8,726,662	\$ 8,817,557
Construction in progress	635,402	463,132		354,194	635,402	817,326
Land improvements	12,037,609	11,189,603	2,012,509	1,431,326	14,050,118	12,620,929
Buildings	11,201,079	11,201,079	34,138,693	33,687,323	45,339,772	44,888,402
Machinery and equipment	14,886,790	14,475,269	19,673,461	19,088,095	34,560,251	33,563,364
Vehicles	7,395,582	6,930,489			7,395,582	6,930,489
Infrastructure	<u>79,386,995</u>	<u>75,957,523</u>	<u>223,680,838</u>	<u>221,001,828</u>	<u>303,067,833</u>	<u>296,959,351</u>
Total	129,803,666	124,477,304	283,971,954	280,120,114	413,775,620	404,597,418
Less accumulated depreciation	<u>77,334,654</u>	<u>73,637,025</u>	<u>114,356,074</u>	<u>107,252,132</u>	<u>191,690,728</u>	<u>180,889,157</u>
Total	<u>\$ 52,469,012</u>	<u>\$ 50,840,279</u>	<u>\$169,615,880</u>	<u>\$172,867,982</u>	<u>\$222,084,892</u>	<u>\$223,708,261</u>

Additional information on the City of Port Huron's capital assets can be found in note F on pages 70 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 \$91,431,488. Of this amount \$80,622,644 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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,155,038	\$ 3,358,601	\$ 77,467,606	\$ 84,952,346	\$ 80,622,644	\$ 88,310,947
Revenue bonds			10,808,844	11,759,318	10,808,844	11,759,318
Total	<u>\$ 3,155,038</u>	<u>\$ 3,358,601</u>	<u>\$ 88,276,450</u>	<u>\$ 96,711,664</u>	<u>\$ 91,431,488</u>	<u>\$100,070,265</u>

The City of Port Huron's total bonded and installment debt (net of repayments and refundings) decreased by \$8,638,777 (8.6 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 \$62,630,490. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$38,209,701. Debt issued as a result of an order, which would include \$56,201,855 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 72 through 76 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

As of September 30, 2016, the unemployment rate for the City of Port Huron was 7.6 percent, a decrease of 0.7 percentage points from the year before. This compares to the county's average unemployment rate of 5.6 percent, the state's average unemployment rate of 4.4 percent and the national average rate of 4.8 percent.

The occupancy rate of the government's central business district has remained stable over the past year. Currently, developers are renovating several 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 2016/2017 budget year, total equalized valuation increased slightly. However, due to personal property tax reform, taxable valuation decreased from the 2015/2016 fiscal year, resulting in a decrease in budgeted property tax revenue. It is expected that both equalized valuation and taxable valuation will increase somewhat for the 2017/2018 budget year. This will result in an increase in property tax revenues available to the City for 2017/2018. Such increase will be limited somewhat due to the effects of Proposal A. Additional information is available in the Statistical Section, pages 144 and 145.

All of these factors were considered in preparing the City of Port Huron's budget for the 2016/2017 fiscal year.

**REQUESTS FOR INFORMATION**

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

This page is intentionally left blank.

## City of Port Huron

## STATEMENT OF NET POSITION

June 30, 2016

EXHIBIT A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Assets:				
Cash and cash equivalents	\$ 16,567,582	\$ 11,537,013	\$ 28,104,595	\$ 1,002,484
Investments	8,298,633		8,298,633	
Receivables (net of allowances for uncollectibles)	1,817,503	2,976,632	4,794,135	14,187
Due from other governmental units	1,879,515		1,879,515	
Inventories	519,044	571,388	1,090,432	32,440
Prepaid expenses	71,713		71,713	6,617
OPEB asset	385,922		385,922	
Capital assets:				
Non-depreciable (land and construction in progress)	4,895,611	4,466,453	9,362,064	122,360
Depreciable property and equipment (net of accumulated depreciation)	47,573,401	165,149,427	212,722,828	670,573
Total Assets	<u>82,008,924</u>	<u>184,700,913</u>	<u>266,709,837</u>	<u>1,848,661</u>
DEFERRED OUTFLOWS OF RESOURCES -				
Pension	<u>12,697,440</u>	<u>3,174,359</u>	<u>15,871,799</u>	<u>260,786</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	669,907	175,002	844,909	414,170
Accrued payroll	1,556,102	252,935	1,809,037	31,081
Contracts payable	1,821,071	454,012	2,275,083	
Accrued interest payable	79,327	658,507	737,834	
Other liabilities	154,621	406,752	561,373	
Unearned revenue	1,053,553		1,053,553	166,733
Noncurrent liabilities:				
Due within one year	1,374,770	8,636,669	10,011,439	
Due in more than one year	5,204,426	79,639,781	84,844,207	188,967
Net pension liability	58,101,321	14,525,326	72,626,647	839,020
Total Liabilities	<u>70,015,098</u>	<u>104,748,984</u>	<u>174,764,082</u>	<u>1,639,971</u>
<b>NET POSITION</b>				
Net investment in capital assets	49,313,974	81,339,430	130,653,404	792,933
Restricted for street improvements	794,719		794,719	
Restricted for law enforcement	404,428		404,428	
Restricted for rubbish and garbage collection	423,026		423,026	
Restricted for loan revolving	570,663		570,663	
Restricted for streetscape maintenance	59,126		59,126	
Restricted for nonexpendable endowments	7,711,530		7,711,530	
Unrestricted	(34,586,200)	1,786,858	(32,799,342)	(323,457)
Net Position	<u>\$ 24,691,266</u>	<u>\$ 83,126,288</u>	<u>\$ 107,817,554</u>	<u>\$ 469,476</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, 2016

EXHIBIT A-1

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,754,388	\$ 2,371,660	\$	\$
Public safety	15,574,118	508,885	71,399	60,380
Public works	9,849,087	564,406	3,113,541	753,135
Health and welfare	1,056			
Community and economic development	3,156,293	612,023	1,286,164	
Recreation, parks and culture	2,952,371	436,671	38,916	656,052
Total governmental activities	<u>35,287,313</u>	<u>4,493,645</u>	<u>4,510,020</u>	<u>1,469,567</u>
Business-type activities:				
Water	7,067,753	7,689,530		
Wastewater	13,726,582	12,872,347		
Land purchase	739,554	233,598	994,322	
Parking	144,040	45,258		581,183
Marina	221,577	22,961	7,828	
Total business-type activities	<u>21,899,506</u>	<u>20,863,694</u>	<u>1,002,150</u>	<u>581,183</u>
Total primary government	<u>\$ 57,186,819</u>	<u>\$ 25,357,339</u>	<u>\$ 5,512,170</u>	<u>\$ 2,050,750</u>
<b>Component units:</b>				
Downtown development	\$ 900,750	\$ 96,783	\$	\$
Tax increment finance	1,333,424			
Local development finance	372,839			
Brownfield redevelopment	284,419			
McMorran	1,745,579	1,092,267	506,748	169,752
Total component units	<u>\$ 4,637,011</u>	<u>\$ 1,189,050</u>	<u>\$ 506,748</u>	<u>\$ 169,752</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
\$ (1,382,728)	\$	\$ (1,382,728)	\$
(14,933,454)		(14,933,454)	
(5,418,005)		(5,418,005)	
(1,056)		(1,056)	
(1,258,106)		(1,258,106)	
(1,820,732)		(1,820,732)	
<u>(24,814,081)</u>		<u>(24,814,081)</u>	
	621,777	621,777	
	(854,235)	(854,235)	
	488,366	488,366	
	482,401	482,401	
	(190,788)	(190,788)	
	<u>547,521</u>	<u>547,521</u>	
<u>(24,814,081)</u>	<u>547,521</u>	<u>(24,266,560)</u>	
			(803,967)
			(1,333,424)
			(372,839)
			(284,419)
			<u>23,188</u>
			<u>(2,771,461)</u>
9,552,236		9,552,236	2,656,887
6,366,498		6,366,498	
3,915,367		3,915,367	
792,532	13,254	805,786	
60,477	2,138	62,615	(18,224)
376,647		376,647	
<u>21,063,757</u>	<u>15,392</u>	<u>21,079,149</u>	<u>2,638,663</u>
(3,750,324)	562,913	(3,187,411)	(132,798)
<u>28,441,590</u>	<u>82,563,375</u>	<u>111,004,965</u>	<u>602,274</u>
<u>\$ 24,691,266</u>	<u>\$ 83,126,288</u>	<u>\$ 107,817,554</u>	<u>\$ 469,476</u>

City of Port Huron

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**  
June 30, 2016

EXHIBIT A-2

ASSETS	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
Assets:			
Cash and cash equivalents	\$ 4,202,338	\$ 22,055	\$ 102,733
Investments	531,743		
Receivables (net of allowances for uncollectibles)	1,111,991	4,620	
Due from other governmental units	391,738	502,784	143,124
Due from other funds			
Inventories	7,996		
Prepaid items	64,953		
Total Assets	<u>\$ 6,310,759</u>	<u>\$ 529,459</u>	<u>\$ 245,857</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 579,863	\$ 5,315	\$ 476
Accrued payroll	908,458	52,956	25,564
Contracts payable	51,946	285,715	175,303
Due to other funds			
Unearned revenue	60,073		
Other liabilities	19,946		
Total Liabilities	<u>1,620,286</u>	<u>343,986</u>	<u>201,343</u>
Fund balances:			
Nonspendable:			
Inventories	7,996		
Prepaid items	64,953		
Endowments			
Restricted:			
Streets		185,473	44,514
Law enforcement			
Rubbish and garbage collection			
Loan revolving			
Streetscape maintenance			
Committed:			
Subsequent year's expenditures			
Municipal Streets			
Nonmajor governmental funds			
Unassigned	4,617,524		
Total Fund Balances	<u>4,690,473</u>	<u>185,473</u>	<u>44,514</u>
Total Liabilities and Fund Balances	<u>\$ 6,310,759</u>	<u>\$ 529,459</u>	<u>\$ 245,857</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, 2016	June 30, 2015
\$ 2,884,380	\$ 2,938,572 7,766,890	\$ 10,150,078 8,298,633	\$ 7,110,863 10,613,855
615	67,611	1,184,837	1,200,668
782	137,007	1,175,435	710,270
	119,202	119,202	58,468
237,762		245,758	334,701
		64,953	28,904
<u>\$ 3,123,539</u>	<u>\$ 11,029,282</u>	<u>\$ 21,238,896</u>	<u>\$ 20,057,729</u>
\$ 452	\$ 30,062	\$ 616,168	\$ 483,056
25,344	43,168	1,055,490	889,743
836,438	471,669	1,821,071	787,482
	119,202	119,202	58,468
300	993,180	1,053,553	254,419
	134,675	154,621	153,160
<u>862,534</u>	<u>1,791,956</u>	<u>4,820,105</u>	<u>2,626,328</u>
237,762		245,758	334,701
		64,953	28,904
	7,711,530	7,711,530	7,288,382
564,732		794,719	1,900,650
	404,428	404,428	407,830
	423,026	423,026	265,198
	570,663	570,663	1,100,000
	59,126	59,126	65,831
	14,071	14,071	1,482,941
1,458,511		1,458,511	
	54,482	54,482	94,334
		4,617,524	4,462,630
<u>2,261,005</u>	<u>9,237,326</u>	<u>16,418,791</u>	<u>17,431,401</u>
<u>\$ 3,123,539</u>	<u>\$ 11,029,282</u>	<u>\$ 21,238,896</u>	<u>\$ 20,057,729</u>

This page is intentionally left blank.

City of Port Huron

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

June 30, 2016

EXHIBIT A-3

Total fund balances for governmental funds	\$ 16,418,791
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	46,272,334
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	578,951
Certain net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(54,469,994)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	11,903,851
Internal Service Funds are included as part of governmental activities	<u>3,987,333</u>
Net position of governmental activities	<u><u>\$ 24,691,266</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, 2016

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
<b>Revenues:</b>			
Taxes	\$ 12,882,375	\$	\$
Licenses and permits	731,592		
Grants	727,163	653,135	
State shared revenues	3,744,367	2,432,041	681,500
Charges for services	992,915		
Fines and forfeits	153,718		
Investment income (loss)	94,421		
Rents	407,208		
Sale of property	21,387		
Other income			
Administrative charges	2,148,828		
<b>Total Revenues</b>	<u>21,903,974</u>	<u>3,085,176</u>	<u>681,500</u>
<b>Expenditures:</b>			
Current:			
General government	3,096,888		
Public safety	12,759,633		
Public works	1,974,955	1,679,909	974,743
Senior citizens	1,056		
Recreation, parks and culture	2,459,874		
General support services	395,126		
Interest expense			
Capital outlay	1,014,203	2,049,025	1,452,717
<b>Total Expenditures</b>	<u>21,701,735</u>	<u>3,728,934</u>	<u>2,427,460</u>
Revenues over (under) Expenditures	<u>202,239</u>	<u>(643,758)</u>	<u>(1,745,960)</u>
<b>Other financing sources (uses):</b>			
Transfers in		900,000	1,665,912
Transfers out	(3,300)	(465,912)	
	<u>(3,300)</u>	<u>434,088</u>	<u>1,665,912</u>
Net Change in Fund Balances	198,939	(209,670)	(80,048)
Fund balances at beginning of year	<u>4,491,534</u>	<u>395,143</u>	<u>124,562</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,690,473</u>	<u>\$ 185,473</u>	<u>\$ 44,514</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, 2016	June 30, 2015
\$ 1,463,161	\$ 1,573,198	\$ 15,918,734	\$ 16,038,736
		731,592	724,084
	1,200,089	2,580,387	1,362,344
88,860	63,082	7,009,850	6,233,650
103,991	771,590	1,868,496	2,654,510
		153,718	187,647
	638,615	733,036	351,762
		407,208	369,695
		21,387	128,491
1,070		1,070	2,074
		2,148,828	2,077,499
<u>1,657,082</u>	<u>4,246,574</u>	<u>31,574,306</u>	<u>30,130,492</u>
		3,096,888	3,006,830
	33,037	12,792,670	12,827,107
26,942	2,259,886	6,916,435	6,806,099
		1,056	2,063
		2,459,874	2,418,991
346,353	389,477	1,130,956	1,086,723
	4	4	
	1,673,088	6,189,033	3,071,918
<u>373,295</u>	<u>4,355,492</u>	<u>32,586,916</u>	<u>29,219,731</u>
1,283,787	(108,918)	(1,012,610)	910,761
	259,766	2,825,678	2,313,010
(2,100,000)	(256,466)	(2,825,678)	(2,613,010)
<u>(2,100,000)</u>	<u>3,300</u>		<u>(300,000)</u>
(816,213)	(105,618)	(1,012,610)	610,761
<u>3,077,218</u>	<u>9,342,944</u>	<u>17,431,401</u>	<u>16,820,640</u>
<u>\$ 2,261,005</u>	<u>\$ 9,237,326</u>	<u>\$ 16,418,791</u>	<u>\$ 17,431,401</u>

This page is intentionally left blank.

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT A-5

Net changes in fund balances - total governmental funds		\$	(1,012,610)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:			
Capital outlay expenditures			4,732,889
Depreciation expense			(2,969,476)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection			19,058
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	\$	10,380	
Street construction donated from tax increment authorities		<u>100,000</u>	110,380
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds			(1,287,572)
Internal Service Funds are included as part of governmental activities - change in net position			<u>(3,342,993)</u>
Change in net position of governmental activities		\$	<u><u>(3,750,324)</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, 2016

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2015 Actual
Revenues:					
Taxes:					
Real property taxes	\$ 5,290,000	\$ 5,350,000	\$ 5,316,440	\$ (33,560)	\$ 5,304,166
Personal property taxes	950,000	965,000	957,947	(7,053)	963,418
Income tax	6,075,000	6,200,000	6,366,498	166,498	6,431,121
Other	300,000	300,000	241,490	(58,510)	292,549
	<u>12,615,000</u>	<u>12,815,000</u>	<u>12,882,375</u>	<u>67,375</u>	<u>12,991,254</u>
Business licenses and permits:					
Cable television	330,000	330,000	358,102	28,102	342,737
Other	15,000	15,000	17,475	2,475	12,480
	<u>345,000</u>	<u>345,000</u>	<u>375,577</u>	<u>30,577</u>	<u>355,217</u>
Nonbusiness licenses and permits:					
Building	185,000	185,000	197,489	12,489	193,146
Electrical	55,000	55,000	50,952	(4,048)	69,318
Heating	50,000	50,000	59,338	9,338	67,028
Plumbing	30,000	30,000	23,525	(6,475)	32,995
Other	10,000	10,000	24,711	14,711	6,380
	<u>330,000</u>	<u>330,000</u>	<u>356,015</u>	<u>26,015</u>	<u>368,867</u>
Grants	715,000	715,000	727,163	12,163	239,184
State shared revenues	3,525,000	3,675,000	3,744,367	69,367	3,417,280
Charges for services:					
Recreation fees	345,000	345,000	436,671	91,671	323,207
Blue Water Bridge reimbursement	300,000	300,000	300,000		300,000
County parks millage	125,000	125,000	125,279	279	124,295
Other	120,000	120,000	130,965	10,965	122,400
	<u>890,000</u>	<u>890,000</u>	<u>992,915</u>	<u>102,915</u>	<u>869,902</u>
Fines and forfeits:					
Parking violations	35,000	35,000	21,597	(13,403)	25,671
Ordinance fines	115,000	115,000	132,121	17,121	161,976
	<u>150,000</u>	<u>150,000</u>	<u>153,718</u>	<u>3,718</u>	<u>187,647</u>
Investment income	70,000	70,000	94,421	24,421	45,592
Rents	370,000	370,000	407,208	37,208	369,695
Sale of property and equipment	3,000	3,000	21,387	18,387	128,491
Charges to other funds:					
Garbage and rubbish collection fund	95,090	95,090	95,090		93,697
Marina fund	24,966	24,966	24,966		28,117
Parking fund	11,595	11,595	11,595		12,528
Water fund	668,976	668,976	668,976		662,635
Wastewater fund	1,127,950	1,127,950	1,127,950		1,053,543
Central stores fund	11,106	11,106	11,106		11,144
Data processing fund	64,072	64,072	64,072		62,894
Motor vehicle fund	145,073	145,073	145,073		152,941
	<u>2,148,828</u>	<u>2,148,828</u>	<u>2,148,828</u>		<u>2,077,499</u>
Total Revenues	<u>21,161,828</u>	<u>21,511,828</u>	<u>21,903,974</u>	<u>392,146</u>	<u>21,050,628</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, 2016

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2015 Actual
Expenditures:					
Current:					
General government:					
City council	\$ 60,880	\$ 60,880	\$ 51,905	\$ 8,975	\$ 48,215
City manager	195,086	211,086	208,267	2,819	276,260
Elections	64,561	43,561	39,560	4,001	81,076
Finance and accounting	554,443	569,443	569,409	34	512,481
Income tax	307,984	307,984	299,142	8,842	282,946
Assessor	249,747	249,747	243,460	6,287	237,430
Legal	160,000	150,000	148,677	1,323	118,481
Clerk	265,992	258,992	257,017	1,975	241,013
Human resources	284,357	290,357	287,532	2,825	284,443
Purchasing	50,287	51,287	50,429	858	47,177
Board of review	2,327	2,327	2,239	88	2,239
Treasurer	211,918	216,918	216,884	34	205,359
Municipal office center	680,197	725,197	722,367	2,830	653,578
Promotional					16,132
	<u>3,087,779</u>	<u>3,137,779</u>	<u>3,096,888</u>	<u>40,891</u>	<u>3,006,830</u>
Public safety:					
Police administration	853,900	869,900	866,646	3,254	857,708
Detectives	1,242,436	1,313,436	1,311,916	1,520	1,256,023
Patrol	5,588,791	5,539,791	5,533,972	5,819	5,436,231
Communications	41,540	41,540	39,544	1,996	41,716
Fire	4,733,423	5,010,423	5,007,555	2,868	5,210,842
	<u>12,460,090</u>	<u>12,775,090</u>	<u>12,759,633</u>	<u>15,457</u>	<u>12,802,520</u>
Public works:					
Inspection	306,254	347,324	336,770	10,554	349,648
Emergency management	16,912	16,912	4,529	12,383	8,082
Public works administration	210,304	215,304	208,429	6,875	204,546
Engineering	240,780	214,780	211,167	3,613	223,968
Street lighting	909,125	880,125	878,059	2,066	868,342
Blight and code enforcement	231,652	345,582	336,001	9,581	322,856
	<u>1,915,027</u>	<u>2,020,027</u>	<u>1,974,955</u>	<u>45,072</u>	<u>1,977,442</u>
Senior citizens:					
Discounts for senior citizens	2,000	2,000	1,056	944	2,063
Recreation, parks and culture:					
Parks and forestry	1,072,453	1,206,453	1,204,851	1,602	1,056,415
Recreation	593,111	595,111	590,902	4,209	544,788
20th and Court pool	70,436	71,436	70,007	1,429	66,199
Sanborn pool	120,886	121,886	112,306	9,580	110,086
Lighthouse park	6,677	10,677	9,251	1,426	2,047
Lakeside park	16,741	66,741	65,853	888	13,685
Palmer park recreation center	174,639	162,639	161,987	652	172,597
McMorran complex	175,000	175,000	175,000		380,000
Library	8,000	8,000	8,000		8,000
Museum	86,142	66,142	61,717	4,425	65,174
	<u>2,324,085</u>	<u>2,484,085</u>	<u>2,459,874</u>	<u>24,211</u>	<u>2,418,991</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, 2016

EXHIBIT A-6  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2015 Actual
General support services:					
Planning	\$ 149,662	\$ 172,662	\$ 168,232	\$ 4,430	\$ 120,151
Mitigation grant expenditures	100,000	100,000	90,000	10,000	55,000
Telephone service	10,610	10,610	10,592	18	8,710
Contingencies	40,000				
Insurance, health and safety	68,055	92,055	88,179	3,876	61,545
Taxes written off	15,000	15,000	6,673	8,327	7,379
Demolition	50,000	33,000	31,450	1,550	58,959
	<u>433,327</u>	<u>423,327</u>	<u>395,126</u>	<u>28,201</u>	<u>311,744</u>
Capital outlay	<u>1,316,220</u>	<u>1,046,220</u>	<u>1,014,203</u>	<u>32,017</u>	<u>214,959</u>
Total Expenditures	<u>21,538,528</u>	<u>21,888,528</u>	<u>21,701,735</u>	<u>186,793</u>	<u>20,734,549</u>
Revenues over (under) Expenditures	<u>(376,700)</u>	<u>(376,700)</u>	<u>202,239</u>	<u>578,939</u>	<u>316,079</u>
Other financing sources (uses):					
Transfers in:					
Enterprise funds:					
Land Purchase	<u>380,000</u>	<u>380,000</u>		<u>(380,000)</u>	
Transfers out:					
Special revenue funds:					
Beautification Commission	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>		<u>(3,300)</u>
Internal service funds:					
Insurance and Fringe Benefit					<u>(300,000)</u>
	<u>(3,300)</u>	<u>(3,300)</u>	<u>(3,300)</u>		<u>(303,300)</u>
	<u>376,700</u>	<u>376,700</u>	<u>(3,300)</u>	<u>(380,000)</u>	<u>(303,300)</u>
Net Change in Fund Balance			198,939	198,939	12,779
Fund balance at beginning of year	<u>4,491,534</u>	<u>4,491,534</u>	<u>4,491,534</u>		<u>4,478,755</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 4,491,534</u></u>	<u><u>\$ 4,491,534</u></u>	<u><u>\$ 4,690,473</u></u>	<u><u>\$ 198,939</u></u>	<u><u>\$ 4,491,534</u></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.

This page is intentionally left blank.

City of Port Huron

**MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**  
Year Ended June 30, 2016

EXHIBIT A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Year Ended June 30, 2015 Actual</u>
<b>MAJOR STREETS:</b>					
Revenues:					
Grants	\$ 1,305,000	\$ 1,305,000	\$ 653,135	\$ (651,865)	\$ 204,395
State shared revenues	1,830,000	1,830,000	2,432,041	602,041	2,209,972
Total Revenues	<u>3,135,000</u>	<u>3,135,000</u>	<u>3,085,176</u>	<u>(49,824)</u>	<u>2,414,367</u>
Expenditures:					
Current:					
Public works	1,732,790	1,732,790	1,679,909	52,881	1,606,037
Capital outlay	2,790,000	3,260,000	2,049,025	1,210,975	1,379,065
Total Expenditures	<u>4,522,790</u>	<u>4,992,790</u>	<u>3,728,934</u>	<u>1,263,856</u>	<u>2,985,102</u>
Revenues over (under) Expenditures	<u>(1,387,790)</u>	<u>(1,857,790)</u>	<u>(643,758)</u>	<u>1,214,032</u>	<u>(570,735)</u>
Other financing sources (uses):					
Transfers in	1,660,000	2,160,000	900,000	(1,260,000)	1,120,000
Transfers out	(440,000)	(470,000)	(465,912)	4,088	(442,768)
	<u>1,220,000</u>	<u>1,690,000</u>	<u>434,088</u>	<u>(1,255,912)</u>	<u>677,232</u>
Net Change in Fund Balances	(167,790)	(167,790)	(209,670)	(41,880)	106,497
Fund balance at beginning of year	<u>395,143</u>	<u>395,143</u>	<u>395,143</u>		<u>288,646</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 227,353</b></u>	<u><b>\$ 227,353</b></u>	<u><b>\$ 185,473</b></u>	<u><b>\$ (41,880)</b></u>	<u><b>\$ 395,143</b></u>
<b>LOCAL STREETS:</b>					
Revenues:					
State shared revenues	\$ 552,000	\$ 552,000	\$ 681,500	\$ 129,500	\$ 606,398
Total Revenues	<u>552,000</u>	<u>552,000</u>	<u>681,500</u>	<u>129,500</u>	<u>606,398</u>
Expenditures:					
Current:					
Public works	1,067,723	1,067,723	974,743	92,980	862,275
Capital outlay	1,320,000	1,620,000	1,452,717	167,283	694,440
Total Expenditures	<u>2,387,723</u>	<u>2,687,723</u>	<u>2,427,460</u>	<u>260,263</u>	<u>1,556,715</u>
Revenues over (under) Expenditures	<u>(1,835,723)</u>	<u>(2,135,723)</u>	<u>(1,745,960)</u>	<u>389,763</u>	<u>(950,317)</u>
Other financing sources (uses):					
Transfers in	1,810,000	2,110,000	1,665,912	(444,088)	942,768
Net Change in Fund Balances	(25,723)	(25,723)	(80,048)	(54,325)	(7,549)
Fund balance at beginning of year	<u>124,562</u>	<u>124,562</u>	<u>124,562</u>		<u>132,111</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><b>\$ 98,839</b></u>	<u><b>\$ 98,839</b></u>	<u><b>\$ 44,514</b></u>	<u><b>\$ (54,325)</b></u>	<u><b>\$ 124,562</b></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, 2016

EXHIBIT A-7  
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2015 Actual
<b>MUNICIPAL STREETS:</b>					
Revenues:					
Taxes - Streets	\$ 1,110,000	\$ 1,110,000	\$ 1,116,808	\$ 6,808	\$ 1,121,462
Taxes - BWATC	450,000	450,000	346,353	(103,647)	346,592
State shared revenues			88,860	88,860	
Charges for services	150,000	150,000	103,991	(46,009)	150,385
Other income			1,070	1,070	2,074
Total Revenues	<u>1,710,000</u>	<u>1,710,000</u>	<u>1,657,082</u>	<u>(52,918)</u>	<u>1,620,513</u>
Expenditures:					
Current:					
Public works	88,626	88,626	26,942	61,684	121,321
General support services-BWATC	450,000	450,000	346,353	103,647	346,592
Total Expenditures	<u>538,626</u>	<u>538,626</u>	<u>373,295</u>	<u>165,331</u>	<u>467,913</u>
Revenues over (under) Expenditures	1,171,374	1,171,374	1,283,787	112,413	1,152,600
Other financing sources (uses):					
Transfers out	<u>(3,030,000)</u>	<u>(3,830,000)</u>	<u>(2,100,000)</u>	<u>1,730,000</u>	<u>(1,620,000)</u>
Net Change in Fund Balances	(1,858,626)	(2,658,626)	(816,213)	1,842,413	(467,400)
Fund balance at beginning of year	<u>3,077,218</u>	<u>3,077,218</u>	<u>3,077,218</u>		<u>3,544,618</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 1,218,592</u></u>	<u><u>\$ 418,592</u></u>	<u><u>\$ 2,261,005</u></u>	<u><u>\$ 1,842,413</u></u>	<u><u>\$ 3,077,218</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, 2016

EXHIBIT A-8

		Business-Type Activities -		
ASSETS		Water	Wastewater	Land Purchase
Current assets:				
Cash and cash equivalents		\$ 3,072,210	\$ 4,853,280	\$ 3,158,866
Accounts receivable (net of allowances for uncollectibles)		1,365,641	1,563,616	24,474
Due from other governmental units				
Inventories		461,245	110,143	
Prepaid expenses				
	Total Current Assets	<u>4,899,096</u>	<u>6,527,039</u>	<u>3,183,340</u>
Noncurrent assets:				
OPEB asset				
Capital assets:				
Land		799,823	631,745	1,470,707
Land improvements				944,293
Buildings		6,482,927	25,801,680	1,677,139
Systems		76,394,712	147,286,126	
Machinery and equipment			18,637,185	
Vehicles				
Construction in progress				
		<u>83,677,462</u>	<u>192,356,736</u>	<u>4,092,139</u>
Less accumulated depreciation		29,712,267	82,279,556	985,090
	Total Capital Assets	<u>53,965,195</u>	<u>110,077,180</u>	<u>3,107,049</u>
	Total Noncurrent Assets	<u>53,965,195</u>	<u>110,077,180</u>	<u>3,107,049</u>
	Total Assets	<u>58,864,291</u>	<u>116,604,219</u>	<u>6,290,389</u>
DEFERRED OUTFLOWS OF RESOURCES - Pension		<u>1,269,743</u>	<u>1,904,616</u>	
LIABILITIES				
Current liabilities:				
Accounts payable		51,140	108,825	6,614
Accrued payroll		105,442	142,196	
Contracts payable		167,614	136,854	143,148
Accrued interest payable		235,766	422,741	
Other liabilities		406,752		
Current portion of long-term debt		2,978,590	5,658,079	
Claims and judgments payable (current portion)				
Compensated absences payable (current portion)				
	Total Current Liabilities	<u>3,945,304</u>	<u>6,468,695</u>	<u>149,762</u>
Noncurrent liabilities:				
Long-term debt (exclusive of current portion)		29,096,005	50,543,776	
Claims and judgments payable (exclusive of current portion)				
Compensated absences payable (exclusive of current portion)				
Net pension liability		5,810,127	8,715,199	
	Total Noncurrent Liabilities	<u>34,906,132</u>	<u>59,258,975</u>	
	Total Liabilities	<u>38,851,436</u>	<u>65,727,670</u>	<u>149,762</u>
NET POSITION				
Net investment in capital assets		21,890,600	53,875,325	3,107,049
Unrestricted		(608,002)	(1,094,160)	3,033,578
	Total Net Position	<u>\$ 21,282,598</u>	<u>\$ 52,781,165</u>	<u>\$ 6,140,627</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, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
\$ 452,657	\$ 11,537,013	\$ 15,025,108	\$ 6,417,504	\$ 6,958,212	
22,901	2,976,632	2,750,486	632,666	1,064,759	
		54,034	125,129	101,852	
	571,388	591,478	273,286	253,838	
		45,303	6,760		
<u>475,558</u>	<u>15,085,033</u>	<u>18,466,409</u>	<u>7,455,345</u>	<u>8,378,661</u>	
			385,922		
1,564,178	4,466,453	4,557,348			
1,068,216	2,012,509	1,431,326	1,824,924	1,824,924	
176,947	34,138,693	33,687,323			
	223,680,838	221,001,828			
1,036,276	19,673,461	19,088,095	4,768,800	4,750,800	
			6,574,626	6,109,533	
		354,194			
<u>3,845,617</u>	<u>283,971,954</u>	<u>280,120,114</u>	<u>13,168,350</u>	<u>12,685,257</u>	
<u>1,379,161</u>	<u>114,356,074</u>	<u>107,252,132</u>	<u>6,971,672</u>	<u>6,243,519</u>	
<u>2,466,456</u>	<u>169,615,880</u>	<u>172,867,982</u>	<u>6,196,678</u>	<u>6,441,738</u>	
<u>2,466,456</u>	<u>169,615,880</u>	<u>172,867,982</u>	<u>6,582,600</u>	<u>6,441,738</u>	
<u>2,942,014</u>	<u>184,700,913</u>	<u>191,334,391</u>	<u>14,037,945</u>	<u>14,820,399</u>	
	3,174,359	636,303	793,589		
8,423	175,002	163,534	53,739	73,046	
5,297	252,935	218,015	500,612	483,437	
6,396	454,012	302,618			
	658,507	678,445	79,327	106,679	
	406,752	377,090			
	8,636,669	8,595,538	233,680	203,563	
			956,815	829,041	
			184,275	149,082	
<u>20,116</u>	<u>10,583,877</u>	<u>10,335,240</u>	<u>2,008,448</u>	<u>1,844,848</u>	
	79,639,781	88,116,126	2,921,358	3,155,038	
			186,518	386,673	
			2,096,550	2,103,514	
	14,525,326	10,955,953	3,631,327		
	94,165,107	99,072,079	8,835,753	5,645,225	
<u>20,116</u>	<u>104,748,984</u>	<u>109,407,319</u>	<u>10,844,201</u>	<u>7,490,073</u>	
2,466,456	81,339,430	76,156,318	3,041,640	3,083,137	
455,442	1,786,858	6,407,057	945,693	4,247,189	
<u>\$ 2,921,898</u>	<u>\$ 83,126,288</u>	<u>\$ 82,563,375</u>	<u>\$ 3,987,333</u>	<u>\$ 7,330,326</u>	

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 7,689,530	\$ 12,872,347	\$ 270
Rents			233,328
Total Operating Revenues	<u>7,689,530</u>	<u>12,872,347</u>	<u>233,598</u>
Operating expenses:			
Personal services	1,967,165	3,632,847	
Supplies and materials	256,536	562,105	
Contractual services	1,345,014	3,134,424	50,092
Depreciation	2,328,461	4,532,192	199,462
Total Operating Expenses	<u>5,897,176</u>	<u>11,861,568</u>	<u>249,554</u>
Operating Income (Loss)	<u>1,792,354</u>	<u>1,010,779</u>	<u>(15,956)</u>
Nonoperating revenues (expenses):			
Investment income	3,751	4,738	2,524
Interest expense	(1,110,082)	(1,771,514)	
Operating grants and contributions			994,322
Repayment of capital grants	(60,495)	(93,500)	
Gain (loss) on sale of property and equipment		2,138	
Operating assistance - component units			(490,000)
	<u>(1,166,826)</u>	<u>(1,858,138)</u>	<u>506,846</u>
Income (Loss) Before Capital Contributions and Transfers	625,528	(847,359)	490,890
Capital contributions:			
Grants and contributions received			
Income (Loss) Before Transfers	<u>625,528</u>	<u>(847,359)</u>	<u>490,890</u>
Transfers in (out):			
Transfer in		2,321,416	
Transfer out			(90,000)
		<u>2,321,416</u>	<u>(90,000)</u>
Change in Net Position	625,528	1,474,057	400,890
Net position at beginning of year	20,657,070	51,307,108	5,739,737
Restatement of net position			
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 21,282,598</u></u>	<u><u>\$ 52,781,165</u></u>	<u><u>\$ 6,140,627</u></u>

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

Enterprise Funds		Governmental Activities - Internal Service Funds		
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
\$ 45,258	\$ 20,607,405	\$ 19,117,017	\$ 13,693,421	\$ 13,039,916
22,961	256,289	274,575		
68,219	20,863,694	19,391,592	13,693,421	13,039,916
38,838	5,638,850	4,790,129	14,581,424	11,974,516
16,982	835,623	744,096	307,579	439,125
253,684	4,783,214	4,882,345	1,369,632	1,535,926
56,113	7,116,228	7,217,899	857,996	827,386
365,617	18,373,915	17,634,469	17,116,631	14,776,953
(297,398)	2,489,779	1,757,123	(3,423,210)	(1,737,037)
2,241	13,254	6,799	59,496	51,872
	(2,881,596)	(3,011,351)	(68,369)	(161,291)
7,828	1,002,150	1,000,550		
	(153,995)	(164,563)		
	2,138	3,895	39,090	13,035
	(490,000)			
10,069	(2,508,049)	(2,164,670)	30,217	(96,384)
(287,329)	(18,270)	(407,547)	(3,392,993)	(1,833,421)
581,183	581,183	107,885	50,000	
293,854	562,913	(299,662)	(3,342,993)	(1,833,421)
90,000	2,411,416	2,550,000		300,000
(2,321,416)	(2,411,416)	(2,550,000)		
(2,231,416)				300,000
(1,937,562)	562,913	(299,662)	(3,342,993)	(1,533,421)
4,859,460	82,563,375	92,858,247	7,330,326	8,863,747
		(9,995,210)		
\$ 2,921,898	\$ 83,126,288	\$ 82,563,375	\$ 3,987,333	\$ 7,330,326

## City of Port Huron

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	\$ 7,573,037	\$ 12,791,402	\$ 272,736
Payments to suppliers for goods and services	(904,513)	(2,566,852)	(52,583)
Payments to employees for services	(1,536,572)	(3,001,723)	
Payments connected with interfund services	(668,976)	(1,127,950)	
Net cash provided by (used in) operating activities	<u>4,462,976</u>	<u>6,094,877</u>	<u>220,153</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions received			994,322
Operating assistance - component units			(490,000)
Repayment of capital grants	(60,495)	(93,500)	
Transfers in		2,321,416	
Transfers out			(90,000)
Net cash provided by (used in) noncapital financing activities	<u>(60,495)</u>	<u>2,227,916</u>	<u>414,322</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,618,622)	(1,536,462)	(50,371)
Proceeds from issuance of long-term debt	202,571	231,633	
Repayment of loan advance		(298,880)	
Principal payments on long-term debt	(2,937,459)	(5,633,079)	
Interest paid	(1,095,024)	(1,806,510)	
Proceeds from sale of property and equipment		2,138	98,582
Capital contributions			
Net cash provided by (used in) capital and related financing activities	<u>(5,448,534)</u>	<u>(9,041,160)</u>	<u>48,211</u>
Cash flows from investing activities:			
Investment income received	3,751	4,738	2,524
Net cash provided by (used in) investing activities	<u>3,751</u>	<u>4,738</u>	<u>2,524</u>
Net increase (decrease) in cash and cash equivalents	(1,042,302)	(713,629)	685,210
Cash and cash equivalents at beginning of year	<u>4,114,512</u>	<u>5,566,909</u>	<u>2,473,656</u>
Cash and cash equivalents at end of year	<u>\$ 3,072,210</u>	<u>\$ 4,853,280</u>	<u>\$ 3,158,866</u>

Enterprise Funds		Governmental Activities - Internal Service Funds		
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
\$ 84,069	\$ 20,721,244	\$ 20,625,357	\$ 14,102,237	\$ 13,115,790
(209,217)	(3,733,165)	(3,963,148)	(1,483,299)	(1,740,036)
(34,318)	(4,572,613)	(4,445,466)	(12,175,761)	(11,707,043)
(36,561)	(1,833,487)	(1,756,823)	(220,251)	(226,979)
(196,027)	10,581,979	10,459,920	222,926	(558,268)
7,828	1,002,150	1,054,646		
	(490,000)			
	(153,995)	(164,563)		
90,000	2,411,416	2,550,000		300,000
(2,321,416)	(2,411,416)	(2,550,000)		
(2,223,588)	358,155	890,083		300,000
	(3,205,455)	(4,145,904)	(612,936)	(392,358)
	434,204	3,328,673		
	(298,880)			
	(8,570,538)	(8,079,404)	(203,563)	(123,637)
	(2,901,534)	(3,149,169)	(95,721)	(166,771)
	100,720	3,895	39,090	13,035
		107,885	50,000	
	(14,441,483)	(11,934,024)	(823,130)	(669,731)
2,241	13,254	6,799	59,496	51,872
2,241	13,254	6,799	59,496	51,872
(2,417,374)	(3,488,095)	(577,222)	(540,708)	(876,127)
2,870,031	15,025,108	15,602,330	6,958,212	7,834,339
\$ 452,657	\$ 11,537,013	\$ 15,025,108	\$ 6,417,504	\$ 6,958,212

(Continued on next page)  
City of Port Huron

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2016

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)	\$ 1,792,354	\$ 1,010,779	\$ (15,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,328,461	4,532,192	199,462
Change in current assets and liabilities:			
Decrease (increase) in account receivables	(146,155)	(80,945)	(14,896)
Decrease (increase) in due from other government units			54,034
Decrease (increase) in inventory	28,650	(8,560)	
Decrease (increase) in prepaid expenses			
Decrease (increase) in OPEB assets			
Decrease (increase) in deferred outflows of resources	(1,015,222)	(1,522,834)	
Increase (decrease) in accounts payable	(589)	10,287	489
Increase (decrease) in accrued payroll	18,069	12,331	
Increase (decrease) in claims and judgments payable			
Increase (decrease) in contracts payable			(2,980)
Increase (decrease) in compensated absences payable			
Increase (decrease) in other liabilities	29,662		
Increase (decrease) in net pension liability	1,427,746	2,141,627	
Total Adjustments	<u>2,670,622</u>	<u>5,084,098</u>	<u>236,109</u>
Net cash provided by (used in) operating activities	<u>\$ 4,462,976</u>	<u>\$ 6,094,877</u>	<u>\$ 220,153</u>

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2016, infrastructure improvements with an estimated value of \$581,183 were constructed and subsequently donated to the Parking Fund. Of these infrastructure improvements, \$531,183 were funded by the Loan Revolving Fund and \$50,000 were funded by the Mainstreet DDA (a Component Unit).

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, 2016	June 30, 2015	June 30, 2016	June 30, 2015
\$ (297,398)	\$ 2,489,779	\$ 1,757,123	\$ (3,423,210)	\$ (1,737,037)
56,113	7,116,228	7,217,899	857,996	827,386
15,850	(226,146)	1,209,976	432,093	91,130
	54,034	(16,130)	(23,277)	(15,256)
	20,090	5,200	(19,448)	17,583
45,303	45,303	(18,599)	(6,760)	
			(385,922)	
	(2,538,056)	(341,158)	(793,589)	
1,281	11,468	(85,244)	(19,307)	421
4,520	34,920	20,223	17,175	38,295
			(72,381)	313,647
(21,696)	(24,676)	5,113		
			28,229	(94,437)
	29,662	39,919		
	3,569,373	665,598	3,631,327	
101,371	8,092,200	8,702,797	3,646,136	1,178,769
\$ (196,027)	\$ 10,581,979	\$ 10,459,920	\$ 222,926	\$ (558,268)

City of Port Huron

**FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2016

EXHIBIT A-11

ASSETS	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
Cash and cash equivalents	\$	\$ 25,445	\$ 36,944
Interest in pooled investments	14,794,297		
Total Assets	<u>14,794,297</u>	<u>25,445</u>	<u>\$ 36,944</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	385,922		\$
Due to other governmental units			470
Taxes collected in advance			36,474
Total Liabilities	<u>385,922</u>	<u></u>	<u>\$ 36,944</u>
<b>NET POSITION</b>			
Net position - restricted for OPEB and senior citizens	<u>\$ 14,408,375</u>	<u>\$ 25,445</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, 2016

EXHIBIT A-12

	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
<b>Additions:</b> Investment income (loss) Employer contributions  Total Additions	\$ 105,490 2,564,639 <hr/> 2,670,129	\$ 70  <hr/> 70
<b>Deductions:</b> Personal services Supplies and materials  Total Deductions Change in Net Position	2,950,561 <hr/> 2,950,561 (280,432)	 600 <hr/> 600 (530)
Net position at beginning of year  NET POSITION AT END OF YEAR	14,688,807 <hr/> \$ 14,408,375	25,975 <hr/> \$ 25,445

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

This page is intentionally left blank.

## City of Port Huron

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

June 30, 2016

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>
<b>ASSETS</b>						
Assets:						
Cash and cash equivalents	\$ 274,620	\$ 133,634	\$	\$ 264,374	\$ 329,856	\$ 1,002,484
Receivables (net of allowances for uncollectibles)	11,742	8		959	1,478	14,187
Inventories					32,440	32,440
Prepaid expenses					6,617	6,617
Capital assets (net of accumulated depreciation)					792,933	792,933
Total Assets	<u>286,362</u>	<u>133,642</u>	<u></u>	<u>265,333</u>	<u>1,163,324</u>	<u>1,848,661</u>
DEFERRED OUTFLOWS OF RESOURCES - Pension						
					260,786	260,786
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	15,650	96,194		253,509	48,817	414,170
Accrued payroll					31,081	31,081
Unearned revenue	25,000				141,733	166,733
Net other post-employment benefits obligation					188,967	188,967
Net pension liability					839,020	839,020
Total Liabilities	<u>40,650</u>	<u>96,194</u>	<u></u>	<u>253,509</u>	<u>1,249,618</u>	<u>1,639,971</u>
<b>NET POSITION</b>						
Net investment in capital assets					792,933	792,933
Unrestricted (deficit)	<u>245,712</u>	<u>37,448</u>	<u></u>	<u>11,824</u>	<u>(618,441)</u>	<u>(323,457)</u>
Net Position	<u>\$ 245,712</u>	<u>\$ 37,448</u>	<u>\$ 0</u>	<u>\$ 11,824</u>	<u>\$ 174,492</u>	<u>\$ 469,476</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, 2016

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	\$ 900,750	\$ 96,783	\$	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	151,432			
Taxes disbursed - not captured	1,181,992			
Total tax increment finance	1,333,424			
Local Development Finance:				
Governmental activities:				
Community and economic development	372,839			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	284,419			
McMorran:				
Business-type activities:				
McMorran	1,745,579	1,092,267	506,748	169,752
Total component units	\$ 4,637,011	\$ 1,189,050	\$ 506,748	\$ 169,752
General revenues:				
Property taxes				
Gain (loss) on sale of capital assets				
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
\$ (803,967)	\$	\$	\$	\$	\$ (803,967)
	(151,432)				(151,432)
	(1,181,992)				(1,181,992)
	(1,333,424)				(1,333,424)
		(372,839)			(372,839)
			(284,419)		(284,419)
				23,188	23,188
(803,967)	(1,333,424)	(372,839)	(284,419)	23,188	(2,771,461)
717,722	1,276,163	372,839	290,163		2,656,887
				(18,224)	(18,224)
717,722	1,276,163	372,839	290,163	(18,224)	2,638,663
(86,245)	(57,261)		5,744	4,964	(132,798)
331,957	94,709		6,080	169,528	602,274
\$ 245,712	\$ 37,448	\$ 0	\$ 11,824	\$ 174,492	\$ 469,476

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2016

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, 2016 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. The City contributes to McMorran on an annual basis. McMorran's primary activities, which are as of and for the year ended June 30, 2016, are reported discretely as a proprietary fund type - Enterprise Fund.

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, 2016, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2016, the DDA manages five plans (one of which no longer captures taxes), the TIFA manages three (two of which no longer capture taxes), the LDFA manages one plan and the BRDA manages five 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, 2015, the date of its latest audited financial statements, is as follows:

Total Assets and Deferred Outflows of Resources	\$ 21,134,729
Total Liabilities and Deferred Inflows of Resources	<u>8,460,350</u>
Total Net Position	<u>\$ 12,674,379</u>
Invested in Capital Assets	\$ 12,802,674
Restricted	285,449
Unrestricted	<u>(413,744)</u>
Total Net Position	<u>\$ 12,674,379</u>
Total Operating Revenues	\$ 7,032,694
Total Operating Expenses	(7,264,556)
Capital Grant Contribution	830,594
Prior Period Adjustments	<u>(2,642,525)</u>
Change in Net Position	<u>\$ (2,043,793)</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 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, obligations of the State of Michigan or its political subdivisions (which are rated as investment grade) 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.

As of June 30, 2016, \$14,794,297 or 103 percent of the Retiree Health Care Benefits Fund's net position is reported as interest in pooled investments. Approximately \$7,101,000 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.

## 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 acquisition cost 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, 2016 the total accrued liability (\$2,280,825) 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.

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 of Port Huron offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's Pension Plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City offers 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 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, 2015, the City adopted GASB Statement No. 72, Fair Value Measurement and Application. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

## 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, 2016, building department revenues and expenditures totaled \$356,015 and \$501,731 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$5,293,051 and \$8,177,357 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.

#### 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	\$ 1,984,859	5.51 years
U.S. Government Agency Notes	<u>511</u>	2.83 years
	1,985,370	
General Fund – Municipal Obligations	<u>531,743</u>	7.34 years
	2,517,113	
Other Items Reported as Investments -		
Cemetery Perpetual Care Fund		
Equities	<u>5,781,520</u>	
Total Investments – Primary Government	8,298,633	
Retiree Health Care Benefits Fund	<u>14,794,297</u>	
	<u>\$ 23,092,930</u>	

#### 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 \$29,216,402 had \$27,711,444 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

## 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 General Fund is authorized by Public Act 20 of 1943 (as amended) to invest, in part, in municipal obligations of the State of Michigan or its political subdivisions, which are rated as investment grade. The General Fund is also authorized to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States. 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, 2016 the credit ratings of debt securities (other than the U.S. government) for the Cemetery Perpetual Care Fund, General 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>
Cemetery Perpetual Care Fund:		
Corporate bonds	\$ 108,770	AAA
Corporate bonds	1,163,984	AA
Corporate bonds	712,105	A
Total	<u>\$ 1,984,859</u>	
General Fund:		
Municipal obligations	\$ 266,568	AAA
Municipal obligations	265,175	AA
Total	<u>\$ 531,743</u>	
Retiree Health Care Benefits Fund	<u>\$14,794,297</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, 2016, 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.

## FAIR VALUE MEASUREMENT

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

The fair value of certain assets at June 30, 2016 was determined primarily based on level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2016:

- Mutual funds and equities of \$5,781,520 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$1,984,859 are valued using a matrix pricing model (Level 2 inputs).
- Municipal obligations of \$531,743 are valued using a matrix pricing model (Level 2 inputs).
- Interest in pooled investments of \$14,794,297 are measured at the net asset value (NAV).

#### INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE

The City holds shares or interests in an investment pool where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MERS ISP Total Market Portfolio	<u>\$14,794,297</u>	<u>\$ 0</u>	N/A	N/A

The MERS ISP Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS ISP Total Market Portfolio.

#### NOTE D--RECEIVABLES

Receivables at June 30, 2016 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	\$ 1,078,707	\$	\$ 1,078,707	\$	\$ 1,078,707	\$
Interest receivable	2,544	27,129	29,673		29,673	
Property taxes	37,275	15,933	53,208		53,208	
Accounts	<u>191,465</u>	<u>43,784</u>	<u>235,249</u>	<u>632,666</u>	<u>867,915</u>	<u>3,011,632</u>
Gross Receivables	1,309,991	86,846	1,396,837	632,666	2,029,503	3,011,632
Less allowances						
for uncollectable	<u>198,000</u>	<u>14,000</u>	<u>212,000</u>		<u>212,000</u>	<u>35,000</u>
Net total receivables	<u>\$ 1,111,991</u>	<u>\$ 72,846</u>	<u>\$ 1,184,837</u>	<u>\$ 632,666</u>	<u>\$ 1,817,503</u>	<u>\$ 2,976,632</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.

#### 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	\$ 44,198 <u>75,004</u> <u>\$ 119,202</u>

**NOTE F--CAPITAL ASSETS**

The components of property and equipment at June 30, 2016 for the primary government's governmental activities are summarized as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>*Deductions</u>	<u>Balance June 30, 2016</u>
Property and equipment not being depreciated:				
Land	\$ 4,260,209	\$	\$	\$ 4,260,209
Construction in progress	<u>463,132</u>	<u>592,949</u>	<u>420,679</u>	<u>635,402</u>
Total property and equipment not being depreciated	<u>4,723,341</u>	<u>592,949</u>	<u>420,679</u>	<u>4,895,611</u>
Property and equipment being depreciated:				
Land improvements	11,189,603	848,006		12,037,609
Buildings	11,201,079			11,201,079
Streets, bridges and sidewalks	75,957,523	3,429,472		79,386,995
Machinery and equipment	14,475,269	459,385	47,864	14,886,790
Vehicles	<u>6,930,489</u>	<u>547,072</u>	<u>81,979</u>	<u>7,395,582</u>
Total property and equipment being depreciated	<u>119,753,963</u>	<u>5,283,935</u>	<u>129,843</u>	<u>124,908,055</u>
Less accumulated depreciation:				
Land improvements	9,334,589	264,367		9,598,956
Buildings	9,005,710	169,197		9,174,907
Streets, bridges and sidewalks	40,940,577	2,354,527		43,295,104
Machinery and equipment	10,309,551	501,804	47,864	10,763,491
Vehicles	<u>4,046,598</u>	<u>537,577</u>	<u>81,979</u>	<u>4,502,196</u>
Total accumulated depreciation	<u>73,637,025</u>	<u>3,827,472</u>	<u>129,843</u>	<u>77,334,654</u>
Net property and equipment being depreciated	<u>46,116,938</u>	<u>1,456,463</u>		<u>47,573,401</u>
Net governmental property and equipment	<u>\$ 50,840,279</u>	<u>\$ 2,049,412</u>	<u>\$ 420,679</u>	<u>\$ 52,469,012</u>

The components of property and equipment at June 30, 2016 for the primary government's business-type activities are summarized as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>*Deductions</u>	<u>Balance June 30, 2016</u>
Property and equipment not being depreciated:				
Land	\$ 4,557,348	\$ 7,688	\$ 98,583	\$ 4,466,453
Construction in progress	<u>354,194</u>		<u>354,194</u>	
Total property and equipment not being depreciated	<u>4,911,542</u>	<u>7,688</u>	<u>452,777</u>	<u>4,466,453</u>
Property and equipment being depreciated:				
Land improvements	1,431,326	581,183		2,012,509
Buildings	33,687,323	451,370		34,138,693
Systems	221,001,828	2,679,010		223,680,838
Machinery and equipment	<u>19,088,095</u>	<u>597,652</u>	<u>12,286</u>	<u>19,673,461</u>
Total property and equipment being depreciated	<u>275,208,572</u>	<u>4,309,215</u>	<u>12,286</u>	<u>279,505,501</u>

	Balance <u>July 1, 2015</u>	Additions	*Deductions	Balance <u>June 30, 2016</u>
Less accumulated depreciation:				
Land improvements	\$ 482,758	\$ 64,040	\$	\$ 546,798
Buildings	21,898,130	738,759		22,636,889
Systems	71,891,825	5,719,199		77,611,024
Machinery and equipment	<u>12,979,419</u>	<u>594,230</u>	<u>12,286</u>	<u>13,561,363</u>
Total accumulated depreciation	<u>107,252,132</u>	<u>7,116,228</u>	<u>12,286</u>	<u>114,356,074</u>
Net property and equipment being depreciated	<u>167,956,440</u>	<u>(2,807,013)</u>		<u>165,149,427</u>
Net business-type property and equipment	<u>\$ 172,867,982</u>	<u>\$ (2,799,325)</u>	<u>\$ 452,777</u>	<u>\$ 169,615,880</u>

\*Deductions for construction in progress represent amounts reclassified to property and equipment being depreciated. All other amounts represent disposals.

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

Governmental activities:		
General government		\$ 1,063,169
Community and economic development		3,954
Public safety		201,035
Public works		2,374,966
Recreation, parks and culture		<u>184,348</u>
Total governmental activities		<u>\$ 3,827,472</u>
Business-type activities:		
Water		\$ 2,328,461
Wastewater		4,532,192
Land purchase		199,462
Parking		20,016
Marina		<u>36,097</u>
Total business-type activities		<u>\$ 7,116,228</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, Senior Citizens Fund or the Land Purchase Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers are as follows:

Transfers to major governmental funds:		
Major governmental funds:		
Major Streets Fund from:		
Municipal Streets Fund		<u>\$ 900,000</u>
Local Streets Fund from:		
Major Streets Fund		\$ 465,912
Municipal Streets Fund		<u>1,200,000</u>
Total		<u>\$ 1,665,912</u>
Transfers to major enterprise funds:		
Wastewater Fund – from:		
Nonmajor enterprise fund:		
Senior Citizens Fund		<u>\$ 2,321,416</u>
Transfers to nonmajor governmental funds from:		
General Fund (to Beautification)		\$ 3,300
Nonmajor governmental funds (Cemetery Perpetual Care to Cemetery)		<u>256,466</u>
Total		<u>\$ 259,766</u>

Transfer to nonmajor enterprise funds:  
 Parking Fund - from:  
 Major enterprise fund:  
 Land Purchase Fund

\$ 90,000

The transfer of \$2,321,416 from the Senior Citizens 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:

	<u>Balance July 1, 2015</u>	<u>*Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Business-type activities:					
Water Fund:					
1.1% to 5.625% 2011 Water Supply System Revenue Bonds, net of unamortized discount of \$77,175; amount of issue - \$6,910,464	\$ 6,534,738	\$	\$ (131,913)	\$6,402,825	\$136,913
4.0% to 5.0% 2006 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$58,544; amount of issue - \$6,890,000	3,608,180		(644,636)	2,963,544	694,636
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$27,475; amount of issue - \$3,000,000	1,616,400		(173,925)	1,442,475	183,925
2.125% to 2.5% Drinking Water Revolving Fund (DWRF) Water Supply System General Obligation Limited Tax Bonds:					
Series 7088-01	3,237,355		(430,000)	2,807,355	440,000
Series 7105-01	785,336		(80,000)	705,336	80,000
Series 7110-01	1,534,976		(175,000)	1,359,976	180,000
Series 7113-01	825,000		(95,000)	730,000	95,000
Series 7119-01	1,324,255		(100,000)	1,224,255	100,000
Series 7132-01	246,230		(25,000)	221,230	25,000
Series 7147-01	1,005,245		(90,000)	915,245	95,000
Series 7150-01	276,504		(25,000)	251,504	25,000
Series 7167-01	1,011,036		(85,000)	926,036	85,000
Series 7168-01	900,000		(80,000)	820,000	85,000
Series 7169-01	222,532		(20,000)	202,532	20,000
Series 7185-01	785,053		(60,000)	725,053	60,000
Series 7186-01	471,848		(45,000)	426,848	45,000
Series 7187-01	328,662		(30,000)	298,662	30,000
Series 7188-01	429,909		(35,000)	394,909	35,000
Series 7220-01	1,226,676		(80,000)	1,146,676	85,000
Series 7221-01	375,000		(25,000)	350,000	25,000
Series 7275-01	1,874,375	124,883	(115,000)	1,884,258	115,000
Series 7276-01	140,000		(10,000)	130,000	10,000
Series 7378-01	1,718,836	77,688	(90,000)	1,706,524	95,000
3.64% 2012B Water Meter Refunding Bonds (Limited Tax General Obligation); amount of issue - \$5,112,000	<u>4,331,337</u>		<u>(291,985)</u>	<u>4,039,352</u>	<u>233,116</u>
Total Water Fund	<u>34,809,483</u>	<u>202,571</u>	<u>(2,937,459)</u>	<u>32,074,595</u>	<u>2,978,590</u>

	Balance <u>July 1, 2015</u>	<u>*Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
Wastewater Fund:					
2.0% to 5.0% 2014 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$135,900; amount of issue - \$4,715,000	\$ 4,556,000	\$	\$ (385,100)	\$ 4,170,900	\$ 380,100
2.0% to 4.25% 2012 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$161,959; amount of issue - \$3,460,000	3,070,096		(328,137)	2,741,959	323,137
2.0% to 5.25% 2011B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$48,300; amount of issue - \$3,300,000	3,049,768		(68,068)	2,981,700	68,068
2.0% to 4.0% 2011 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$7,125,000	5,495,000		(590,000)	4,905,000	605,000
2.0% to 5.25% 2011 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$23,814; amount of issue - \$5,800,000	5,419,948		(146,134)	5,273,814	151,134
4.0% to 5.0% 2007B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$38,960; amount of issue - \$4,985,000	3,988,605		(152,565)	3,836,040	162,565
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$32,300; amount of issue - \$5,500,000	2,790,375		(518,075)	2,272,300	513,075
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	1,463,192		(280,000)	1,183,192	290,000
Series 5006-02	1,421,635		(220,000)	1,201,635	225,000
Series 5006-03	3,345,000	(298,880)	(525,000)	2,521,120	480,000
Series 5006-04	2,869,559		(380,000)	2,489,559	390,000
Series 5006-05	145,903		(20,000)	125,903	20,000
Series 5006-06	1,402,776		(160,000)	1,242,776	165,000
Series 5006-07	1,520,000		(175,000)	1,345,000	180,000
Series 5006-08	761,781		(75,000)	686,781	80,000
Series 5006-09	1,742,532		(160,000)	1,582,532	160,000
Series 5006-10	635,000		(60,000)	575,000	60,000
Series 5006-11	1,085,710		(90,000)	995,710	90,000
Series 5006-12	1,119,821		(85,000)	1,034,821	85,000
Series 5006-13	774,548		(65,000)	709,548	65,000
Series 5006-14	623,139		(55,000)	568,139	55,000
Series 5006-15	1,768,666		(125,000)	1,643,666	130,000
Series 5006-16	2,377,016	7,984	(135,000)	2,250,000	135,000
Series 5006-17	215,031	134,719	(25,000)	324,750	20,000
Series 5006-18	1,366,014		(70,000)	1,296,014	70,000
Series 5006-19	1,712,640		(80,000)	1,632,640	85,000
Series 5006-20	1,967,540	88,930	(100,000)	1,956,470	100,000
Series 5177-01	4,705,000		(540,000)	4,165,000	550,000
Series 5413-01	509,886		(20,000)	489,886	20,000
Total Wastewater Fund	<u>61,902,181</u>	<u>(67,247)</u>	<u>(5,633,079)</u>	<u>56,201,855</u>	<u>5,658,079</u>
Total business-type activities	<u>96,711,664</u>	<u>135,324</u>	<u>(8,570,538)</u>	<u>88,276,450</u>	<u>8,636,669</u>

	Balance July 1, 2015	*Additions	(Reductions)	Balance June 30, 2016	Due Within One Year
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	\$ 3,358,601	\$	\$ (203,563)	\$ 3,155,038	\$ 233,680
Claims and judgments payable	1,215,714	5,127,155	(5,199,536)	1,143,333	956,815
Compensated absences payable	<u>2,252,596</u>	<u>330,745</u>	<u>(302,516)</u>	<u>2,280,825</u>	<u>184,275</u>
Total governmental activities	<u>6,826,911</u>	<u>5,457,900</u>	<u>(5,705,615)</u>	<u>6,579,196</u>	<u>1,374,770</u>
Total	<u>\$103,538,575</u>	<u>\$ 5,593,224</u>	<u>\$(14,276,153)</u>	<u>\$ 94,855,646</u>	<u>\$10,011,439</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. Included in additions for Wastewater Fund Series 5006-17 is \$93,500 previously recognized as grant revenue. Included in additions for Water Fund Series 7275-01 is \$60,495 previously recognized as grant revenue.

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, 2016, the City's debt limit amounted to \$62,630,490 and indebtedness subject to the limitation totaled \$24,420,789 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$38,209,701. 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 \$16,681,966 (principal - \$10,808,844; interest - \$5,873,122). During the current year, net revenues of the system were \$4,124,566 compared to the annual debt requirements of \$1,475,087.

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, 2016, 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, 2016, the approved loans and amounts advanced to date for the DWRP and SRF programs were as follows:

Date	Type	Series	Approval Amount or Final Amount *	Advances	Projects
June 24, 1999	SRF	5006-01	\$ 5,288,192*	\$ 5,288,192	Indian Creek 2B Indian Creek 3
March 30, 2000	SRF	5006-02	4,336,635*	4,336,635	10 <sup>th</sup> Avenue Indian Creek 4
June 29, 2000	SRF	5006-03	9,171,120*	9,171,120	Peavey Area Beard Area-Industrial Park 16 <sup>th</sup> Street Pump Station 10 <sup>th</sup> Street Pump Station
March 29, 2001	SRF	5006-04	7,289,559*	7,289,559	Indian Creek 2C 7 <sup>th</sup> and 9 <sup>th</sup> 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 <sup>th</sup> and 9 <sup>th</sup> Area Military/Electric Area Rural Area
March 28, 2002	SRF	5006-06	3,157,776*	3,157,776	11 <sup>th</sup> Avenue Area Palmer Court Area

<u>Date</u>	<u>Type</u>	<u>Series</u>	<u>Approval Amount or Final Amount *</u>	<u>Advances</u>	<u>Projects</u>
March 28, 2002	DWRF	7110-01	\$ 3,434,976*	\$ 3,434,976	11 <sup>th</sup> 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 <sup>th</sup> Street Area
September 26, 2002	DWRF	7113-01	1,805,000*	1,805,000	4 <sup>th</sup> Street Area
March 27, 2003	SRF	5006-08	1,496,781*	1,496,781	Tunnel Street Area
March 27, 2003	DWRF	7105-01	1,585,336*	1,585,336	Tunnel Street Area
March 25, 2004	SRF	5006-09	3,197,532*	3,197,532	16 <sup>th</sup> Avenue Area 1
March 25, 2004	DWRF	7147-01	1,875,245*	1,875,245	16 <sup>th</sup> Avenue Area 1
June 24, 2004	DWRF	7132-01	501,230*	501,230	Woodstock Area 1
December 16, 2004	SRF	5006-10	1,170,000*	1,170,000	24 <sup>th</sup> Street Area
March 31, 2005	DWRF	7150-01	501,504*	501,504	24 <sup>th</sup> Street Area
March 31, 2005	SRF	5006-11	1,990,710*	1,990,710	16 <sup>th</sup> Avenue Area 2
March 31, 2005	DWRF	7167-01	1,751,036*	1,751,036	16 <sup>th</sup> 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 <sup>th</sup> Avenue Area 3
March 30, 2006	DWRF	7185-01	1,225,053*	1,225,053	16 <sup>th</sup> 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*	3,000,000	21 <sup>st</sup> Street Area Part 1
April 17, 2009**	DWRF	7275-01	2,546,258*	2,546,258	21 <sup>st</sup> Street Area Part 1
June 22, 2009**	SRF	5006-17	471,750*	471,750	21 <sup>st</sup> Street Area Part 1
June 29, 2009**	DWRF	7276-01	168,000*	168,000	Stone St-Glenwood/Lincoln
January 22, 2010**	SRF	5006-18	1,586,014*	1,586,014	Erie North Area
June 24, 2011	SRF	5006-19	1,992,640*	1,992,640	21 <sup>st</sup> Street Area Part 2
April 10, 2012	SRF	5413-01	549,886*	549,886	Clarifier and Pump
April 9, 2014	SRF	5006-20	2,535,000	2,056,470	Nern Street Area
April 9, 2014	DWRF	7378-01	<u>2,300,000</u>	<u>1,796,524</u>	Nern Street Area
Total			<u>\$102,718,360</u>	<u>\$101,736,354</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. All projects which received ARRA grants have been finalized as of June 30, 2016. The grant revenues recognized as of June 30, 2016, are as follows:

<u>Type</u>	<u>Series</u>		
SRF	5006-16	\$ 2,000,000	21 <sup>st</sup> Street Area Part 1
DWRF	7275-01	1,697,505	21 <sup>st</sup> Street Area Part 1
SRF	5006-17	314,500	21 <sup>st</sup> Street Area Part 1
DWRF	7276-01	112,000	Stone St-Glenwood/Lincoln
SRF	5006-18	<u>1,057,342</u>	Erie North Area
Total		<u>\$ 5,181,347</u>	

Recorded in the Enterprise Funds are general obligation bonds amounting to \$81,873,625 at June 30, 2016 for which the City's full faith and credit is pledged. Recorded in the Water Fund is a revenue bond in the amount of \$6,402,825 at June 30, 2016 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, 2016 are as follows:

	Business-Type Activities (Enterprise Funds)		
	Principal	Interest	Total
2017	\$ 8,636,669	\$ 2,667,475	\$ 11,304,144
2018	9,094,769	2,423,151	11,517,920
2019	9,332,918	2,167,519	11,500,437
2020	9,670,020	1,901,462	11,571,482
2021	8,176,575	1,675,370	9,851,945
2022-2026	25,667,907	5,521,060	31,188,967
2027-2031	9,076,879	3,098,228	12,175,107
2032-2036	4,904,674	1,617,864	6,522,538
2037-2041	<u>3,716,039</u>	<u>494,605</u>	<u>4,210,644</u>
	<u>\$ 88,276,450</u>	<u>\$ 21,566,734</u>	<u>\$ 109,843,184</u>

Recorded in the Internal Service Funds is a general obligation bond amounting to \$3,155,038 at June 30, 2016 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, 2016 are as follows:

	Governmental Activities (Internal Service Funds)		
	Principal	Interest	Total
2017	\$ 233,680	\$ 89,920	\$ 323,600
2018	250,214	83,259	333,473
2019	267,514	76,129	343,643
2020	285,614	68,504	354,118
2021	304,542	60,365	364,907
2022-2026	<u>1,813,474</u>	<u>159,955</u>	<u>1,973,429</u>
	<u>\$ 3,155,038</u>	<u>\$ 538,132</u>	<u>\$ 3,693,170</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 (\$9,910,076) 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, 2016 are summarized as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Commitment from Component Units:</b>				
Downtown Development - On behalf of payments from primary government:				
General Fund	\$ 551,166	\$	\$	\$ 551,166
Land Purchase Fund	<u>7,276,895</u>	<u>                    </u>	<u>(618,699)</u>	<u>6,658,196</u>
Total Downtown Development	<u>7,828,061</u>	<u>                    </u>	<u>(618,699)</u>	<u>7,209,362</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>1,091,683</u>	<u>                    </u>	<u>(344,742)</u>	<u>746,941</u>
Total Local Development Finance	<u>1,482,980</u>	<u>                    </u>	<u>(344,742)</u>	<u>1,138,238</u>
Brownfield Redevelopment Authority - On behalf of payments from primary government:				
Land Purchase Fund	<u>668,026</u>	<u>                    </u>	<u>(30,881)</u>	<u>637,145</u>
Total Commitment from Component Units	<u>\$ 12,010,724</u>	<u>\$ 0</u>	<u>\$ (994,322)</u>	<u>\$ 11,016,402</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, 2016, 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, 2016, taxes of approximately \$3.4 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 286 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, 2016 the City's annual Other Post Employment Benefit (OPEB) cost of \$3,075,690, when compared to the required contribution of \$2,689,768, resulted in a net OPEB asset of \$385,922. 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 or asset for the year ended June 30, 2016 and the two preceding years were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
2014	\$3,266,897	100.0%	\$0
2015	3,413,907	100.0%	0
2016	3,075,690	114.3%	(385,922)

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

Valuation as of June 30, 2015:  
(Dollar amounts in thousands)

Actuarial value of assets	\$ 14,441
Actuarial accrued liability (AAL)	\$ 51,551
Unfunded AAL (UAAL)	\$ 37,110
Funded ratio	28.0%
Annual covered payroll	\$ 13,913
UAAL as a percentage to covered payroll	266.7%

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, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term MERS investment return on plan assets and an annual health care cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after thirteen 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 a closed basis. The remaining amortization period at June 30, 2015, was twenty-two years.

## **NOTE L--DEFINED BENEFIT PENSION PLAN**

### **DESCRIPTION OF PLAN AND PLAN BENEFITS**

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS). As of June 30, 2016, 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 the employee's credited years of 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, 2015 (measurement date).

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. MERS is administered by a nine member Retirement Board. 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 of this defined benefit plan. That report may be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the city council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

## 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 \$3,716,779 for the year ended June 30, 2016 and is expected to be \$4,100,000 and \$4,900,000 for the years ending June 30, 2017, and 2018, respectively, based upon projected wages. During the year ended June 30, 2016 the City paid an additional contribution of \$500,000 (in excess of the required contribution) bringing the total contribution to \$4,216,779.

## ANNUAL PENSION COST

During the fiscal year ended June 30, 2016 contributions totaling \$4,768,648 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2013. The City contributed \$3,716,779 and employees contributed \$1,051,869. In addition, the City paid \$500,000 in excess of the required contribution, bringing the total City contribution to \$4,216,779 and the total overall contribution to \$5,268,648. Gross payroll subject to MERS for the year ended June 30, 2016, was \$13,674,382. 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 23 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 7.75% and annual salary increases of 3.75% 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 2.5%. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. Unfunded actuarial accrued liability is amortized by a level percent of payroll contributions on a closed amortization period over a twenty-three year period, if applicable. Over-funding is amortized over a ten year open period.

## FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2015, the most recent actuarial valuation date, the plan was 57.4 percent funded. The actuarial accrued liability for benefits was \$156.3 million, and the actuarial value of assets was \$89.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$66.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.8 million, and the ratio of the UAAL to the covered payroll was 482.2 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.

## EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	369
Inactive plan members entitled to but not yet receiving benefits	39
Active plan members	<u>229</u>
Total employees covered by MERS	<u>637</u>

## CONTRIBUTIONS

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees (including the defined benefit portion of the MERS Hybrid Plan).

For the year ended December 31, 2015, the average active employee contribution rate was 8.2 percent of annual pay, and the City's average contribution rate was 30.8 percent of annual payroll.

## PAYABLE TO THE PENSION PLAN

At June 30, 2016, the City of Port Huron reported a payable of \$356,037 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2016. Of this amount, \$277,738 was payable for the employer portion and \$78,299 was payable for amounts withheld from employees.

## NET PENSION LIABILITY

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in the Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	<u>\$ 138,162,238</u>	<u>\$ 83,382,504</u>	<u>\$ 54,779,734</u>
Changes for the year:			
Service cost	1,757,825		1,757,825
Interest	11,052,375		11,052,375
Differences between expected and actual experience	2,452,694		2,452,694
Changes in assumptions	6,844,224		6,844,224
Contributions – employer		4,502,550	(4,502,550)
Contributions – employee		1,138,153	(1,138,153)
Net investment income		(1,206,231)	1,206,231
Benefit payments, including refunds	(10,145,934)	(10,145,934)	
Administrative expenses		<u>(174,267)</u>	<u>174,267</u>
Net changes	<u>11,961,184</u>	<u>(5,885,729)</u>	<u>17,846,913</u>
Balances at December 31, 2015	<u>\$ 150,123,422</u>	<u>\$ 77,496,775</u>	<u>\$ 72,626,647</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016, the City of Port Huron recognized pension expense of \$9,367,075. At June 30, 2016, the City of Port Huron reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,839,521	\$
Changes in assumptions	5,133,168	
Net difference between projected and actual earnings on pension plan investments	7,226,128	
Employer contributions to the plan subsequent to the measurement date	<u>1,672,982</u>	
Total	<u>\$15,871,799</u>	<u>\$ 0</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30, 2017	\$ 4,206,788
Year ending June 30, 2018	4,206,788
Year ending June 30, 2019	4,206,788
Year ending June 30, 2020	1,578,453

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	In the long-term, including inflation
Investment rate of return	8.00%	Gross of pension plan administrative expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

- The RP-2014 Healthy Annuity Mortality Tables, which rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period from December 31, 2008 to December 31, 2013.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

PROJECTED CASH FLOWS

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.0%
Global Fixed Income	20.0%	2.2%
Real Assets	12.5%	4.2%
Diversifying Strategies	10.0%	6.6%

#### SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City of Port Huron, calculated using the discount rate of 8.0 percent, as well as what the City of Port Huron's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Net Pension Liability	<u>\$ 88,704,632</u>	<u>\$ 72,626,647</u>	<u>\$ 58,990,345</u>

#### PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmichigan.com](http://www.mersofmichigan.com). The Plan's fiduciary net position has been determined on the same basis used by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

#### 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, 2016</u>	Year ended <u>June 30, 2015</u>
Estimated liability, beginning of year	\$ 1,215,714	\$ 902,067
Estimated claims incurred including changes in estimates	5,127,155	6,071,706
Claim payments	<u>5,199,536</u>	<u>5,758,059</u>
Estimated liability, end of year	<u>\$ 1,143,333</u>	<u>\$ 1,215,714</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, 2016. The total contractual commitments outstanding as of June 30, 2016, aggregated approximately \$1.66 million. The City has sufficient funds available or has approved borrowings to cover these commitments.

#### **NOTE P--UPCOMING REPORTING CHANGES**

In June 2015, the Governmental Accounting Standards Board (GASB) issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pensions, addresses reporting by OPEB plans whereas GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. GASB 77 is effective for fiscal years beginning after December 15, 2015.

This page is intentionally left blank.

# FINANCIAL STATEMENTS

---

## REQUIRED SUPPLEMENTARY INFORMATION

City of Port Huron – post-employment health care benefits – Schedule of funding progress

City of Port Huron participation in agent multiple-employer plan – Municipal Employees’ Retirement System of Michigan (MERS):

Schedule of changes in the net pension liability and related ratios

Schedule of employer contributions

City of Port Huron

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

June 30, 2016

EXHIBIT B

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%
June 30, 2015	14,441	51,551	37,110	28.0%	13,913	266.7%

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 (Asset)</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
2015	3,414	3,166	248	0
2016	3,076	2,690	0	(386)

\* 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, 2015, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	22 years, closed
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Port Huron

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
 Last Two Fiscal Years

EXHIBIT B-1

	June 30, 2015	June 30, 2016
Total Pension Liability		
Service cost	\$ 1,788,178	\$ 1,757,825
Interest	10,882,714	11,052,375
Changes in benefit terms	(410)	
Differences between expected and actual experience		2,452,694
Changes in assumptions		6,844,224
Benefit payments, including refunds	(9,704,461)	(10,145,934)
Net change in total pension liability	<u>2,966,021</u>	<u>11,961,184</u>
Total pension liability - beginning of year	135,196,217	138,162,238
Total pension liability - end of year	<u><u>\$ 138,162,238</u></u>	<u><u>\$ 150,123,422</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 3,205,523	\$ 4,502,550
Contributions - employee	1,153,294	1,138,153
Net investment income	5,186,655	(1,206,231)
Benefit payments, including refunds	(9,704,461)	(10,145,934)
Administrative expenses	(188,311)	(174,267)
Other		
Net change in plan fiduciary net position	<u>(347,300)</u>	<u>(5,885,729)</u>
Plan fiduciary net position - beginning of year	83,729,804	83,382,504
Plan fiduciary net position - end of year	<u><u>\$ 83,382,504</u></u>	<u><u>\$ 77,496,775</u></u>
City's net pension liability - ending	<u><u>\$ 54,779,734</u></u>	<u><u>\$ 72,626,647</u></u>
Plan fiduciary net position as a percent of total pension liability	60.4%	51.6%
Covered employee payroll	\$ 13,913,491	\$ 13,674,382
City's net pension liability as a percent of covered employee payroll	393.7%	531.1%

City of Port Huron

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

EXHIBIT B-2

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Actuarial determined contribution	\$ 2,238,704	\$ 2,208,835	\$ 2,180,471	\$ 2,257,795
Contributions in relation to the actuarially determined contribution	<u>2,238,704</u>	<u>2,208,835</u>	<u>2,180,471</u>	<u>2,257,795</u>
Contributions deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 17,938,786	\$ 16,224,287	\$ 15,028,174	\$ 14,589,057
Contributions as a percentage of covered employee payroll	12.5%	13.6%	14.5%	15.5%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2016 were determined based on the actuarial valuation as of December 31, 2013. The most recent valuation is as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	8.00%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	50 percent male and 50 percent female blend used for RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105%), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend.
Other information	None

<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
\$ 2,646,604	\$ 2,489,132	\$ 2,779,836	\$ 2,941,737	\$ 3,709,560	\$ 3,716,779
<u>2,646,604</u>	<u>2,489,132</u>	<u>2,779,836</u>	<u>2,941,737</u>	<u>3,709,560</u>	<u>4,216,779</u>
<u>\$ 0</u>	<u>\$ (500,000)</u>				
\$ 14,616,197	\$ 13,840,815	\$ 13,711,611	\$ 13,775,289	\$ 13,913,491	\$ 13,674,382
18.1%	18.0%	20.3%	21.4%	26.7%	30.8%

This page is intentionally left blank.

# 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. Revenue 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, 2016

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets						
Cash and cash equivalents	\$ 54,571	\$ 406,629	\$ 312,500	\$ 38,791	\$ 2,033,052	\$ 150
Investments						
Receivables	35,876		1,318	3,288		
Due from other governmental units						60,707
Due from other funds			119,202			
<b>Total Assets</b>	<b>\$ 90,447</b>	<b>\$ 406,629</b>	<b>\$ 433,020</b>	<b>\$ 42,079</b>	<b>\$ 2,033,052</b>	<b>\$ 60,857</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$	\$ 2,201	\$ 8,475	\$ 5,812	\$ 1,000	\$ 6,145
Accrued payroll	9,603		1,119	23,696		7,454
Contracts payable					468,609	3,060
Due to other funds						44,198
Unearned revenue			400		992,780	
Other liabilities	29,500					
<b>Total Liabilities</b>	<b>39,103</b>	<b>2,201</b>	<b>9,994</b>	<b>29,508</b>	<b>1,462,389</b>	<b>60,857</b>
Fund balances:						
Nonspendable:						
Endowments						
Restricted:						
Law enforcement		404,428				
Rubbish and garbage collection			423,026			
Loan revolving					570,663	
Streetscape maintenance						
Committed:						
Subsequent year's expenditures				12,571		
Other	51,344					
<b>Total Fund Balances</b>	<b>51,344</b>	<b>404,428</b>	<b>423,026</b>	<b>12,571</b>	<b>570,663</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 90,447</b>	<b>\$ 406,629</b>	<b>\$ 433,020</b>	<b>\$ 42,079</b>	<b>\$ 2,033,052</b>	<b>\$ 60,857</b>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2016	June 30, 2015
\$	\$	\$ 65,388	\$ 4,805	\$ 22,686	\$ 2,938,572	\$ 2,102,034
				7,766,890	7,766,890	7,320,307
				27,129	67,611	74,818
76,300					137,007	70,136
					119,202	58,468
<u>\$ 76,300</u>	<u>\$</u>	<u>\$ 65,388</u>	<u>\$ 4,805</u>	<u>\$ 7,816,705</u>	<u>\$ 11,029,282</u>	<u>\$ 9,625,763</u>
\$	\$	\$ 6,262	\$ 167	\$	\$ 30,062	\$ 27,887
1,296					43,168	40,204
					471,669	
75,004					119,202	58,468
					993,180	3,100
				105,175	134,675	153,160
<u>76,300</u>	<u></u>	<u>6,262</u>	<u>167</u>	<u>105,175</u>	<u>1,791,956</u>	<u>282,819</u>
				7,711,530	7,711,530	7,288,382
					404,428	407,830
					423,026	265,198
					570,663	1,100,000
		59,126			59,126	65,831
			1,500		14,071	121,369
			3,138		54,482	94,334
		<u>59,126</u>	<u>4,638</u>	<u>7,711,530</u>	<u>9,237,326</u>	<u>9,342,944</u>
<u>\$ 76,300</u>	<u>\$ 0</u>	<u>\$ 65,388</u>	<u>\$ 4,805</u>	<u>\$ 7,816,705</u>	<u>\$ 11,029,282</u>	<u>\$ 9,625,763</u>

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	\$	\$	\$ 1,573,198	\$	\$	\$
Grants		3,925			7,220	678,198
State shared revenue			63,082			
Charges for services	243,057	55,167	270,175	119,343		12,951
Investment income:						
Interest and dividends					1,921	
Net increase (decrease) in fair value of investments						
Total Revenues	<u>243,057</u>	<u>59,092</u>	<u>1,906,455</u>	<u>119,343</u>	<u>9,141</u>	<u>691,149</u>
Expenditures:						
Current:						
Public safety		33,037				
Public works			1,748,627	477,777		
General support services	237,713				7,291	113,312
Interest expense					4	
Capital outlay		29,457		50,668	531,183	577,837
Total Expenditures	<u>237,713</u>	<u>62,494</u>	<u>1,748,627</u>	<u>528,445</u>	<u>538,478</u>	<u>691,149</u>
Revenue over (under) Expenditures	<u>5,344</u>	<u>(3,402)</u>	<u>157,828</u>	<u>(409,102)</u>	<u>(529,337)</u>	
Other financing sources (uses):						
Transfers in				256,466		
Transfers out						
				<u>256,466</u>		
Net change in fund balances	5,344	(3,402)	157,828	(152,636)	(529,337)	
Fund balances at beginning of year	46,000	407,830	265,198	165,207	1,100,000	
<b>FUND BALANCES AT END OF YEAR</b>	<u><u>\$ 51,344</u></u>	<u><u>\$ 404,428</u></u>	<u><u>\$ 423,026</u></u>	<u><u>\$ 12,571</u></u>	<u><u>\$ 570,663</u></u>	<u><u>\$ 0</u></u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2016	June 30, 2015
\$ 510,704	\$ 42	\$ 26,777	\$ 1,200	\$ 42,920	\$ 1,573,198	\$ 1,579,428
				256,466	1,200,089	918,765
				380,228	63,082	
				679,614	771,590	1,634,223
					258,387	246,942
					380,228	59,228
<u>510,704</u>	<u>42</u>	<u>26,777</u>	<u>1,200</u>	<u>679,614</u>	<u>4,246,574</u>	<u>4,438,586</u>
					33,037	24,587
26,761	42	33,482	4,358		2,259,886	2,239,024
483,943					389,477	428,387
<u>510,704</u>	<u>42</u>	<u>33,482</u>	<u>4,358</u>		4	
					1,673,088	783,454
					<u>4,355,492</u>	<u>3,475,452</u>
		(6,705)	(3,158)	679,614	(108,918)	963,134
			3,300		259,766	250,242
				(256,466)	(256,466)	(246,942)
			3,300	(256,466)	3,300	3,300
		(6,705)	142	423,148	(105,618)	966,434
		65,831	4,496	7,288,382	9,342,944	8,376,510
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,126</u>	<u>\$ 4,638</u>	<u>\$ 7,711,530</u>	<u>\$ 9,237,326</u>	<u>\$ 9,342,944</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, 2016

EXHIBIT C-2

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>RENTAL CERTIFICATION:</b>				
Revenues:				
Charges for services	\$ 234,000	\$ 244,000	\$ 243,057	\$ (943)
Expenditures:				
Current:				
General support services	235,345	255,345	237,713	17,632
Revenues over (under) Expenditures	(1,345)	(11,345)	5,344	16,689
Fund balance at beginning of year	46,000	46,000	46,000	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 44,655</b>	<b>\$ 34,655</b>	<b>\$ 51,344</b>	<b>\$ 16,689</b>
<b>LAW ENFORCEMENT:</b>				
Revenues:				
Grants	\$ 95,000	\$ 95,000	\$ 3,925	\$ 3,925
Charges for services	95,000	95,000	55,167	(39,833)
Total Revenues	95,000	95,000	59,092	(35,908)
Expenditures:				
Current:				
Public safety	35,000	35,000	33,037	1,963
Capital outlay	85,000	85,000	29,457	55,543
Total Expenditures	120,000	120,000	62,494	57,506
Revenues over (under) Expenditures	(25,000)	(25,000)	(3,402)	21,598
Fund balance at beginning of year	407,830	407,830	407,830	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 382,830</b>	<b>\$ 382,830</b>	<b>\$ 404,428</b>	<b>\$ 21,598</b>
<b>RUBBISH AND GARBAGE COLLECTION:</b>				
Revenues:				
Taxes	\$ 1,570,000	\$ 1,570,000	\$ 1,573,198	\$ 3,198
State shared revenue			63,082	63,082
Charges for services	250,000	250,000	270,175	20,175
Total Revenues	1,820,000	1,820,000	1,906,455	86,455
Expenditures:				
Current:				
Public works	1,789,445	1,789,445	1,748,627	40,818
Revenues over (under) Expenditures	30,555	30,555	157,828	127,273
Fund balance at beginning of year	265,198	265,198	265,198	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 295,753</b>	<b>\$ 295,753</b>	<b>\$ 423,026</b>	<b>\$ 127,273</b>

(Continued on next page)

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT C-2  
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>CEMETERY:</b>				
Revenues:				
Charges for services	\$ 175,000	\$ 175,000	\$ 119,343	\$ (55,657)
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>119,343</u>	<u>(55,657)</u>
Expenditures:				
Current:				
Public works	491,524	491,524	477,777	13,747
Capital outlay	57,000	57,000	50,668	6,332
Total Expenditures	<u>548,524</u>	<u>548,524</u>	<u>528,445</u>	<u>20,079</u>
Revenues over (under) Expenditures	(373,524)	(373,524)	(409,102)	(35,578)
Other financing sources (uses):				
Transfers in	255,000	255,000	256,466	1,466
Net change in fund balances	(118,524)	(118,524)	(152,636)	(34,112)
Fund balance at beginning of year	165,207	165,207	165,207	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 46,683</u></u>	<u><u>\$ 46,683</u></u>	<u><u>\$ 12,571</u></u>	<u><u>\$ (34,112)</u></u>
<b>LOAN REVOLVING:</b>				
Revenues:				
Grants	\$	\$	\$ 7,220	\$ 7,220
Interest income			1,921	1,921
Total Revenues	<u></u>	<u></u>	<u>9,141</u>	<u>9,141</u>
Expenditures:				
Current:				
General support services	750,000	10,000	7,290	2,710
Interest expense		5,000	4	4,996
Capital outlay	350,000	1,085,000	531,184	553,816
Total Expenditures	<u>1,100,000</u>	<u>1,100,000</u>	<u>538,478</u>	<u>561,522</u>
Revenues over Expenditures	(1,100,000)	(1,100,000)	(529,337)	570,663
Fund balance at beginning of year	1,100,000	1,100,000	1,100,000	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 570,663</u></u>	<u><u>\$ 570,663</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, 2016

EXHIBIT C-2  
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>COMMUNITY DEVELOPMENT BLOCK GRANT:</b>				
Revenues:				
Grants	\$ 691,187	\$ 991,187	\$ 678,198	\$ (312,989)
Charges for services			12,951	12,951
Total Revenues	<u>691,187</u>	<u>991,187</u>	<u>691,149</u>	<u>(300,038)</u>
Expenditures:				
Current:				
General support services	138,267	138,267	113,312	24,955
Capital outlay	552,920	852,920	577,837	275,083
Total Expenditures	<u>691,187</u>	<u>991,187</u>	<u>691,149</u>	<u>300,038</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>HOME:</b>				
Revenues:				
Grants	\$ 171,959	\$ 796,959	\$ 510,704	\$ (286,255)
Expenditures:				
Current:				
General support services	20,457	30,000	26,761	3,239
Capital outlay	151,502	766,959	483,943	283,016
Total Expenditures	<u>171,959</u>	<u>796,959</u>	<u>510,704</u>	<u>286,255</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>NEIGHBORHOOD REHABILITATION</b>				
Revenues:				
Grants	\$ 60,000	\$ 60,000	\$ 42	\$ (59,958)
Expenditures:				
Current:				
General support services		1,000	42	958
Capital outlay	60,000	59,000		59,000
Total Expenditures	<u>60,000</u>	<u>60,000</u>	<u>42</u>	<u>59,958</u>
Revenues over Expenditures				
Fund balance at beginning of year				
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

(Continue 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, 2016

EXHIBIT C-2  
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
<b>STREETSCAPE MAINTENANCE:</b>				
Revenues:				
Charges for services	\$ 25,175	\$ 25,175	\$ 26,777	\$ 1,602
Expenditures:				
Current:				
Public works	42,700	42,700	33,482	9,218
Capital outlay	7,300	7,300		7,300
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>33,482</u>	<u>16,518</u>
Revenues over Expenditures	(24,825)	(24,825)	(6,705)	18,120
Fund balance at beginning of year	<u>65,831</u>	<u>65,831</u>	<u>65,831</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 41,006</u></u>	<u><u>\$ 41,006</u></u>	<u><u>\$ 59,126</u></u>	<u><u>\$ 18,120</u></u>
<b>BEAUTIFICATION COMMISSION:</b>				
Revenues:				
Charges for services	\$ 2,500	\$ 2,500	\$ 1,200	\$ (1,300)
Expenditures:				
Current:				
General support services	7,300	7,300	4,358	2,942
Revenues over (under) Expenditures	(4,800)	(4,800)	(3,158)	1,642
Other financing sources (uses):				
Transfers in	3,300	3,300	3,300	
Net change in fund balances	(1,500)	(1,500)	142	1,642
Fund balance at beginning of year	<u>4,496</u>	<u>4,496</u>	<u>4,496</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 2,996</u></u>	<u><u>\$ 2,996</u></u>	<u><u>\$ 4,638</u></u>	<u><u>\$ 1,642</u></u>

This page is intentionally left blank.

# FINANCIAL STATEMENTS

---

## NONMAJOR ENTERPRISE FUNDS

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

Parking Fund - The operation of the City's metered parking lots are accounted for in this fund.

Senior Citizens Fund - The rental operations related to senior citizens housing previously owned by the City of Port Huron were recorded in this fund. Grandview Tower, which 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 has used 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, 2016

EXHIBIT D

ASSETS	<u>Parking</u>	<u>Senior Citizens</u>	<u>Marina</u>
Current assets:			
Cash and cash equivalents	\$ 163,789	\$	\$ 288,868
Accounts receivable (net of allowances for uncollectibles)			22,901
Due from other governmental units			
Prepaid expenses			
Total Current Assets	<u>163,789</u>		<u>311,769</u>
Capital assets:			
Land	861,665		702,513
Land improvements	783,013		285,203
Buildings			176,947
Equipment	<u>3,370</u>		<u>1,032,906</u>
	1,648,048		2,197,569
Less accumulated depreciation	<u>219,752</u>		<u>1,159,409</u>
Total Capital Assets	<u>1,428,296</u>		<u>1,038,160</u>
Total Assets	<u>1,592,085</u>		<u>1,349,929</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,041		6,382
Accrued payroll	4,609		688
Contracts payable	<u>2,965</u>		<u>3,431</u>
Total Current Liabilities	<u>9,615</u>		<u>10,501</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,428,296		1,038,160
Unrestricted	<u>154,174</u>		<u>301,268</u>
Total Net Position	<u>\$ 1,582,470</u>	<u>\$ 0</u>	<u>\$ 1,339,428</u>

Totals

June 30, 2016	June 30, 2015
\$ 452,657	\$ 2,870,031
22,901	38,751
	45,303
475,558	2,954,085
1,564,178	1,564,178
1,068,216	487,033
176,947	176,947
1,036,276	1,036,276
3,845,617	3,264,434
1,379,161	1,323,048
2,466,456	1,941,386
2,942,014	4,895,471
8,423	7,142
5,297	777
6,396	28,092
20,116	36,011
2,466,456	1,941,386
455,442	2,918,074
\$ 2,921,898	\$ 4,859,460

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT D-1

	Parking	Senior Citizens	Marina
Operating revenues:			
Charges for services	\$ 45,258	\$	\$
Rents			22,961
Total Operating Revenues	<u>45,258</u>		<u>22,961</u>
Operating expenses:			
Personal services	30,641		8,197
Supplies and materials	14,940		2,042
Contractual services	78,443		175,241
Depreciation	20,016		36,097
Total Operating Expenses	<u>144,040</u>		<u>221,577</u>
Operating Income (Loss)	<u>(98,782)</u>		<u>(198,616)</u>
Nonoperating revenue (expenses):			
Investment income		2,241	
Operating grants			7,828
Gain (loss) on sale of property and equipment			
		<u>2,241</u>	<u>7,828</u>
Income (Loss) Before Capital Contributions and Operating Transfers	(98,782)	2,241	(190,788)
Capital Contributions:			
Grants and contributions received	581,183		
Income (Loss) Before Transfers	<u>482,401</u>	<u>2,241</u>	<u>(190,788)</u>
Transfers in (out):			
Transfers in	90,000		
Transfers out		(2,321,416)	
	<u>90,000</u>	<u>(2,321,416)</u>	
Change in Net Position	572,401	(2,319,175)	(190,788)
Net position at beginning of year	<u>1,010,069</u>	<u>2,319,175</u>	<u>1,530,216</u>
NET POSITION AT END OF YEAR	<u>\$ 1,582,470</u>	<u>\$ 0</u>	<u>\$ 1,339,428</u>

Totals

June 30, 2016	June 30, 2015
\$ 45,258	\$ 44,178
22,961	41,247
68,219	85,425
38,838	36,451
16,982	7,867
253,684	221,667
56,113	36,360
365,617	302,345
(297,398)	(216,920)
2,241	2,912
7,828	3,453
10,069	25
(287,329)	6,390
581,183	(210,530)
293,854	(210,530)
90,000	150,000
(2,321,416)	(2,400,000)
(2,231,416)	(2,250,000)
(1,937,562)	(2,460,530)
4,859,460	7,319,990
\$ 2,921,898	\$ 4,859,460

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT D-2

	Parking	Senior Citizens	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 45,258	\$	\$ 38,811
Payments to suppliers for goods and services	(77,667)		(131,550)
Payments to employees for services	(26,169)		(8,149)
Payments connected with interfund services	(11,595)		(24,966)
Net cash provided by (used in) operating activities	<u>(70,173)</u>		<u>(125,854)</u>
Cash flows from noncapital financing activities:			
Operating grants received			7,828
Transfers in	90,000		
Transfers out		(2,321,416)	
Net cash provided by (used in) noncapital financing activities	<u>90,000</u>	<u>(2,321,416)</u>	<u>7,828</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets			
Proceeds from sale of property and equipment			
Net cash provided by (used in) capital and related financing activities			
Cash flows from investing activities:			
Proceeds from sales and maturities of investments			
Investment income		2,241	
Net cash provided by (used in) investing activities		<u>2,241</u>	
Net increase (decrease) in cash and cash equivalents	19,827	(2,319,175)	(118,026)
Cash and cash equivalents at beginning of year	<u>143,962</u>	<u>2,319,175</u>	<u>406,894</u>
Cash and cash equivalents at end of year	<u>\$ 163,789</u>	<u>\$ 0</u>	<u>\$ 288,868</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (98,782)	\$	\$ (198,616)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	20,016		36,097
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables			15,850
Decrease (increase) in prepaid expenses			45,303
Increase (decrease) in accounts payable	1,728		(447)
Increase (decrease) in accrued payroll	4,472		48
Increase (decrease) in contracts payable	2,393		(24,089)
Total Adjustments	<u>28,609</u>		<u>72,762</u>
Net cash provided by (used in) operating activities	<u>\$ (70,173)</u>	<u>\$ 0</u>	<u>\$ (125,854)</u>

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2016, infrastructure improvements with an estimated value of \$581,183 were constructed and subsequently donated to the Parking Fund. Of these infrastructure improvements, \$531,183 were funded by the Loan Revolving Fund and \$50,000 were funded by the Mainstreet DDA (a Component Unit).

Totals

June 30, 2016	June 30, 2015
\$ 84,069	\$ 53,885
(209,217)	(211,865)
(34,318)	(38,000)
(36,561)	(40,645)
(196,027)	(236,625)
7,828	57,549
90,000	150,000
(2,321,416)	(2,400,000)
(2,223,588)	(2,192,451)
	(7,560)
	25
	(7,535)
2,241	2,912
2,241	2,912
(2,417,374)	(2,433,699)
2,870,031	5,303,730
\$ 452,657	\$ 2,870,031
\$ (297,398)	\$ (216,920)
56,113	36,360
15,850	(31,540)
45,303	(18,599)
1,281	(423)
4,520	(1,549)
(21,696)	(3,954)
101,371	(19,705)
\$ (196,027)	\$ (236,625)

This page is intentionally left blank.

# FINANCIAL STATEMENTS

---

## INTERNAL SERVICE FUNDS

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

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

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

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

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

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

City of Port Huron

**INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET POSITION**

June 30, 2016

EXHIBIT E

ASSETS	Central Stores	Motor Vehicle	Data Processing
Current assets:			
Cash and cash equivalents	\$ 8,653	\$ 1,114,877	\$ 202,560
Accounts receivable	5,862	204	
Due from other governmental units			
Inventories	23,100	233,155	17,031
Prepaid items			6,760
Total Current Assets	<u>37,615</u>	<u>1,348,236</u>	<u>226,351</u>
Noncurrent assets:			
OPEB asset			
Capital assets:			
Land improvements		1,824,924	
Machinery and equipment	33,973	258,788	468,237
Vehicles		6,574,626	
	<u>33,973</u>	<u>8,658,338</u>	<u>468,237</u>
Less accumulated depreciation	19,660	5,638,890	320,843
Total Capital Assets	<u>14,313</u>	<u>3,019,448</u>	<u>147,394</u>
Total Noncurrent Assets	<u>14,313</u>	<u>3,019,448</u>	<u>147,394</u>
Total Assets	<u>51,928</u>	<u>4,367,684</u>	<u>373,745</u>
DEFERRED OUTFLOWS OF RESOURCES - Pension		476,154	317,435
LIABILITIES			
Current liabilities:			
Accounts payable	3,676	38,051	5,568
Accrued payroll		26,831	22,313
Accrued interest payable			
Current portion of long-term debt			
Claims and judgments payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	<u>3,676</u>	<u>64,882</u>	<u>27,881</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)			
Net pension liability		2,178,800	1,452,527
Total Noncurrent Liabilities		<u>2,178,800</u>	<u>1,452,527</u>
Total liabilities	<u>3,676</u>	<u>2,243,682</u>	<u>1,480,408</u>
NET POSITION			
Net investment in capital assets	14,313	3,019,448	147,394
Unrestricted	33,939	(419,292)	(936,622)
Total Net Position	<u>\$ 48,252</u>	<u>\$ 2,600,156</u>	<u>\$ (789,228)</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2016	June 30, 2015
\$ 324,247	\$ 4,767,167	\$ 6,417,504	\$ 6,958,212
	626,600	632,666	1,064,759
	125,129	125,129	101,852
		273,286	253,838
		6,760	
<u>324,247</u>	<u>5,518,896</u>	<u>7,455,345</u>	<u>8,378,661</u>
	385,922	385,922	
		1,824,924	1,824,924
4,007,802		4,768,800	4,750,800
		6,574,626	6,109,533
<u>4,007,802</u>		<u>13,168,350</u>	<u>12,685,257</u>
992,279		6,971,672	6,243,519
<u>3,015,523</u>		<u>6,196,678</u>	<u>6,441,738</u>
<u>3,015,523</u>	<u>385,922</u>	<u>6,582,600</u>	<u>6,441,738</u>
<u>3,339,770</u>	<u>5,904,818</u>	<u>14,037,945</u>	<u>14,820,399</u>
		793,589	
	6,444	53,739	73,046
	451,468	500,612	483,437
79,327		79,327	106,679
233,680		233,680	203,563
	956,815	956,815	829,041
	184,275	184,275	149,082
<u>313,007</u>	<u>1,599,002</u>	<u>2,008,448</u>	<u>1,844,848</u>
2,921,358		2,921,358	3,155,038
	186,518	186,518	386,673
	2,096,550	2,096,550	2,103,514
		3,631,327	
<u>2,921,358</u>	<u>2,283,068</u>	<u>8,835,753</u>	<u>5,645,225</u>
<u>3,234,365</u>	<u>3,882,070</u>	<u>10,844,201</u>	<u>7,490,073</u>
(139,515)		3,041,640	3,083,137
244,920	2,022,748	945,693	4,247,189
<u>\$ 105,405</u>	<u>\$ 2,022,748</u>	<u>\$ 3,987,333</u>	<u>\$ 7,330,326</u>

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 100,677	\$ 2,270,009	\$ 636,021
Operating expenses:			
Personal services	11,330	2,204,829	1,549,814
Supplies and materials	24,658	222,325	55,613
Contractual services	46,933	529,056	161,352
Depreciation	1,633	602,285	53,688
Total Operating Expenses	84,554	3,558,495	1,820,467
Operating Income (Loss)	16,123	(1,288,486)	(1,184,446)
Nonoperating revenues (expenses):			
Investment income			
Interest expense			
Gain on sale of property and equipment		39,090	
Total Nonoperating Revenues		39,090	
Income (Loss) Before Capital Contributions and Operating Transfers	16,123	(1,249,396)	(1,184,446)
Capital contributions:			
Grants and contributions received		50,000	
Income (Loss) Before Transfers	16,123	(1,199,396)	(1,184,446)
Transfers in (out):			
Transfer in			
Change in Net Position	16,123	(1,199,396)	(1,184,446)
Net position at beginning of year	32,129	3,799,552	395,218
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 48,252</b>	<b>\$ 2,600,156</b>	<b>\$ (789,228)</b>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2016	June 30, 2015
\$ 330,000	\$ 10,356,714	\$ 13,693,421	\$ 13,039,916
	10,815,451	14,581,424	11,974,516
	4,983	307,579	439,125
	632,291	1,369,632	1,535,926
200,390		857,996	827,386
200,390	11,452,725	17,116,631	14,776,953
129,610	(1,096,011)	(3,423,210)	(1,737,037)
	59,496	59,496	51,872
(68,369)		(68,369)	(161,291)
		39,090	13,035
(68,369)	59,496	30,217	(96,384)
61,241	(1,036,515)	(3,392,993)	(1,833,421)
		50,000	
61,241	(1,036,515)	(3,342,993)	(1,833,421)
			300,000
61,241	(1,036,515)	(3,342,993)	(1,533,421)
44,164	3,059,263	7,330,326	8,863,747
\$ 105,405	\$ 2,022,748	\$ 3,987,333	\$ 7,330,326

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows operating activities:			
Receipts from customers	\$ 94,815	\$ 2,270,370	\$ 636,236
Payments to suppliers for goods and services	(53,300)	(634,901)	(157,824)
Payments to employees for services	(11,330)	(499,591)	(410,323)
Payments connected with interfund services	(11,106)	(145,073)	(64,072)
Net cash provided by (used in) operating activities	<u>19,079</u>	<u>990,805</u>	<u>4,017</u>
Cash flows from noncapital financing activities:			
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	(14,608)	(553,902)	(44,426)
Principal payment on long-term debt			
Interest paid			
Proceeds from sale of equipment		39,090	
Capital contributions		50,000	
Net cash provided by (used in) capital and related financial activities	<u>(14,608)</u>	<u>(464,812)</u>	<u>(44,426)</u>
Cash flows from investing activities:			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	4,471	525,993	(40,409)
Cash and cash equivalents at beginning of year	<u>4,182</u>	<u>588,884</u>	<u>242,969</u>
Cash and cash equivalents at end of year	<u>\$ 8,653</u>	<u>\$ 1,114,877</u>	<u>\$ 202,560</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	<u>\$ 16,123</u>	<u>\$ (1,288,486)</u>	<u>\$ (1,184,446)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,633	602,285	53,688
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable	(5,862)	361	215
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	4,027	(29,486)	6,011
Decrease (increase) in prepaid expenses			(6,760)
Decrease (increase) in OPEB assets			
Decrease (increase) in deferred outflows of resources		(476,154)	(317,435)
Increase (decrease) in accounts payable	3,158	893	(4,182)
Increase (decrease) in accrued payroll		2,592	4,399
Increase (decrease) in claims and judgments payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in net pension liability		2,178,800	1,452,527
Total adjustments	<u>2,956</u>	<u>2,279,291</u>	<u>1,188,463</u>
Net cash provided by (used in) operating activities	<u>\$ 19,079</u>	<u>\$ 990,805</u>	<u>\$ 4,017</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2016	June 30, 2015
\$ 330,000	\$ 10,770,816	\$ 14,102,237	\$ 13,115,790
	(637,274)	(1,483,299)	(1,740,036)
	(11,254,517)	(12,175,761)	(11,707,043)
		(220,251)	(226,979)
<u>330,000</u>	<u>(1,120,975)</u>	<u>222,926</u>	<u>(558,268)</u>
			300,000
			<u>300,000</u>
		(612,936)	(392,358)
(203,563)		(203,563)	(123,637)
(95,721)		(95,721)	(166,771)
		39,090	13,035
		50,000	
<u>(299,284)</u>		<u>(823,130)</u>	<u>(669,731)</u>
	59,496	59,496	51,872
	<u>59,496</u>	<u>59,496</u>	<u>51,872</u>
30,716	(1,061,479)	(540,708)	(876,127)
293,531	5,828,646	6,958,212	7,834,339
<u>\$ 324,247</u>	<u>\$ 4,767,167</u>	<u>\$ 6,417,504</u>	<u>\$ 6,958,212</u>
<u>\$ 129,610</u>	<u>\$ (1,096,011)</u>	<u>\$ (3,423,210)</u>	<u>\$ (1,737,037)</u>
200,390		857,996	827,386
	437,379	432,093	91,130
	(23,277)	(23,277)	(15,256)
		(19,448)	17,583
		(6,760)	
	(385,922)	(385,922)	
	(19,176)	(793,589)	
	10,184	(19,307)	421
	(72,381)	17,175	38,295
	28,229	(72,381)	313,647
		28,229	(94,437)
		3,631,327	
<u>200,390</u>	<u>(24,964)</u>	<u>3,646,136</u>	<u>1,178,769</u>
<u>\$ 330,000</u>	<u>\$ (1,120,975)</u>	<u>\$ 222,926</u>	<u>\$ (558,268)</u>

This page is intentionally left blank.

# FINANCIAL STATEMENTS

---

## FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity for others and therefore cannot be used to support the City's own programs. The 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, 2016

EXHIBIT F

	Trust Funds			
	Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$	\$	\$
Interest in pooled investments	14,794,297	247,797	25,445	25,975
		14,441,010		
Total Assets	\$ 14,794,297	\$ 14,688,807	\$ 25,445	\$ 25,975
<b>LIABILITIES</b>				
Accounts Payable	385,922			
<b>NET POSITION</b>				
Net position - restricted for OPEB and senior citizens	\$ 14,408,375	\$ 14,688,807	\$ 25,445	\$ 25,975

City of Port Huron

**FIDUCIARY FUNDS -  
STATEMENT OF CHANGES IN NET POSITION**  
Year Ended June 30, 2016

EXHIBIT F-1

	Trust Funds			
	Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Additions:</b>				
Investment income (loss)	\$ 105,490	\$ 407,417	\$ 70	\$ 25
Employer contributions	2,564,639	3,413,907		
<b>Total Additions</b>	<b>2,670,129</b>	<b>3,821,324</b>	<b>70</b>	<b>25</b>
<b>Deductions:</b>				
Personal services	2,950,561	3,166,110		
Supplies and materials			600	600
<b>Total Deductions</b>	<b>2,950,561</b>	<b>3,166,110</b>	<b>600</b>	<b>600</b>
<b>Change in Net Position</b>	<b>(280,432)</b>	<b>655,214</b>	<b>(530)</b>	<b>(575)</b>
Net position at beginning of year	14,688,807	14,033,593	25,975	26,550
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 14,408,375</b>	<b>\$ 14,688,807</b>	<b>\$ 25,445</b>	<b>\$ 25,975</b>

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT F-2

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,762	\$ 27,798,879	\$ 27,771,697	\$ 36,944
<b>LIABILITIES</b>				
Due to other governmental units	\$ 1,994	\$ 17,768,963	\$ 17,770,487	\$ 470
Taxes collected in advance	7,768	36,474	7,768	36,474
<b>TOTAL LIABILITIES</b>	<b>\$ 9,762</b>	<b>\$ 17,805,437</b>	<b>\$ 17,778,255</b>	<b>\$ 36,944</b>

# 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.

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS -  
TAX INCREMENT AUTHORITIES - COMBINING BALANCE SHEET SCHEDULE**  
June 30, 2016

EXHIBIT G

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 274,620	\$ 133,634	\$	\$ 264,374	\$ 672,628
Receivables	11,742	8		959	12,709
Total Assets	<u>\$ 286,362</u>	<u>\$ 133,642</u>	<u>\$ 0</u>	<u>\$ 265,333</u>	<u>\$ 685,337</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 15,650	\$ 96,194	\$	\$ 253,509	\$ 365,353
Unearned revenue	25,000				25,000
Total Liabilities	<u>40,650</u>	<u>96,194</u>	<u></u>	<u>253,509</u>	<u>390,353</u>
Fund balances:					
Committed:					
Subsequent year's expenditures	177,850	36,000			213,850
Unrestricted	67,862	1,448		11,824	81,134
Total Fund Balances	<u>245,712</u>	<u>37,448</u>	<u></u>	<u>11,824</u>	<u>294,984</u>
Total Liabilities and Fund Balances	<u>\$ 286,362</u>	<u>\$ 133,642</u>	<u>\$ 0</u>	<u>\$ 265,333</u>	<u>\$ 685,337</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, 2016

EXHIBIT G-1

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
Revenues:					
Taxes	\$ 717,722	\$ 1,276,163	\$ 372,839	\$ 290,163	\$ 2,656,887
Charges for services	96,783				96,783
Total Revenues	<u>814,505</u>	<u>1,276,163</u>	<u>372,839</u>	<u>290,163</u>	<u>2,753,670</u>
Expenditures:					
Current:					
Taxes disbursed - not captured		1,181,992			1,181,992
General support services	132,051	151,432	28,097	253,538	565,118
Capital outlay	150,000				150,000
Total Expenditures	<u>282,051</u>	<u>1,333,424</u>	<u>28,097</u>	<u>253,538</u>	<u>1,897,110</u>
Revenues over (under) Expenditures	532,454	(57,261)	344,742	36,625	856,560
Other financing sources (uses):					
Transfers out - Primary government	<u>(618,699)</u>		<u>(344,742)</u>	<u>(30,881)</u>	<u>(994,322)</u>
Net change in fund balances	(86,245)	(57,261)		5,744	(137,762)
Fund balances at beginning of year	<u>331,957</u>	<u>94,709</u>		<u>6,080</u>	<u>432,746</u>
FUND BALANCES AT END OF YEAR	<u>\$ 245,712</u>	<u>\$ 37,448</u>	<u>\$ 0</u>	<u>\$ 11,824</u>	<u>\$ 294,984</u>

City of Port Huron

**DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE**

June 30, 2016

EXHIBIT G-2

	Special Revenue			
	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
<b>ASSETS</b>				
Cash and cash equivalents	\$ 153,364	\$ 108,556	\$	\$
Receivables	9,945			
Total Assets	<u>\$ 163,309</u>	<u>\$ 108,556</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,950	\$	\$	\$
Unearned revenue	25,000			
Total Liabilities	<u>27,950</u>			
Fund balances:				
Committed:				
Subsequent year's expenditures	87,850	90,000		
Unrestricted	47,509	18,556		
Total Fund Balances	<u>135,359</u>	<u>108,556</u>		
Total Liabilities and Fund Balances	<u>\$ 163,309</u>	<u>\$ 108,556</u>	<u>\$ 0</u>	<u>\$ 0</u>

Funds

Mainstreet	Water Street	Totals
\$ 1,797	\$ 12,700	\$ 274,620
<u>1,797</u>	<u>12,700</u>	<u>11,742</u>
<u>\$ 1,797</u>	<u>\$ 12,700</u>	<u>\$ 286,362</u>
\$	\$ 12,700	\$ 15,650
<u>1,797</u>	<u>12,700</u>	<u>25,000</u>
<u>1,797</u>	<u>12,700</u>	<u>40,650</u>
<u>1,797</u>	<u>12,700</u>	<u>177,850</u>
<u>1,797</u>	<u>12,700</u>	<u>67,862</u>
<u>\$ 1,797</u>	<u>\$ 12,700</u>	<u>\$ 245,712</u>
<u>\$ 1,797</u>	<u>\$ 12,700</u>	<u>\$ 286,362</u>

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 72,676	\$	\$ 9,842	\$ 279,107
Charges for services	96,783			
Total Revenues	<u>169,459</u>		<u>9,842</u>	<u>279,107</u>
Expenditures:				
Current:				
General support services	105,615		7,880	480
Capital outlay	100,000			
Total Expenditures	<u>205,615</u>		<u>7,880</u>	<u>480</u>
Revenues over (under) Expenditures	(36,156)		1,962	278,627
Other financing sources (uses):				
Transfers out - Primary government	<u>(33,911)</u>		<u>(1,962)</u>	<u>(278,627)</u>
Net change in fund balances	(70,067)			
Fund balances at beginning of year	<u>205,426</u>	<u>108,556</u>		
<b>FUND BALANCES AT END OF YEAR</b>	<u><u>\$ 135,359</u></u>	<u><u>\$ 108,556</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

<u>Mainstreet</u>	<u>Water Street</u>	<u>Totals</u>
\$ 50,337	\$ 305,760	\$ 717,722
		96,783
<u>50,337</u>	<u>305,760</u>	<u>814,505</u>
5,000	13,076	132,051
50,000		150,000
<u>55,000</u>	<u>13,076</u>	<u>282,051</u>
(4,663)	292,684	532,454
<u>(11,515)</u>	<u>(292,684)</u>	<u>(618,699)</u>
(16,178)		(86,245)
17,975		<u>331,957</u>
<u>\$ 1,797</u>	<u>\$ 0</u>	<u>\$ 245,712</u>

City of Port Huron

**TAX INCREMENT FINANCE AUTHORITY - BALANCE SHEET SCHEDULE**

June 30, 2016

EXHIBIT G-4

	Special Revenue Funds			Totals
	Industrial Park	Paper Company	Peerless Site	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,000	\$	\$ 97,634	\$ 133,634
Receivables			8	8
Total Assets	<u>\$ 36,000</u>	<u>\$ 0</u>	<u>\$ 97,642</u>	<u>\$ 133,642</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$	\$	\$ 96,194	\$ 96,194
Total Liabilities			<u>96,194</u>	<u>96,194</u>
Fund balances:				
Committed:				
Subsequent year's expenditures	36,000			36,000
Unrestricted			1,448	1,448
Total Fund Balances	<u>36,000</u>		<u>1,448</u>	<u>37,448</u>
Total Liabilities and Fund Balances	<u>\$ 36,000</u>	<u>\$ 0</u>	<u>\$ 97,642</u>	<u>\$ 133,642</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, 2016

EXHIBIT G-5

	Industrial Park	Paper Company	Peerless Site	Totals
Revenues:				
Taxes	\$ 925,112	\$ 256,880	\$ 94,171	\$ 1,276,163
Expenditures:				
Current:				
Taxes disbursed - not captured	925,112	256,880		1,181,992
General support services	36,814	18,424	96,194	151,432
Total Expenditures	961,926	275,304	96,194	1,333,424
Net change in fund balances	(36,814)	(18,424)	(2,023)	(57,261)
Fund balances at beginning of year	72,814	18,424	3,471	94,709
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 36,000</b>	<b>\$ 0</b>	<b>\$ 1,448</b>	<b>\$ 37,448</b>

City of Port Huron

**BROWNFIELD REDEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE**

June 30, 2016

EXHIBIT G-6

	Special Revenue Funds					Totals
	Southside Redevelop- ment	Harker Street	Sperry's	Mainstreet	Ben's 314	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 256,257	\$	\$ 2,271	\$ 5,808	\$ 38	\$ 264,374
Receivables	885			74		959
<b>Total Assets</b>	<b>\$ 257,142</b>	<b>\$ 0</b>	<b>\$ 2,271</b>	<b>\$ 5,882</b>	<b>\$ 38</b>	<b>\$ 265,333</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 253,509	\$	\$	\$	\$	\$ 253,509
<b>Total Liabilities</b>	<b>253,509</b>					<b>253,509</b>
<b>Fund balances:</b>						
<b>Committed:</b>						
Subsequent year's expenditures						
Unassigned	3,633		2,271	5,882	38	11,824
<b>Total Fund Balances</b>	<b>3,633</b>		<b>2,271</b>	<b>5,882</b>	<b>38</b>	<b>11,824</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 257,142</b>	<b>\$ 0</b>	<b>\$ 2,271</b>	<b>\$ 5,882</b>	<b>\$ 38</b>	<b>\$ 265,333</b>

City of Port Huron

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

Year Ended June 30, 2016

EXHIBIT G-7

	Southside Redevelop- ment	Harker Street	Sperry's	Mainstreet	Ben's 314	Totals
Revenues:						
Taxes	\$ 253,930	\$ 30,881	\$ 2,209	\$ 3,105	\$ 38	\$ 290,163
Expenditures:						
Current:						
General support services	253,538					253,538
Total Expenditures	253,538					253,538
Revenues over (under)						
Expenditures	392	30,881	2,209	3,105	38	36,625
Other financing sources (uses):						
Transfers out - primary government		(30,881)				(30,881)
Net change in fund balances	392		2,209	3,105	38	5,744
Fund balances at beginning of year	3,241		62	2,777		6,080
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 3,633</b>	<b>\$ 0</b>	<b>\$ 2,271</b>	<b>\$ 5,882</b>	<b>\$ 38</b>	<b>\$ 11,824</b>

This page is intentionally left blank.

# STATISTICAL SECTION

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

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

- Net 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
- Direct and Overlapping Property Tax Rates
- Tax Information
- Principal Property Taxpayers
- Property Tax Levies and Collections

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
- Water Usage by Customer Type

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, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
<b>Governmental Activities:</b>				
Net investment in capital assets	\$ 39,143,574	\$ 44,477,669	\$ 46,307,732	\$ 50,020,197
Restricted	7,756,905	7,076,526	6,481,405	7,215,511
Unrestricted	<u>24,441,973</u>	<u>19,262,766</u>	<u>18,726,336</u>	<u>17,827,132</u>
Total Net Position	<u>71,342,452</u>	<u>70,816,961</u>	<u>71,515,473</u>	<u>75,062,840</u>
<b>Business Type Activities:</b>				
Net investment in capital assets	65,911,126	64,591,888	64,614,670	71,617,288
Restricted				
Unrestricted	<u>18,689,014</u>	<u>23,701,301</u>	<u>27,215,638</u>	<u>23,753,143</u>
Total Net Position	<u>84,600,140</u>	<u>88,293,189</u>	<u>91,830,308</u>	<u>95,370,431</u>
<b>Total Primary Government:</b>				
Net investment in capital assets	105,054,700	109,069,557	110,922,402	121,637,485
Restricted	7,756,905	7,076,526	6,481,405	7,215,511
Unrestricted (deficit)	<u>43,130,987</u>	<u>42,964,067</u>	<u>45,941,974</u>	<u>41,580,275</u>
<b>TOTAL NET POSITION</b>	<u>\$ 155,942,592</u>	<u>\$ 159,110,150</u>	<u>\$ 163,345,781</u>	<u>\$ 170,433,271</u>

<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
\$ 48,571,987	\$ 47,589,593	\$ 48,854,512	\$ 48,210,858	\$ 47,481,678	\$ 49,313,974
7,643,116	7,892,815	8,791,022	10,106,748	11,027,891	9,963,492
16,251,270	14,873,855	13,008,811	12,744,008	(30,067,979)	(34,586,200)
<u>72,466,373</u>	<u>70,356,263</u>	<u>70,654,345</u>	<u>71,061,614</u>	<u>28,441,590</u>	<u>24,691,266</u>
73,500,530	72,865,287	72,802,999	74,324,636	76,156,318	81,339,430
23,328,114	24,700,743	23,584,458	18,533,611	6,407,057	1,786,858
<u>96,828,644</u>	<u>97,566,030</u>	<u>96,387,457</u>	<u>92,858,247</u>	<u>82,563,375</u>	<u>83,126,288</u>
122,072,517	120,454,880	121,657,511	122,535,494	123,637,996	130,653,404
7,643,116	7,892,815	8,791,023	10,106,748	11,027,891	9,963,492
39,579,384	39,574,598	36,593,268	31,277,619	(23,660,922)	(32,799,342)
<u>\$ 169,295,017</u>	<u>\$ 167,922,293</u>	<u>\$ 167,041,802</u>	<u>\$ 163,919,861</u>	<u>\$ 111,004,965</u>	<u>\$ 107,817,554</u>

City of Port Huron

**CHANGES IN NET POSITION**  
Last Ten Fiscal Years

	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 3,294,266	\$ 4,414,041	\$ 3,210,760	\$ 3,261,989
Public safety	12,775,838	15,945,019	12,289,894	13,649,257
Public works	8,822,339	10,397,388	9,209,602	9,494,516
Health and welfare	17,851	17,508	14,143	13,284
Community and economic development	2,396,732	2,298,805	1,422,748	2,932,936
Recreation, parks and culture	2,628,408	3,163,955	2,462,383	2,472,097
Total Governmental Activities Expenses	<u>29,935,434</u>	<u>36,236,716</u>	<u>28,609,530</u>	<u>31,824,079</u>
Business Type Activities:				
Water	6,296,545	6,414,288	6,315,255	6,300,395
Wastewater	13,269,918	13,201,522	13,051,805	12,760,248
Land purchase	193,013	105,397	169,431	229,475
Parking	185,541	200,970	189,966	116,941
Senior citizens	889,992	777,558	92,697	1,530
Marina	813,049	923,130	297,049	234,805
Total Business-Type Activities Expenses	<u>21,648,058</u>	<u>21,622,865</u>	<u>20,116,203</u>	<u>19,643,394</u>
Total Primary Governmental Expenses	<u>51,583,492</u>	<u>57,859,581</u>	<u>48,725,733</u>	<u>51,467,473</u>
<b>Program Revenues:</b>				
Governmental activities:				
Charges for services:				
General government	1,636,600	1,768,932	1,723,305	1,853,228
Public safety	673,556	697,377	408,184	389,990
Public works	246,799	239,394	205,906	215,878
Community and economic development	723,750	557,277	407,725	509,833
Recreation, parks and culture	183,387	203,358	279,898	325,026
Operating grants and contributions:				
General government				
Public safety	89,077	21,964	160,723	249,065
Public works	2,570,537	2,593,958	2,476,795	2,418,350
Community and economic development	1,454,286	1,150,793	611,213	2,080,752
Recreation, parks and culture				
Capital grants and contributions:				
Public safety	532,389	472,876	277,165	114,319
Public works	1,547,572	6,266,508	2,340,550	5,983,171
Recreation, parks and culture	127,832	134,720	140,218	209,033
Total Governmental Activities Program Revenues	<u>9,785,785</u>	<u>14,107,157</u>	<u>9,031,682</u>	<u>14,348,645</u>

(Continued on next page)

Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016
\$ 3,263,183	\$ 3,335,078	\$ 3,210,408	\$ 3,090,941	\$ 3,406,255	\$ 3,754,388
13,780,456	13,163,254	13,374,286	13,389,126	14,845,689	15,574,118
10,484,294	9,530,837	8,722,765	8,880,522	9,322,369	9,849,087
12,964	13,875	2,119	1,661	2,063	1,056
2,722,309	2,530,839	2,098,021	2,809,208	1,944,973	3,156,293
2,401,142	2,637,516	2,509,891	2,781,203	3,060,253	2,952,371
<u>32,664,348</u>	<u>31,211,399</u>	<u>29,917,490</u>	<u>30,952,661</u>	<u>32,581,602</u>	<u>35,287,313</u>
6,217,770	6,121,010	6,816,156	7,156,211	6,962,269	7,067,753
12,662,562	13,172,270	14,028,061	14,414,801	13,292,051	13,726,582
470,322	555,416	233,141	920,613	253,718	739,554
133,305	104,312	100,072	128,795	114,255	144,040
<u>185,932</u>	<u>156,283</u>	<u>187,639</u>	<u>234,898</u>	<u>188,090</u>	<u>221,577</u>
<u>19,669,891</u>	<u>20,109,291</u>	<u>21,365,069</u>	<u>22,855,318</u>	<u>20,810,383</u>	<u>21,899,506</u>
<u>52,334,239</u>	<u>51,320,690</u>	<u>51,282,559</u>	<u>53,807,979</u>	<u>53,391,985</u>	<u>57,186,819</u>
1,896,985	1,889,219	2,031,756	2,103,355	2,248,918	2,371,660
361,434	456,490	513,038	487,862	520,872	508,885
227,277	280,098	373,791	345,457	379,390	564,406
482,336	617,037	495,167	531,319	1,740,860	612,023
293,247	319,373	338,789	354,452	323,207	436,671
4,660	32,532	33,233			
173,768	221,809	222,915	182,995	59,208	71,399
2,504,490	2,441,961	2,469,346	2,751,227	2,816,370	3,113,541
1,883,243	1,753,969	1,349,786	1,827,286	973,765	1,286,164
58,453	203,964	37,049	30,506	14,008	38,916
61,177	76,808	802,424	226,415	36,062	60,380
424,116	646,931	1,792,497	1,252,362	269,903	753,135
149,487	221,410	139,540	162,229	203,795	656,052
<u>8,520,673</u>	<u>9,161,601</u>	<u>10,599,331</u>	<u>10,255,465</u>	<u>9,586,358</u>	<u>10,473,232</u>

City of Port Huron

**CHANGES IN NET POSITION**  
Last Ten Fiscal Years

	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010
Business-type activities:				
Charges for services:				
Water	\$ 5,601,863	\$ 6,372,676	\$ 6,046,044	\$ 5,831,281
Wastewater	8,942,423	9,527,064	9,312,839	9,038,255
Land purchase	307,432	328,264	168,653	175,296
Parking	188,225	171,730	81,536	62,077
Senior citizens	377,665	316,059	25,246	
Marina	471,840	332,212	46,014	33,358
Operating grants and contributions:				
Water				
Wastewater				
Land purchase	1,893,862	1,468,352	1,594,741	1,314,362
Parking				
Senior citizens	439,507	429,672	32,399	
Marina	67,962	44,175	36,258	47,349
Capital grants and contributions:				
Water	107,153	33,119	681,705	1,230,079
Wastewater	1,139,982	724,657	1,221,737	2,946,983
Land purchase				
Parking				
Marina				
Total Business-Type Activities Program Revenues	<u>19,537,914</u>	<u>19,747,980</u>	<u>19,247,172</u>	<u>20,679,040</u>
Total Primary Government Program Revenues	<u>29,323,699</u>	<u>33,855,137</u>	<u>28,278,854</u>	<u>35,027,685</u>
Net (expense)/revenue:				
Governmental activities	(20,149,649)	(22,129,559)	(19,577,848)	(17,475,434)
Business-type activities	(2,110,144)	(1,874,885)	(869,031)	1,035,646
Total Primary Government Net Expense	<u>(22,259,793)</u>	<u>(24,004,444)</u>	<u>(20,446,879)</u>	<u>(16,439,788)</u>
General revenues and other changes in net position:				
Governmental activities:				
Property taxes	12,214,363	12,695,112	12,889,994	12,618,927
Income tax	6,404,789	8,172,561	5,777,447	5,654,697
Unrestricted state-shared revenues	3,979,187	4,020,443	3,872,453	3,446,988
Unrestricted investment income	2,272,546	1,249,999	340,132	1,081,237
Gain on sale of capital assets	18,176	35,082	4,688	32,877
Unrestricted cable fees and other income	391,798	348,271	331,139	338,075
Special item-custodial capital transfer	(332,307)			
Transfers	(700,000)	(4,917,400)	(2,939,493)	(2,150,000)
Total Governmental Activities	<u>24,248,552</u>	<u>21,604,068</u>	<u>20,276,360</u>	<u>21,022,801</u>
Business-type activities:				
Unrestricted investment income	873,039	624,517	296,258	283,431
Gain on sale of capital assets	362,734	25,925	1,170,399	71,046
Unrestricted other income	5,070	92		
Transfers	700,000	4,917,400	2,939,493	2,150,000
Total Business-Type Activities	<u>1,940,843</u>	<u>5,567,934</u>	<u>4,406,150</u>	<u>2,504,477</u>
Total Primary Government	<u>26,189,395</u>	<u>27,172,002</u>	<u>24,682,510</u>	<u>23,527,278</u>
Change in net position:				
Governmental activities	4,098,903	(525,491)	698,512	3,547,367
Business-type activities	(169,301)	3,693,049	3,537,119	3,540,123
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,929,602</u>	<u>\$ 3,167,558</u>	<u>\$ 4,235,631</u>	<u>\$ 7,087,490</u>

Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016
\$ 6,226,214	\$ 6,587,975	\$ 6,999,418	\$ 6,787,849	\$ 7,218,217	\$ 7,689,530
9,602,732	9,160,568	10,340,457	10,198,546	11,854,622	12,872,347
226,545	234,578	233,396	233,328	233,328	233,598
59,223	53,129	43,313	44,491	44,178	45,258
29,000	1,462				
44,341	35,822	36,279	37,473	41,247	22,961
		3,355			
	1,685	14,452			
1,375,321	1,152,999	1,259,933	890,053	997,097	994,322
	2,495	4,110			
50,427	480		180,662	3,453	7,828
87,351	554,986		308,622	4,771	
1,738,287	1,071,298	45,856	479,387	103,114	
69,058	852,358	22,877			
					581,183
<u>19,508,499</u>	<u>19,709,835</u>	<u>19,003,446</u>	<u>19,160,411</u>	<u>20,500,027</u>	<u>22,447,027</u>
<u>28,029,172</u>	<u>28,871,436</u>	<u>29,602,777</u>	<u>29,415,876</u>	<u>30,086,385</u>	<u>32,920,259</u>
(24,143,675)	(22,049,798)	(19,318,159)	(20,697,196)	(22,995,244)	(24,814,081)
(161,392)	(399,456)	(2,361,623)	(3,694,907)	(310,356)	547,521
<u>(24,305,067)</u>	<u>(22,449,254)</u>	<u>(21,679,782)</u>	<u>(24,392,103)</u>	<u>(23,305,600)</u>	<u>(24,266,560)</u>
11,554,089	10,766,285	10,301,650	9,824,683	9,607,615	9,552,236
5,781,024	5,818,786	5,868,284	5,934,153	6,431,121	6,366,498
3,447,475	3,123,392	3,235,216	3,336,089	3,414,887	3,915,367
1,050,535	887,990	798,929	1,066,266	403,634	792,532
354,928	1,600	108,482	600,091	141,526	60,477
352,181	341,635	348,680	343,183	357,291	376,647
(993,024)	(1,000,000)	(1,045,000)			
<u>21,547,208</u>	<u>19,939,688</u>	<u>19,616,241</u>	<u>21,104,465</u>	<u>20,356,074</u>	<u>21,063,757</u>
272,892	242,754	138,622	165,658	6,799	13,254
353,689	(105,912)	(572)	39	3,895	2,138
993,024	1,000,000	1,045,000			
<u>1,619,605</u>	<u>1,136,842</u>	<u>1,183,050</u>	<u>165,697</u>	<u>10,694</u>	<u>15,392</u>
<u>23,166,813</u>	<u>21,076,530</u>	<u>20,799,291</u>	<u>21,270,162</u>	<u>20,366,768</u>	<u>21,079,149</u>
(2,596,467)	(2,110,110)	298,082	407,269	(2,639,170)	(3,750,324)
1,458,213	737,386	(1,178,573)	(3,529,210)	(299,662)	562,913
<u>\$ (1,138,254)</u>	<u>\$ (1,372,724)</u>	<u>\$ (880,491)</u>	<u>\$ (3,121,941)</u>	<u>\$ (2,938,832)</u>	<u>\$ (3,187,411)</u>

City of Port Huron

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
General Fund:				
Nonspendable:				
Inventories	\$	\$	\$	\$
Prepaid items	5,133	20,349	34,099	88,752
Assigned:				
Subsequent year's expenditures			387,980	383,802
Unassigned	4,093,971	4,232,753	3,922,444	3,882,520
Total General Fund	<u>4,099,104</u>	<u>4,253,102</u>	<u>4,344,523</u>	<u>4,355,074</u>
All Other Governmental Funds:				
Nonspendable:				
Inventories	223,456	229,600	238,104	302,748
Endowments	5,500,407	5,181,164	4,739,731	5,204,861
Restricted:				
Streets	422,081	248,115	208,698	434,120
Law enforcement	649,171	563,935	501,658	435,329
Rubbish and garbage collection	1,332,197	1,317,744	1,240,016	1,141,201
Loan revolving				
Streetscape maintenance	118,741	98,225	90,530	95,164
Committed:				
Subsequent year's expenditures	1,680,082	1,782,875	1,562,590	1,427,265
Municipal streets	4,981,027	4,028,882	2,920,678	2,653,581
Nonmajor governmental funds	211,174	319,165	284,399	333,145
Total All Governmental Funds	<u>15,118,336</u>	<u>13,769,705</u>	<u>11,786,404</u>	<u>12,027,414</u>
<b>TOTAL ALL GOVERNMENTAL FUNDS</b>	<u>\$ 19,217,440</u>	<u>\$ 18,022,807</u>	<u>\$ 16,130,927</u>	<u>\$ 16,382,488</u>

<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
\$ 180,319	\$ 46,922	\$ 83,382	\$ 153,286	\$ 28,904	\$ 7,996
	192,308	230,000	231,777		64,953
<u>4,181,549</u>	<u>4,134,696</u>	<u>4,073,275</u>	<u>4,093,692</u>	<u>4,462,630</u>	<u>4,617,524</u>
<u>4,361,868</u>	<u>4,373,926</u>	<u>4,386,657</u>	<u>4,478,755</u>	<u>4,491,534</u>	<u>4,690,473</u>
174,234	310,242	309,485	153,035	334,701	237,762
5,653,910	6,062,783	6,456,502	7,158,692	7,288,382	7,711,530
717,047	716,596	1,314,548	2,269,102	1,900,650	794,719
376,082	373,797	397,749	413,286	407,830	404,428
792,445	620,892	494,168	414,428	265,198	423,026
				1,100,000	570,663
103,632	118,747	128,055	84,268	65,831	59,126
1,864,333	2,069,103	1,016,482	1,593,901	1,482,941	14,071
1,344,732		427,323			1,458,511
315,939	391,264	338,863	255,173	94,334	54,482
<u>11,342,354</u>	<u>10,663,424</u>	<u>10,883,175</u>	<u>12,341,885</u>	<u>12,939,867</u>	<u>11,728,318</u>
<u>\$ 15,704,222</u>	<u>\$ 15,037,350</u>	<u>\$ 15,269,832</u>	<u>\$ 16,820,640</u>	<u>\$ 17,431,401</u>	<u>\$ 16,418,791</u>

City of Port Huron

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010
Revenues:				
Taxes:				
Property taxes:				
General fund	\$ 8,286,548	\$ 8,611,085	\$ 8,776,661	\$ 8,604,072
Municipal street fund:				
Streets millage	1,444,684	1,502,995	1,512,854	1,475,145
BWATC millage	448,195	463,982	469,415	461,673
Rubbish and garbage collection fund	2,034,936	2,117,050	2,131,064	2,078,037
Total	<u>12,214,363</u>	<u>12,695,112</u>	<u>12,889,994</u>	<u>12,618,927</u>
Income taxes	6,404,789	8,172,561	5,777,447	5,654,697
Total Taxes	<u>18,619,152</u>	<u>20,867,673</u>	<u>18,667,441</u>	<u>18,273,624</u>
Licenses and permits	736,935	632,314	571,834	670,558
Grants	2,075,752	7,462,502	3,350,941	8,010,928
State shared revenues	6,630,858	6,545,693	6,516,297	5,823,202
Charges for services	1,416,319	1,419,248	1,132,656	1,255,276
Fines and forfeits	211,878	208,584	169,200	145,581
Investment income	1,657,250	807,733	253,189	941,222
Rents	251,090	258,587	271,129	331,041
Sale of property	6,943	2,657	4,150	4,993
Other income	75,000	31,667		3,900
Administrative charges	1,720,005	1,853,621	1,800,500	1,875,807
Total Revenues	<u>33,401,182</u>	<u>40,090,279</u>	<u>32,737,337</u>	<u>37,336,132</u>
Expenditures:				
Current:				
General government	3,885,773	3,567,228	3,394,770	3,161,209
Public safety	13,528,954	12,897,969	12,705,024	13,000,990
Public works	6,929,700	6,861,503	6,904,497	6,437,203
Senior citizens	17,851	17,508	14,143	13,284
Recreation, parks and culture	2,776,161	2,561,153	2,514,336	2,392,262
General support services	1,290,166	1,252,839	1,057,042	1,117,076
Interest expense				
Capital outlay	3,952,464	9,209,312	5,099,912	8,812,547
Total Expenditures	<u>32,381,069</u>	<u>36,367,512</u>	<u>31,689,724</u>	<u>34,934,571</u>
Revenues over (under) Expenditures	<u>1,020,113</u>	<u>3,722,767</u>	<u>1,047,613</u>	<u>2,401,561</u>
Other financing sources (uses):				
Transfers in	3,058,374	2,248,150	2,571,673	1,119,678
Transfers out	<u>(3,758,374)</u>	<u>(7,165,550)</u>	<u>(5,511,166)</u>	<u>(3,269,678)</u>
	<u>(700,000)</u>	<u>(4,917,400)</u>	<u>(2,939,493)</u>	<u>(2,150,000)</u>
Special item:				
Custodial capital transfer	<u>(332,307)</u>			
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (12,194)</u>	<u>\$ (1,194,633)</u>	<u>\$ (1,891,880)</u>	<u>\$ 251,561</u>

Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016
\$ 7,899,429	\$ 7,344,599	\$ 7,065,936	\$ 6,715,401	\$ 6,560,133	\$ 6,515,877
1,341,699	1,245,819	1,200,680	1,146,310	1,121,462	1,116,808
423,543	395,402	366,754	354,770	346,592	346,353
1,889,418	1,755,857	1,692,888	1,608,202	1,579,428	1,573,198
11,554,089	10,741,677	10,326,258	9,824,683	9,607,615	9,552,236
5,781,024	5,818,786	5,868,284	5,934,153	6,431,121	6,366,498
17,335,113	16,560,463	16,194,542	15,758,836	16,038,736	15,918,734
577,045	667,464	611,325	601,331	724,084	731,592
2,352,355	2,741,304	3,494,178	3,396,124	1,362,344	2,580,387
5,864,511	5,815,483	5,864,284	6,065,771	6,233,650	7,009,850
1,255,850	1,445,591	1,569,942	1,568,186	2,654,510	1,868,496
132,271	120,052	137,061	138,892	187,647	153,718
889,675	746,695	698,765	947,431	351,762	733,036
343,812	354,064	356,301	361,487	369,695	407,208
342,487	1,600	71,162	574,889	128,491	21,387
	392	1,571	1,758	2,074	1,070
1,874,558	1,815,505	1,838,693	1,939,739	2,077,499	2,148,828
30,967,677	30,268,613	30,837,824	31,354,444	30,130,492	31,574,306
3,263,408	3,318,936	3,046,428	2,998,897	3,006,830	3,096,888
13,081,810	12,758,777	12,448,342	12,670,195	12,827,107	12,792,670
6,913,499	6,321,262	6,384,588	6,718,411	6,806,099	6,916,435
12,964	13,875	2,119	1,661	2,063	1,056
2,314,188	2,172,985	2,300,233	2,570,282	2,418,991	2,459,874
1,380,749	1,246,429	1,206,237	1,266,312	1,086,723	1,130,956
3,686,301	4,023,221	4,172,395	3,577,878	3,071,918	6,189,033
30,652,919	29,855,485	29,560,342	29,803,636	29,219,731	32,586,916
314,758	413,128	1,277,482	1,550,808	910,761	(1,012,610)
2,193,627	1,860,759	1,501,786	1,067,437	2,313,010	2,825,678
(3,186,651)	(2,940,759)	(2,546,786)	(1,067,437)	(2,613,010)	(2,825,678)
(993,024)	(1,080,000)	(1,045,000)		(300,000)	
\$ (678,266)	\$ (666,872)	\$ 232,482	\$ 1,550,808	\$ 610,761	\$ (1,012,610)

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>
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
2015-2016	347,200,964	122,010,710	34,292,803	503,504,477	86,071,300	589,575,777
2016-2017	348,810,571	133,497,254	33,026,765	515,334,590	59,788,400	575,122,990

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>
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
2015-2016	366,183,200	128,355,700	34,609,500	529,148,400	86,071,300	615,219,700
2016-2017	387,122,500	146,059,300	33,334,700	566,516,500	59,788,400	626,304,900

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.

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>
\$ 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%
3,458,500	21,814,900	1,218,484	26,491,884	616,067,661	47.91%
2,712,800	14,128,400	2,127,099	18,968,299	594,091,289	45.99%

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>
\$ 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
3,721,000	21,814,900	2,175,600	27,711,500	642,931,200	1,285,862,400
2,970,200	14,128,400	2,536,300	19,634,900	645,939,800	1,291,879,600

The Industrial and Commercial 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 \$589,575,777 and the abated taxable valuation of \$26,491,884 as of December 31, 2014 were used as the basis for determining the fiscal 2015-2016 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

**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
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
2014-2015	11.2696		2.0000	2.8173	16.0869	.6214
2015-2016	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
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
2014-2015	7.9522	.1938	2.3113	.9245	11.3818	1.8891
2015-2016	7.9522	.1938	2.3113	.9245	11.3818	1.8891

Year	SCHOOL			STATE	GRAND TOTAL	
	Operating	Debt	Total	School Operating	Homestead	Non-Homestead
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
2014-2015	18.0000*	2.5000	20.5000	6.0000	38.4792	56.4792
2015-2016	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, 2019	Year 2016
May, 2020	Year 2017

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

**PRINCIPAL PROPERTY TAXPAYERS**

June 30, 2016

<u>Taxpayer</u>	<u>2016 Ad Valorem Taxable Valuation</u>	<u>2016 Industrial Facilities Taxable Value</u>	<u>2016 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2016 Rank</u>
Lake Huron Medical Center	\$ 14,410,200	\$	\$ 14,410,200	2.43%	1
Acheson Ventures/ Acheson Foundation	13,497,241		13,497,241	2.27%	2
DTE Energy (Detroit Edison)	10,678,591		10,678,591	1.80%	3
ALD Thermal	3,197,200	5,598,600	8,795,800	1.48%	4
SMW Automotive	5,307,700	2,761,700	8,069,400	1.36%	5
SEMCO Energy Company	6,831,045		6,831,045	1.15%	6
Domtar (E.B. Eddy Paper)	4,555,780	1,676,400	6,232,180	1.05%	7
Royal Oak Boring	4,616,800	1,454,900	6,071,700	1.02%	8
Mueller Brass Company	4,481,959		4,481,959	0.75%	9
H.P. Pelzer	3,499,300	830,400	4,329,700	0.73%	10
Parkview Property Management	3,584,355		3,584,355	0.60%	11
JB Real Estate/Hilton Doubletree (formerly Edison Inn)	3,320,856		3,320,856	0.56%	12
Orthopedic Associates Campus	3,218,587		3,218,587	0.54%	13
Britt Manufacturing	1,318,000	1,557,100	2,875,100	0.48%	14
Northport Association	2,864,134		2,864,134	0.48%	15
JCIM (formerly Plastech & LDM)	2,451,800	234,900	2,686,700	0.45%	16
Dunn Paper	2,448,035		2,448,035	0.41%	17
Michigan Metal Coatings	1,771,300	655,400	2,426,700	0.41%	18
Advia Credit Union (formerly E & A Credit Union)	2,341,772		2,341,772	0.39%	19
Earl Smith Distributing	1,202,061	1,081,000	2,283,061	0.38%	20
Acheson Industries					
I.A.C. (formerly Lear Corporation)					
Collins and Aikman (Textron)					
Sportrack (Advanced Accessory)					
Port Huron Molded Products (Blue Water Automotive)					
Cross Hueller Ex-Cell-O-Lamb					
Shawmut Mills					
Citizens First Savings Bank					
Black River Plastics					
Times Herald					
	<u>\$ 95,596,716</u>	<u>\$ 15,850,400</u>	<u>\$ 111,447,116</u>	<u>18.74%</u>	

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

<u>2007 Total Taxable Valuation</u>	<u>Percent of Total Taxable Valuation</u>	<u>2007 Rank</u>
\$		
25,494,243	3.10%	1
12,070,397	1.47%	4
5,009,541	0.61%	12
22,662,696	2.76%	2
8,244,600	1.00%	9
16,940,508	2.06%	3
8,738,851	1.06%	8
3,800,321	0.46%	14
3,788,063	0.46%	15
5,263,697	0.64%	11
11,025,621	1.34%	5
9,790,410	1.19%	6
8,783,900	1.07%	7
6,172,721	0.75%	10
4,988,300	0.61%	13
3,561,700	0.44%	16
3,493,066	0.43%	17
3,444,782	0.42%	18
3,350,098	0.41%	19
<u>3,336,891</u>	<u>0.41%</u>	20
<u>\$ 169,960,406</u>	<u>20.69%</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>
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	8,946,675	8,144,896	91.04%	8,936,232	99.88%
2015-2016	8,956,372	8,450,343	94.35%	8,944,662	99.87%
2016-2017	8,734,116				

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>
\$ 11,626	\$11,933,041	99.91%
47,352	12,071,858	99.77%
12,625	11,834,966	99.77%
29,857	10,806,802	99.82%
26,275	10,172,170	99.82%
45,145	9,463,899	99.94%
8,939	9,139,025	99.90%
1,535	8,937,767	99.90%

City of Port Huron

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Outstanding Debt:				
Business-type Activities:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	10,344,893	9,820,249	9,240,604	8,621,165
Wastewater General Obligation Limited Tax Bonds	25,951,299	29,784,574	28,483,712	27,111,858
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	44,946,322	43,873,329	42,269,201	40,051,442
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	22,478,620	23,425,604	23,269,724	22,613,988
Water Meter Refunding Bonds (Limited Tax General Obligation)				
Total Business-type Activities Debt	<u>\$ 103,721,134</u>	<u>\$ 106,903,756</u>	<u>\$ 103,263,241</u>	<u>\$ 98,398,453</u>
Governmental Activities:				
Energy Services Refunding Bonds (Limited Tax General Obligation)				
Total Outstanding Debt	<u><u>\$ 103,721,134</u></u>	<u><u>\$ 106,903,756</u></u>	<u><u>\$ 103,263,241</u></u>	<u><u>\$ 98,398,453</u></u>
Total Taxable Valuation	\$ 794,443,800	\$ 821,511,082	\$ 837,481,149	\$ 824,496,271
Ratio of Outstanding Debt to Taxable Value	13.06%	13.01%	12.33%	11.93%
Population	32,338	32,338	32,338	32,338
Per Capita Direct Outstanding Debt	\$ 3,207.41	\$ 3,305.82	\$ 3,193.25	\$ 3,042.81

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

<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
\$ 6,910,464	\$ 6,910,464	\$ 6,788,564	\$ 6,661,651	\$ 6,534,738	\$ 6,402,825
7,971,726	7,312,287	6,617,848	6,008,141	5,224,580	4,406,019
25,740,004	33,469,725	31,721,758	30,442,870	28,369,792	26,181,713
39,897,713	38,890,647	37,419,692	34,909,738	33,532,389	30,020,142
22,744,783	21,377,181	19,897,156	18,882,806	18,718,828	17,226,399
4,947,968	4,743,461	4,557,189	4,557,189	4,331,337	4,039,352
<u>\$ 108,212,658</u>	<u>\$ 112,703,765</u>	<u>\$ 107,002,207</u>	<u>\$ 101,462,395</u>	<u>\$ 96,711,664</u>	<u>\$ 88,276,450</u>
3,868,559	3,613,739	3,482,238	3,482,238	3,358,601	3,155,038
<u>\$ 112,081,217</u>	<u>\$ 116,317,504</u>	<u>\$ 110,484,445</u>	<u>\$ 104,944,633</u>	<u>\$ 100,070,265</u>	<u>\$ 91,431,488</u>
\$ 751,837,493	\$ 708,603,813	\$ 657,451,500	\$ 625,661,500	\$ 609,347,536	\$ 616,067,661
14.91%	16.42%	16.81%	16.77%	16.42%	14.84%
30,184	30,184	30,184	30,184	30,184	30,184
\$ 3,713.26	\$ 3,853.61	\$ 3,660.37	\$ 3,476.83	\$ 3,315.34	\$ 3,029.14

City of Port Huron

**DIRECT AND OVERLAPPING BONDED DEBT**

June 30, 2016

**DIRECT BONDED DEBT:**

Water Supply System Revenue Bonds	\$	6,402,825
Water Supply System Revenue Bonds (Limited Tax General Obligation)		4,406,019
Wastewater General Obligation Limited Tax Bonds		26,181,713
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		30,020,142
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		17,226,399
Water Meter Refunding Bonds (Limited Tax General Obligation)		4,039,352
Energy Services Refunding Bonds (Limited Tax General Obligation)		<u>3,155,038</u>

Total Direct Bonded Debt 91,431,488

Less self-supporting general obligation bonds

Water Supply System Revenue Bonds	\$	6,402,825
Water Supply System Revenue Bonds (Limited Tax General Obligation)		4,406,019
Wastewater General Obligation Limited Tax Bonds		26,181,713
State Revolving Fund Wastewater General Obligation Limited Tax Bonds		30,020,142
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds		17,226,399
Water Meter Refunding Bonds (Limited Tax General Obligation)		<u>4,039,352</u>
		<u>88,276,450</u>

Net Direct Bonded Debt 3,155,038

**OVERLAPPING BONDED DEBT:**

11.12% of St. Clair County Regional Educational Service Agency debt	118,428
11.24% of St. Clair County Community College debt	238,288
10.48% of St. Clair County debt	5,897,007
35.65% of Port Huron Area School District debt	<u>9,146,008</u>
Overlapping Bonded Debt	<u>15,399,731</u>

**NET DIRECT AND OVERLAPPING BONDED DEBT \$ 18,554,769**

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Net Direct Bonded Debt	\$ 104.53	0.50%
Net Direct and Overlapping Bonded Debt	\$ 614.72	2.96%

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, 2016

STATE EQUALIZED VALUATION AT DECEMBER 31, 2015 \$ 626,304,900

	<u>Legal Margin</u>			
	<u>Actual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Amount</u>	<u>Legal Debt Margin Totals</u>
General obligation debt	\$ 80,622,644			
Portion issued under order	<u>(56,201,855)</u>			
Balance	<u>\$ 24,420,789</u>	10%	<u>\$ 62,630,490</u>	<u>\$ 38,209,701</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 2,348,643</u>	<u>\$ 2,348,643</u>
Special assessment bonds	None	12%	<u>\$ 75,156,588</u>	<u>\$ 75,156,588</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 (\$626,304,900), 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, 2015 of \$575,122,990 will be used as a basis for determining the fiscal 2016-2017 operating taxes.

City of Port Huron

**LEGAL DEBT MARGIN**  
Last Ten Fiscal Years

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Direct Bonded Debt:				
Water Supply System Revenue Bonds	\$	\$	\$	\$
Water Supply System Revenue Bonds (Limited Tax General Obligation)	10,344,893	9,820,249	9,240,604	8,621,165
Wastewater General Obligation Limited Tax Bonds	25,951,299	29,784,574	28,483,712	27,111,858
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	44,946,322	43,873,329	42,269,201	40,051,442
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	22,478,620	23,425,604	23,269,724	22,613,988
Water Meter Refunding Bonds (Limited Tax General Obligation)				
Energy Performance Services Bonds (Limited Tax General Obligation)				
Total Direct Bonded Debt	<u>103,721,134</u>	<u>106,903,756</u>	<u>103,263,241</u>	<u>98,398,453</u>
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds				
Water Supply System Revenue Bonds (Limited Tax General Obligation)	10,344,893	9,820,249	9,240,604	8,621,165
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	25,951,299	29,784,574	28,483,712	27,111,858
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	44,946,322	43,873,329	42,269,201	40,051,442
Total Excluded	<u>81,242,514</u>	<u>83,478,152</u>	<u>79,993,517</u>	<u>75,784,465</u>
Net debt applicable to limit	22,478,620	23,425,604	23,269,724	22,613,988
Debt limit	<u>91,798,940</u>	<u>91,626,770</u>	<u>85,253,110</u>	<u>76,156,460</u>
Legal debt margin	<u>\$ 69,320,320</u>	<u>\$ 68,201,166</u>	<u>\$ 61,983,386</u>	<u>\$ 53,542,472</u>
Total net debt applicable to the limit as a percentage of debt limit	24.49%	25.57%	27.29%	29.69%

June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
\$ 6,910,464	\$ 6,910,464	\$ 6,788,564	\$ 6,661,651	\$ 6,534,738	\$ 6,402,825
7,971,726	7,312,287	6,617,848	6,008,141	5,224,580	4,406,019
25,740,004	33,469,725	31,721,758	30,442,870	28,369,792	26,181,713
39,897,713	38,890,647	37,419,692	34,909,738	33,532,389	30,020,142
22,744,783	21,377,181	19,897,156	18,882,806	18,718,828	17,226,399
		4,557,189	4,557,189	4,331,337	4,039,352
		3,482,238	3,482,238	3,358,601	3,155,038
<u>103,264,690</u>	<u>107,960,304</u>	<u>110,484,445</u>	<u>104,944,633</u>	<u>100,070,265</u>	<u>91,431,488</u>
6,910,464	6,910,464	6,788,564	6,661,651	6,534,738	6,402,825
7,971,726	7,312,287	6,617,848	6,008,141	5,224,580	4,406,019
25,740,004	33,469,725	31,721,758	30,442,870	28,369,792	26,181,713
39,897,713	38,890,647	37,419,692	34,909,738	33,532,389	30,020,142
<u>80,519,907</u>	<u>86,583,123</u>	<u>82,547,862</u>	<u>78,022,400</u>	<u>73,661,499</u>	<u>67,010,699</u>
22,744,783	21,377,181	27,936,583	26,922,233	26,408,766	24,420,789
<u>70,561,980</u>	<u>64,376,320</u>	<u>60,766,520</u>	<u>60,152,920</u>	<u>61,521,970</u>	<u>62,630,490</u>
<u>\$ 47,817,197</u>	<u>\$ 42,999,139</u>	<u>\$ 32,829,937</u>	<u>\$ 33,230,687</u>	<u>\$ 35,113,204</u>	<u>\$ 38,209,701</u>
32.23%	33.21%	45.97%	44.76%	42.93%	38.99%

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>	
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
2014-2015	7,219,219	3,473,874	3,745,345	910,474	543,612	1,454,086	2.58
2015-2016	7,693,281	3,568,715	4,124,566	950,474	524,613	1,475,087	2.80

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

**WATER AND WASTEWATER – CURRENT RATES IN EFFECT**

June 30, 2016

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

<u>Water</u>	<u>Wastewater</u>
<u>\$ 14.90</u>	<u>\$ 39.30</u>

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

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>
5/8"	\$ 11.18	\$ 33.01
3/4"	16.77	49.52
1"	27.95	82.53
1-1/2"	55.90	165.05
2"	89.44	264.08
3"	195.65	577.68
4"	335.40	990.30
6"	698.75	2,063.13
8"	1,006.20	2,970.90
10"	1,621.10	4,786.45
12"	2,403.70	7,097.15
16"	3,354.00	9,903.00
20"	5,031.00	14,854.50
24"	7,546.50	22,281.75

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.

**WATER AND WASTEWATER - HISTORY OF RESIDENTIAL UTILITY RATES**

June 30, 2016

**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, 2016	\$ 14.90	\$ 11.18	\$ 39.30	\$ 33.01
July 1, 2015	14.62	10.98	37.66	32.01
December 1, 2014	14.34	10.78	36.16	31.01
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

**COMPARABLE MONTHLY BILLING**

<u>Effective Date</u>	<u>Monthly Billing</u>	<u>Percent Change</u>
July 1, 2016	\$ 80.34	3.19%
July 1, 2015	77.86	3.18%
December 1, 2014	75.46	18.52%
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%

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, 2016 was 500 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, 2016

**WATER USAGE**

<u>Customer</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Fort Gratiot Township	52,701,177	20.0%
Port Huron Township	49,040,685	18.6%
Kimball Township	26,070,500	9.9%
Dunn Paper	5,025,200	1.9%
McLaren Port Huron Hospital	3,896,900	1.5%
Domtar	3,734,000	1.4%
Mueller Brass	2,767,400	1.0%
Port Huron Housing Commission (Various Sites)	1,564,300	0.6%
North Port Village	1,336,500	0.5%
Lake Huron Medical Center	1,325,400	0.5%
Estimate for all others	<u>116,257,600</u>	<u>44.1%</u>
Total	<u>263,719,662</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>
Port Huron Township	\$ 1,230,215	16.0%	\$ 888,908	6.9%
Fort Gratiot Township	1,215,029	15.8%	771,646	6.0%
Kimball Township	614,219	8.0%	327,699	2.5%
Dunn Paper	84,009	1.1%	219,979	1.7%
Domtar	81,931	1.1%	220,327	1.7%
McLaren Port Huron Hospital	72,520	0.9%	192,083	1.5%
Mueller Brass	68,788	0.9%	186,806	1.5%
Port Huron Housing Commission (Various Sites)	68,261	0.9%	191,241	1.5%
North Port Village	39,435	0.5%	108,335	0.8%
Lake Huron Medical Center	35,452	0.5%	96,777	0.8%
Estimate for all others	<u>4,179,671</u>	<u>54.3%</u>	<u>9,668,546</u>	<u>75.1%</u>
Total	<u>\$ 7,689,530</u>	<u>100.0%</u>	<u>\$ 12,872,347</u>	<u>100.0%</u>

The Township usage and revenues are as of June 30, 2016. The other Major customer data is for the twelve months ended March 31, 2016. Volume of water used is shown in metered cubic feet.

The City of Port Huron had 11,994 water customers and 11,352 wastewater customers as of March 31, 2016.

City of Port Huron

**WATER USAGE BY CUSTOMER TYPE**

June 30, 2016

<u>Customer Type</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Residential	60,148,500	22.8%
Multi-Units	14,581,500	5.5%
Commercial	21,015,100	8.0%
Industrial	25,006,300	9.5%
Institutional	10,660,300	4.0%
Governmental	4,495,600	1.7%
Wholesale	<u>127,812,362</u>	<u>48.5%</u>
Total	<u>263,719,662</u>	<u>100.0%</u>

The wholesale water usage pertains to the various townships that surround the City of Port Huron. Wholesale usage is as of June 30, 2016. All other usage types are as of March 31, 2016. Volume of water used is shown in metered cubic feet.

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: 234 regular budgeted, 229 regular filled, 30 part-time filled, 200 seasonal positions

Fire Protection: 3 stations, 35 fire fighting personnel, 2-way radio equipment

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

Streets: 141.766 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, 2007 12.9%  
State of Michigan 2008 14.8%  
2009 26.3%  
2010 20.7%  
2011 17.8%  
2012 15.6%  
2013 15.3%  
2014 13.3%  
2015 9.7%  
2016 8.7%

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, 2016

<u>Firm Name</u>	<u>Product/Service</u>	<u>2016 Approximate Number of Employees</u>	<u>2016 Rank</u>
McLaren Port Huron (formerly Port Huron Hospital)	Health care services	747	1
Lake Huron Medical Center (formerly St. Joseph Mercy Port Huron)	Health care services	680	2
* Port Huron Area School District	Public education	629	3
* St. Clair County	Public government	375	4
* Chassis (formerly SMW Automotive)	Automotive supplier	373	5
U.S. Farathane Corp.	Automotive supplier	312	6
Mueller Brass	Copper and brass tubing	278	7
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	254	8
HP Pelzer	Automotive Supplier	245	9
IAC (formerly Lear Corporation)	Freight and cargo	242	10
* AT&T	Telephone service (call center)		
St. Clair County Community College	Education		
J.C.I.M. (formerly Plastech Engineered Products)	Automotive suppliers/plastics		
Advanced Accessory Systems	Automotive supplier		
City of Port Huron	Public government		

\* 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 2016. The information pertaining to 2007 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>2007 Approximate Number of Employees</u>	<u>2007 Rank</u>
1,460	1
840	3
1,000	2
300	7
440	6
620	4
450	5
300	7
300	7
292	10

City of Port Huron

**FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES**  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
General government:				
City manager	2.00	2.00	2.00	2.00
City attorney	2.00	2.00		
City clerk/elections	3.00	3.00	3.00	3.00
Finance/purchasing	7.00	7.00	6.80	6.80
Income tax	3.00	3.00	3.00	3.00
Assessing	5.00	4.00	4.00	4.00
City treasurer/water office	4.91	4.91	4.20	4.20
Data processing	5.00	5.00	5.00	5.00
Human Resources	2.90	2.90	2.90	3.00
Health and safety/marinas	1.50			
Public safety:				
Police	70.00	58.00	57.00	60.00
Fire	48.70	42.70	44.70	44.70
Public works:				
DPW administration	1.80	1.80	1.80	1.80
MOC grounds	3.00	3.00	3.00	3.00
Engineering	5.10	5.00	5.10	5.10
Streets	20.20	19.20	17.04	16.04
Refuse collection/disposal	0.125	0.125	0.125	0.125
Motor vehicle pool	8.875	8.875	8.875	8.875
Water filtration plant	12.75	12.75	10.75	10.75
Utilities - water distribution	10.05	8.05	7.35	6.175
Water meter	5.25	5.25	5.25	5.25
Water reclamation facility	24.20	20.20	22.06	22.235
Utilities - sewer collection	9.65	9.75	10.65	10.65
Community and economic development	13.50	12.00	11.00	9.00
Recreation, parks and culture:				
Recreation	6.10	6.10	5.10	3.90
Cemetery	4.00	3.10	2.35	2.35
Parking	1.09	1.09	0.50	0.50
Parks and forestry	11.30	8.20	9.45	9.55
McMorran Arena				
	<u>292.00</u>	<u>259.00</u>	<u>253.00</u>	<u>251.00</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, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
2.00	2.00	2.00	2.00	1.00	1.00
3.00	3.00	3.00	3.00	3.00	3.00
6.80	6.80	6.00	6.00	6.00	6.00
3.00	3.00	3.00	3.00	3.00	3.00
3.00	2.00	2.00	2.00	2.00	2.00
4.20	4.20	4.00	5.00	6.00	6.00
4.00	4.00	4.00	4.00	4.00	4.00
2.00	2.50	2.50	2.50	2.50	2.50
57.00	57.00	57.50	57.50	59.50	59.50
42.70	42.00	42.50	42.50	40.50	35.50
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	5.00	4.00	4.00	4.00
14.70	16.36	15.485	15.485	16.235	15.485
0.125	0.125	0.125	0.125	0.250	0.125
7.875	7.375	6.25	6.10	6.225	6.10
9.75	9.75	9.75	9.75	9.75	9.75
5.925	5.925	5.925	6.00	6.00	5.875
4.50	4.50	3.50	2.50	2.50	2.50
22.235	20.075	21.075	21.075	21.075	20.20
9.99	9.99	9.09	9.165	9.165	9.165
10.00	10.00	10.00	12.00	10.00	8.00
4.00	5.00	4.70	4.65	4.65	4.65
2.10	2.10	2.25	3.15	3.15	2.65
9.20	8.40	8.55	8.70	8.70	9.20
					4.00
<u>238.00</u>	<u>236.00</u>	<u>233.00</u>	<u>235.00</u>	<u>234.00</u>	<u>229.00</u>

City of Port Huron

**OPERATING INDICATORS**

Last Ten Fiscal Years

Function/Program	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
<b>Election data:</b>				
Registered voters - November	20,445	20,551	21,151	20,815
Voters (at the polls or absentee) - November	8,875	3,742	12,471	3,601
Percent voting	43.4%	18.2%	59.0%	17.3%
<b>Police:</b>				
Physical arrests*	2,325	2,940	2,113	1,948
Traffic violations*	5,339	5,434	4,476	4,255
Police reports*	6,879	6,499	6,566	6,348
Calls for service*	19,120	18,827	25,970	31,493
<b>Fire:</b>				
Fire runs*	137	312	287	355
Emergency medical runs*	2,712	2,975	2,653	2,600
Other*	872	754	915	873
<b>Public works:</b>				
Miles of streets resurfaced	1.65	0.13	0.00	0.84
Miles of streets reconstructed	4.53	5.06	4.00	4.22
<b>Water:</b>				
<b>Accounts:</b>				
City - regular	12,814	12,814	12,878	12,930
Port Huron Township	3,350	3,350	3,350	3,350
Fort Gratiot - regular	136	136	136	136
Fort Gratiot - Water District No. F	4,858	4,858	4,858	4,858
Kimball Township	1,993	1,993	1,993	1,993
Clyde Township	743	743	743	743
Average daily pumpage (gallons per day)	6,800,000	6,800,000	6,200,000	6,000,000
<b>Sewer:</b>				
Equivalent connected population (based on flows)	65,556	65,556	63,889	55,556
Average daily sewer treatment (gallons per day)	11,800,000	11,800,000	11,500,000	10,000,000
<b>Building construction:</b>				
<b>Residential:</b>				
New construction permits	15	5	2	2
Estimated value	\$ 1,203,050	\$ 1,940,000	\$ 360,000	\$ 140,000
Alterations/additions/demo permits	707	595	432	522
Estimated value	\$ 4,694,740	\$ 2,783,536	\$ 2,632,927	\$ 4,753,320
<b>Commercial:</b>				
New construction permits	1	1	1	1
Estimated value	\$ 1,145,112	\$ 5,461,844	\$ 3,000,000	\$ 4,144,000
Alterations/additions/demo permits	95	77	90	80
Estimated value	\$ 5,917,878	\$ 2,839,665	\$ 5,799,025	\$ 9,063,735

\*All information as of December 31st

Source: City of Port Huron

June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
20,956	20,875	21,106	20,898	21,138	21,025
6,940	3,681	10,631	3,331	6,898	
33.1%	17.6%	50.4%	15.9%	32.6%	
1,895	2,168	2,644	2,460	2,363	1,905
4,574	4,617	4,691	5,334	5,313	4,482
6,378	6,518	7,329	7,268	7,270	6,246
29,398	31,805	34,874	32,586	33,363	32,385
129	156	145	123	118	121
2,849	2,979	3,112	2,867	2,910	1,804
1,183	1,154	1,124	1,053	995	910
2.86	0	0	0	1.79	1.37
0.56	8.43	5.28	1.00	2.43	1.39
12,676	12,676	12,716	12,716	12,588	12,349
3,350	3,350	3,350	3,350	3,350	3,350
135	135	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
6,800,000	6,100,000	6,248,000	5,788,000	5,300,000	5,200,000
55,556	55,556	55,556	55,556	55,556	55,556
12,000,000	10,700,000	9,960,000	9,010,000	8,890,000	9,530,000
1	2	1	4	6	3
\$ 150,000	\$ 337,355	\$ 118,420	\$ 1,262,470	\$ 1,090,000	\$ 320,000
600	556	524	468	460	514
\$ 3,702,970	\$ 2,953,210	\$ 3,601,635	\$ 3,453,068	\$ 5,142,902	\$ 3,004,653
0	0	1	2	3	7
\$ 0	\$ 0	\$ 1,500,000	\$ 8,500,000	\$ 10,213,000	\$ 8,976,400
111	41	74	67	92	82
\$ 2,508,795	\$ 8,793,179	\$ 7,203,607	\$ 6,049,106	\$ 10,307,545	\$ 6,853,182

City of Port Huron

**CAPITAL ASSET STATISTICS**  
Last Ten Fiscal Years

Function/Program	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Police:				
Stations	1	1	1	1
Fire:				
Stations	3	3	3	3
Fire fighting apparatus	6	6	6	6
Rescue boat	1	1	1	1
Special response van				
Heavy rescue truck	1	1	1	1
Hazmat trailer	1	1	1	1
Specialized equipment trailer				
Special response trailer				1
Marina:				
Seasonal boat wells*	122	122	54	55
Transcient boat wells*	303	303	77	76
Wells out of service	84	84		
Public works:				
Streets (miles):				
Major streets	43.220	43.220	43.220	43.410
Local streets	91.370	91.370	91.370	91.230
Trunkline	10.076	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
Splash Pad				
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	10
Acreage	94.5	94.5	94.5	94
Community center	1	1	1	1
Parking:				
Metered lots	13	13	3	3
Spaces - metered lots	867	867	227	218
Unmetered lots			10	10
Spaces - unmetered lots			770	770
Permit only lot - spaces	33	33		
Seasonal attended lot - spaces	460	460	460	460
Permit only spaces in metered/unmetered lots	168	168	121	121
Seasonal unattended lots - spaces	73	73	73	73
ADA market spaced in City lots	48	48	46	46
Free lot - spaces				
Street meters - spaces	484	328	370	370
Street meters - government zone			250	261
Water:				
Watermains (miles)	165.0	165.0	169.0	169.0
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)	1,394	1,374	1,421	1,421
Fire hydrants (private)	129	128	128	128
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	253.0	242.0	244.0	244.0
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, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
1	1	1	1	1	1
3	3	3	3	3	3
6	6	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
55	55	66	66	66	66
76	76	65	65	65	65
43.410	43.330	43.210	43.210	43.210	43.000
91.230	90.750	90.750	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
32	32	32	32	32	32
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	1
0	0	0	1	1	1
3	3	3	5	5	5
2	2	2	2	2	2
195.25	195.25	195.25	195.25	195.25	195.25
10	10	10	10	10	10
94	94	94	94	94	94
1	1	1	1	1	1
3	3	3	3	3	3
227	226	226	223	223	223
10	10	10	10	10	10
770	770	770	770	770	727
460	460	460	460	460	460
121	98	98	98	118	118
73	72	72	72	72	72
46	56	56	58	58	54
370	209	209	209	209	209
261	487	487	487	487	487
171.0	171.0	171.1	171.0	171.0	171.0
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
1,424	1,432	1,453	1,457	1,452	1,452
128	128	128	127	127	127
244.0	244.0	245.0	244.0	244.0	244.0
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000

City of Port Huron

**PUBLIC WORKS PROJECTS  
COMPLETED PROJECTS**  
June 30, 2016

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 <sup>th</sup> to Gratiot	442,671	227,035	375,408	1,045,114 ****
Michigan/Merchant Bike Trail	257,252			257,252 ****
Harker Street	950,669	312,505	238,105	1,501,279 ****
Riverside Drive – Part I	509,960	195,695	7,990	713,645 ****
Traffic Signal Upgrade	125,869			125,869
8 <sup>th</sup> Street (CSO)	551,018	195,111	475,475	1,221,604 *
Stone Street – Hollis to Holland	630,246	242,847	85,676	958,769 ****
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 – 10 <sup>th</sup> to Taylor	1,607,337	555,968	214,447	2,377,752 ****
LaSalle Area	559,358	115,643	104,018	779,019
24 <sup>th</sup> Street/Dove Street Intersection	150,445	23,484		173,929 ****
Riverside Drive – Sanborn to Pine Grove	318,148	166,471	6,974	491,593 ****
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 <sup>th</sup> Avenue – Garfield to Holland	876,400		61,140	937,540 ****
19 <sup>th</sup> Avenue Area	256,492	154,514	154,167	565,173
Stone Street – Lincoln to Washington	772,357	119,192	107,047	998,596
Indian Creek 2B (CSO)	341,328	2,926,990	5,239,308	8,507,626 ***
24 <sup>th</sup> 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
Glenwood - Pine Grove to Fort	314,388	73,712	113,093	501,193****
10 <sup>th</sup> Street	1,595,729			1,595,729
7 <sup>th</sup> and 9 <sup>th</sup> 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 <sup>st</sup> 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 <sup>st</sup> Street Area – Part 2 (CSO)	1,119,833	3,106,362	4,455,691	8,681,886 **

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS  
COMPLETED PROJECTS**  
June 30, 2016

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
10 <sup>th</sup> Avenue – River to Pine Grove (CSO) \$		\$ 650,354	\$ 4,982,100	\$ 5,632,454 ***
Gratiot Avenue – Keewahdin to Krafft	1,987,038	110,076	117,855	2,214,969 *****
16 <sup>th</sup> Street – Gordon to Wells	298,483			298,483 *****
Peavey Area (CSO)		1,376,731	3,244,327	4,621,058 *
Union Street – 6 <sup>th</sup> to 10 <sup>th</sup>	413,716			413,716
16 <sup>th</sup> Avenue Area Part 1 (CSO)	77,723	2,027,412	4,608,957	6,714,092
16 <sup>th</sup> Avenue Area Part 2 (CSO)		1,888,338	4,191,588	6,079,926 ***
16 <sup>th</sup> Avenue Area Part 3 (CSO)	72,482	1,312,404	3,292,370	4,677,256 ***
24 <sup>th</sup> Street – Dove to Electric (CSO)	434,536	482,003	1,188,329	2,104,868 *****
Florida Area	690,912	201,817	44,393	937,122
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 <sup>th</sup>	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 <sup>th</sup> Street – Water to 16 <sup>th</sup>	215,656			215,656
4 <sup>th</sup> Street Area (CSO)	312,545	1,805,000	5,710,819	7,828,364
11 <sup>th</sup> Avenue Area (CSO)		2,020,933	6,113,020	8,133,953 *
Palmer Court Area (CSO)		873,326	3,161,520	4,034,846
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
Nern Area (CSO)		2,010,211	4,166,837	6,177,048 *****
Traffic Signal Project	1,252,891			1,252,891 *****
Dove Street – 24 <sup>th</sup> to 28 <sup>th</sup>	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 <sup>th</sup> to 24 <sup>th</sup>	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 <sup>th</sup> to Appomattox	170,773	19,956	24,813	215,542
Sanborn Street – 10 <sup>th</sup> to Appomattox	484,485	166,510	254,639	905,634 *****
Sanborn – 10 <sup>th</sup> to Stone	359,869	71,192	99,885	530,946 *****
Appomattox Area – Sanborn Park Drive	437,888	61,314		499,202
Sanborn – Stone to Gratiot	541,289	155,568	187,485	884,342 *****
Sewer Lining			191,054	191,054
10 <sup>th</sup> Street – Electric to Lapeer	116,606			116,606
Stone Street – Pine Grove to McPherson	303,389	65,251	10,745	379,385 *****
Washington – 10 <sup>th</sup> to Stone	248,896	240,397	108,455	597,748
Riverview – 15 <sup>th</sup> to 19 <sup>th</sup>	312,229	60,301		372,530
Hickory Area	360,636	69,650		430,286
Northern Woods Phase 1	718,688			718,688
Thomas Edison Parkway Area	168,412			168,412
South Blvd – 31 <sup>st</sup> to Electric	521,139	203,310		724,449

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS  
COMPLETED PROJECTS**  
June 30, 2016

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
10 <sup>th</sup> Ave – Garfield to Stone	\$ 305,971	\$	\$	\$ 305,971
Prospect – TE Parkway to Pine Grove	65,639			65,639
Michigan – Prospect to PG Park Drive	42,458			42,458
TE Parkway – Prospect to Edison Shores	89,582			89,582
Michigan – Beers to Glenwood	126,615	205,270	55,614	387,499
Beers – Michigan to Merchant	127,621	206,900	56,055	390,576 **
Military Street – Utility Rehabilitation		191,251	240,037	431,288
Industrial Park Concrete	1,191,092	24,491	92,007	1,307,590 **
Beard Area – Industrial Park (CSO)		870,807	6,295,322	7,166,129 **
16 <sup>th</sup> Street Pump Station (CSO)			1,490,651	1,490,651 **
10 <sup>th</sup> Street Pump Station (CSO)			950,245	950,245 **
12 <sup>th</sup> Avenue/River Street (CSO)	41,889	920,104	2,501,404	3,463,397 **
Thomas Street Pump Station			1,427,602	1,427,602 **
Wall Street	188,205	47,430	26,506	262,141 **
Quay Street Riverwalk	257,801			257,801 **
Indian Creek Pump Station (CSO)			1,308,259	1,308,259 **
Indian Creek 1 (CSO)	10,867	601,898	3,012,164	3,624,929 **
River Centre – Site Work	1,868,363	187,944	321,461	2,377,768 **
River Centre – Seawall	716,124			716,124 **
Military Street Streetscape	568,950			568,950 ****
Renaissance South III	222,901	73,135	140,775	436,811
10 <sup>th</sup> Street Bridge	6,906,053			6,906,053
7 <sup>th</sup> Street Bridge	14,425,153			14,425,153
Solids Handling – WWTP			10,384,121	10,384,121
Wastewater Treatment Plant – 2011 Bonds			4,910,967	4,910,967
<b>Total public works projects</b>	<b><u>\$ 64,653,577</u></b>	<b><u>\$ 61,194,585</u></b>	<b><u>\$ 144,031,226</u></b>	<b><u>\$ 269,879,388</u></b>

\* 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, 2016

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, 2016 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 2015-2016 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Riverside Drive – Sanborn to Pine Grove	\$ 2,616	\$ 1,369	\$ 57	\$ 4,042
Stone Street – Lincoln to Washington	385	59	53	497
Reid – 16 <sup>th</sup> to Electric	30,704			30,704
Glenwood – Pine Grove	303,715	73,712	113,093	490,520
Quay Street – Fort to Merchant	190			190
River Street – Glenwood to East of Stone	41,775			41,775
13 <sup>th</sup> Street – Lapeer to Water	380			380
Nern Area (CSO)		101,357	195,101	296,458
Sanborn Street – 10 <sup>th</sup> to Stone	16,838	3,329	4,671	24,838
Sanborn Street – Stone to Gratiot	446,593	128,543	160,341	735,477
Stone Street – Pine Grove to McPherson	266,012	54,743	9,322	330,077
Washington – 10 <sup>th</sup> to Stone	52,652	48,496	19,163	120,311
Riverview – 15 <sup>th</sup> to 19 <sup>th</sup>	285,270	60,301		345,571
Hickory Area	334,134	62,749		396,883
BWATC Project Development	2,720			2,720
20 <sup>th</sup> – Beard to Dove	15,097			15,097
South Blvd – 31 <sup>st</sup> to Electric	515,616	203,310		718,926
North Blvd – 32 <sup>nd</sup> to Electric	54,547			54,547
10 <sup>th</sup> Ave – Garfield to Stone	291,641			291,641
Prospect – Thomas Edison Parkway to Pine Grove	63,965			63,965
Michigan – Prospect to Pine Grove Park Drive	40,573			40,573
Thomas Edison Parkway – Prospect to Edison Shores	88,429			88,429
Michigan – Beers to Glenwood	125,912	205,270	55,614	386,796
Beers – Michigan to Merchant	126,789	206,900	56,055	389,744
DTE Streetlighting Project	450,256			450,256
Total public works projects	<u>\$ 3,556,809</u>	<u>\$ 1,150,138</u>	<u>\$ 613,470</u>	<u>\$ 5,320,417</u>

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

Total public works projects above	\$ 3,556,809	\$ 1,150,138	\$ 613,470
Wastewater Treatment Plant			644,858
Water Treatment Plant		382,525	
Other capital additions		14,719	388,383
Change in contracts payable		71,240	(110,249)
Projects recorded in or funded by other funds:			
Tax Increment Authority	<u>(55,067)</u>		
Capital outlay (Exhibit A-4 - Major and Local Streets Funds)	<u>\$ 3,501,742</u>		
Acquisition and construction of capital assets (Exhibit A-10)		<u>\$ 1,618,622</u>	<u>\$ 1,536,462</u>

This page is intentionally left blank.

# **SINGLE AUDIT SECTION**

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

We have audited, in accordance with the 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 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, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency. This deficiency is reported as Finding 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Port Huron, Michigan's 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 Response to Finding**

The City of Port Huron, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Port Huron, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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*

November 28, 2016

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 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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The City of Port Huron, Michigan's major federal program is 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 its federal program.

***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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 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 its major federal program for the year ended June 30, 2016.

### **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 the Uniform Guidance, 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'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-002, that we consider to be a significant deficiency.

The City of Port Huron, Michigan's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City of Port Huron, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Honorable Mayor and Members  
of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plantz & Morex, PLLC*

November 28, 2016

This page is intentionally left blank.

City of Port Huron

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2016

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number
U.S. Department of Housing and Urban Development:		
Community Development Block Grant:		
Program year 2012	14.218	B-12-MC-26-0038
Program year 2013	14.218	B-13-MC-26-0038
Program year 2014	14.218	B-14-MC-26-0038
Program year 2015	14.218	B-15-MC-26-0038
Total		
U.S. Department of Housing and Urban Development – Passed through St. Clair County:		
Neighborhood Stabilization Program 3	14.218	B-11-UN-26-0009
Total Community Development Block Grant Cluster		
U.S. Department of Housing and Urban Development:		
Home Investment Partnership Program:		
Program year 2009	14.239	M-09-MC-260217
Program year 2010	14.239	M-10-MC-260217
Program year 2013	14.239	M-13-MC-260217
Program year 2014	14.239	M-14-MC-260217
Program year 2015	14.239	M-15-MC-260217
Total		
U.S. Department of Housing and Urban Development:		
Brownfield Economic Development Initiative	14.246	B-10-BD-26-9003
Total U.S. Department of Housing and Urban Development		
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:		
Operation Stonegarden – 2013	97.067	EMW-2013-SS-00049
Operation Stonegarden – 2014	97.067	EMW-2014-SS-00059
Planning – 2014	97.067	EMW-2014-SS-00059
Equipment – 2014	97.067	EMW-2014-SS-00059
Total U.S. Department of Homeland Security		
U.S. Department of Justice – Bureau of Justice		
Bulletproof Vest Partnership Program	16.607	N/A
U.S. Department of Justice – Office of Justice Programs		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0147
Total U.S. Department of Justice		

<u>Award Amount</u>	<u>Amount Provided to Subrecipients</u>	<u>Federal Expenditures</u>
605,199		\$ 21,343
644,652		41,441
836,509		444,656
691,188		170,758
	<u>0</u>	<u>678,198</u>
1,336,095		<u>42</u>
	<u>0</u>	<u>678,240</u>
308,470	160,747	164,847
273,540	61,606	84,066
181,812		65,000
178,011	22,406	82,406
168,336		114,385
	<u>244,759</u>	<u>510,704</u>
1,000,000		7,220
	<u>244,759</u>	<u>1,196,164</u>
7,673		7,673
4,432		4,432
3,408		3,408
10,380		10,380
	<u>0</u>	<u>25,893</u>
3,108		<u>3,108</u>
16,684		<u>16,684</u>
	<u>0</u>	<u>19,792</u>

City of Port Huron

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

Year Ended June 30, 2016

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</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 – OWI	20.616	PT-15-16
State and Community Highway Safety – Seat Belt	20.616	PT-15-16
State and Community Highway Safety – OWI	20.616	PT-16-22
Total Highway Safety Cluster		
Total U.S. Department of Transportation		
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:		
Project number 7275-01		
Project number 7378-01	66.468	
Total U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality		
Total federal awards		

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

<u>Award Amount</u>	<u>Amount Provided to Subrecipients</u>	<u>Federal Expenditures</u>
8,221		\$ 8,221
3,192		3,192
1,971		1,971
	<u>0</u>	<u>13,384</u>
	<u>0</u>	<u>13,384</u>
4,395,000		50,873 *
2,300,000		57,444 *
	<u>0</u>	<u>108,317</u>
	<u>\$ 244,759</u>	<u>\$ 1,363,550</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2016

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Port Huron, Michigan under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of City of Port Huron, Michigan, it is not intended to and does not present the financial position, changes in net assets or cash flows of City of Port Huron, Michigan.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The City of Port Huron, Michigan has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

This page is intentionally left blank.

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

### 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 2 CFR 200.516 (a)?  Yes  No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Grants Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Duties related to custody, authorization, and recordkeeping should be fulfilled by separate individuals to maintain segregation of duties.</p> <p><b>Condition</b> - 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.</p> <p><b>Context</b> - 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><b>Cause</b> - Segregation of duties issue occurs due to a limited number of staff and therefore, many crucial duties are combined and given to the available employees.</p> <p><b>Effect</b> - 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><b>Recommendation</b> - We 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - We are aware of this deficiency and have rectified this segregation of duties issue effective May 31, 2016 when the City became responsible for performing the accounting for the McMorran Civic Center Authority.</p>

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section III - Federal Program Audit Findings

Reference Number	Finding
2016-002	<p><b>CFDA Number, Federal Agency and Program Name</b> - Community Development Block Grant Cluster (CFDA 14.218)</p> <p><b>Federal Award Identification Number and Year</b> - B-12-MC-26-0038 (Program year 2012), B-13-MC-26-0038 (Program year 2013), B-14-MC-26-0038 (Program year 2014), B-15-MC-26-0038 (Program year 2015), B-11-UN-26-0009 (Program year 2011)</p> <p><b>Pass-through Entity</b> - St. Clair County for B-11-UN-26-0009; N/A for the remainder</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - 2 CFR 200 requires an organization's policies to comply with those stated in the regulations, which includes developing written procedures for determining the allowability of costs as well as ensuring annual and final fiscal reports or vouchers requesting payments include a certification, signed by an official authorized to legally bind the entity. In addition, organizations choosing to delay changes to their procurement policies and procedures in accordance with 2 CFR 200 must document their decision to do so.</p> <p><b>Condition</b> - The City's policies do not include written procedures for determining the allowability of costs. Additionally, a certification was not included with vouchers requesting payments. Also, while the City chose to delay implementation of changes to its procurement policies, it has not clearly documented its decision to delay.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p>

# City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-002 (Cont.)	<p><b>Context</b> - While the City's policies do not include written procedures for determining the allowability of costs, no instances of questioned costs were noted during sample testing of expenditures as expenditures appear to be properly reviewed for allowability by an appropriate individual. Additionally, a certification was not included with vouchers requesting payments; however, the reimbursement requests appear to be appropriately supported by expenditures already incurred. Also, while the City chose to delay implementation of changes to their procurement policies, it has not documented its decision to delay.</p> <p><b>Cause and Effect</b> - The City's policies have not been properly updated to comply with 2 CFR 200.</p> <p><b>Recommendation</b> - The City should review its policies and procedures to ensure that any updates necessary comply with 2 CFR 200, which includes developing written procedures for determining the allowability of costs and developing a certification to attach to fiscal reports and vouchers requesting payments. In addition, the City should maintain written documentation that it has chosen to delay implementation of changes to its procurement standards.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will implement written documentation for procedures related to allowability and cash management. The procurement policy will be updated to include all required components. The required certification wording will be used when submitting any vouchers requesting payment and other required reporting under the grant.</p>

# City of Port Huron, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

<u>Prior Year Finding Number</u>	<u>Fiscal Year in Which the Finding Initially Occurred</u>	<u>Federal Program, CFDA Number, and Name</u>	<u>Original Finding Description</u>	<u>Status/Partial Corrective Action (as applicable)</u>	<u>Planned Corrective Action (if finding not corrected)</u>
2015-001	2015	N/A	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, particularly in relation to the McMorran Civic Center Authority, which is a discretely presented component unit of the City.	Corrected	N/A

# City of Port Huron, Michigan

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as applicable)	Planned Corrective Action (if finding not corrected)
2015-002	2015	N/A	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.	Repeat item 2016-001	N/A

This page is intentionally left blank.