

Comprehensive Annual Financial Report

For the Year Ended June 30, 2019



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, 2019

CITY COUNCIL

Pauline M. Repp – Mayor

Sherry L. Archibald

Kenneth D. Harris

Anita R. Ashford

Jeffrey R. Pemberton

Lisa M. Beedon

Scott R. Worden

JAMES R. FREED – City Manager

DEPARTMENT OF FINANCE

EDWARD P. BRENNAN, C.P.A. – Director

Terry G. Caryl – Treasurer – Water Office Supervisor

Karla M. Pearl, C.P.A. – Income Tax Administrator

Ryan P. Porte – Assessor

Roberta J. Seppo – Controller – Purchasing Agent

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Year Ended June 30, 2019

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November 25, 2019

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, 2019. 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, 2019. 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, 2019, 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, 2019, 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 requires 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. Elections are held during even numbered years in November.

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 four surrounding communities, serving a population in excess of 60,000.

The annual budget serves as the foundation for the City of Port Huron's financial planning and control. State law requires the City Manager to develop a proposed budget. The City Charter requires that the proposed budget be presented to the City Council for review at the second April council meeting. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Port Huron's fiscal year. The budget is prepared by fund and function (e.g., public safety) with supporting detail by activity or department (e.g., police). However, the legally adopted budget is at the functional level. Therefore, expenditures may not legally exceed budget appropriations at the functional level. Department heads may make transfers of appropriations within a department. Authority to make transfers of appropriations between departments is given to the City Manager. Transfers between funds or changes in spending at the fund level require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the major special revenue funds, this comparison is presented starting on page 40 as part of the basic financial statements for the governmental fund financial statements. This

comparison is presented in the combining and individual fund subsection of this report, which starts on page 102, for governmental funds with appropriated annual budgets other than the general fund and the major special revenue funds.

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 modern limited access highway systems on both sides of the border as well as the dual span Blue Water Bridge, we experience robust 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 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 riverfront 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. The complex opened 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 35 guest rooms, began in early 2018.

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 over 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 a major catalyst in these areas and promoted economic development to attain these goals. Several significant 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.
- 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.
- Plans have been announced to develop the waterfront site formerly occupied by the YMCA. Preliminary renderings call for two ultra-modern high-rise towers facing the water, but flanking each other at a slight angle. The condominium units are expected to have a considerable amount of glass to maximize the view of Lake Huron, the St. Clair River and Sarnia, Ontario. Construction began in early 2018.
- During August, 2017, citizens of the City of Port Huron approved two new property tax levies by wide margins. The additional three mill property tax levy for public safety allowed the Police and Fire Departments to maintain current service levels. The additional one mill property tax levy for parks and recreation will allow the City to maintain current programs at McMorran Place and in the Parks and Recreation Department. The millage was approved for a period of five years with the initial levy occurring in July, 2018.
- The City of Port Huron and the Port Huron Area School District have entered into an innovative partnership which allows a police officer to be dedicated to each of the City's two high schools. The officers, known as School Resource Officers, began this new assignment during early 2018. The funding for these officers is shared by the City and the School District. The City's share of the funding was made possible by the dedicated public safety millage.
- During December, 2017, the City installed festive LED lighting over three blocks of its main downtown street. The lighting showcases this vibrant downtown area and has received a warm reception from citizens and tourists alike. Donations from multiple local agencies and individuals helped to partially offset the cost of this project.
- Plans have been announced to renovate the Harrington Hotel, a vintage downtown hotel. The hotel is over 100 years old and has hosted many celebrities during that time. The developer plans to invest over \$12 million to update the hotel. When the project is completed 50 to 100 people would be employed, both full-time and part-time. Eighty-two rooms are expected to be available for use when the renovations are completed. The estimated completion date is early 2020.

- During the fall of 2018, plans were announced to add a grocery store to the City's downtown area. Developers purchased a former department store and began renovations in order to bring the much needed grocery store to the City's downtown. Also, the owners will include offices available for local businesses and second floor loft units. Completion of the project is estimated for Spring, 2020.

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 participate in the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance and nonduty-connected death to plan members and their beneficiaries. Certain new employees hired after July 1, 2008 began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 participating. The Hybrid Plan offers both a defined benefit pension with a reduced multiplier and a defined contribution pension. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Port Huron must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Port Huron fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City has announced plans to issue pension bonds in order to increase its funding level with MERS. State requirements to issue the bonds mandate that the current defined benefit pension plan be closed to new hires. Management has begun meeting with the City's six unions to explore this possibility. Provided agreements can be reached with the unions and bond rates remain favorable, bonds could be issued in early 2020. Current plans call for \$52 million in bond proceeds to be transferred to MERS on behalf of the City's defined benefit pension 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 292 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. As a matter of course, the City has routinely 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, 2019, the value in the fund is over \$19.1 million. The post employment health care benefits are projected annually and required contributions are actuarially computed.

Additional information on the City of Port Huron's pension arrangements and post-employment benefits can be found in Notes L and M in the notes to the financial statements.

The City of Port Huron has 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 3% employer and 2% employee contribution. Also, substantially all employees hired after June 30, 2008 do not participate in the retiree health care program. Those employees now participate in a health care savings plan with a 2% contribution 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. Furthermore, as of June 30, 2018 employees in the MERS Defined Benefit Plan saw a reduction in the pension multiplier which will reduce pension costs on a prospective basis.

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 \$550,000.

AWARDS AND ACKNOWLEDGMENTS

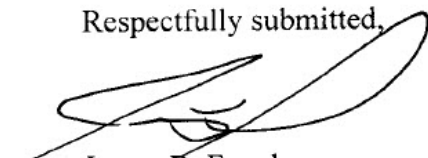
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Huron for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the forty-fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

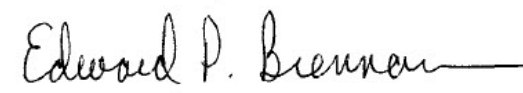
In closing, we also thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



James R. Freed
City Manager

EPB/je



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

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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

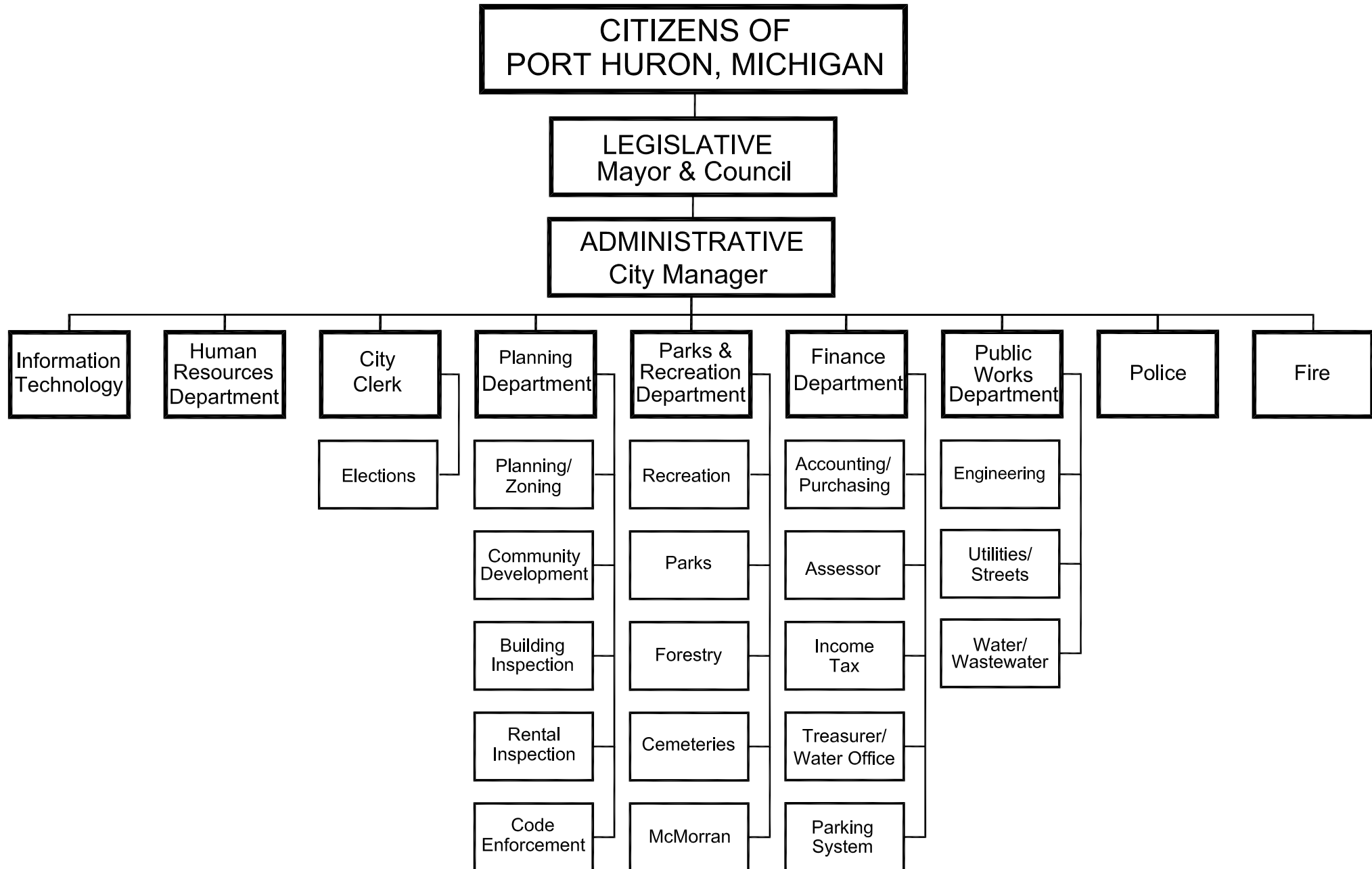
June 30, 2018

Christopher P. Morill

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 (the "City") as of and for the year ended June 30, 2019 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 opinions 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.

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, 2019 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.

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

Emphasis of Matter

As explained in Note A, the financial statements include investments in a pooled market fund valued at \$19,085,997 (100 percent of net position of the fiduciary funds) at June 30, 2019. Approximately \$15,546,000 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Huron, Michigan's basic financial statements. The accompanying combining and individual fund statements and schedules section and discretely presented governmental units section, as identified in the table of contents, and introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying combining and individual fund statements and schedules section; the discretely presented governmental units section, as identified in the table of contents; and the schedule of expenditures of federal awards 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; the discretely presented governmental units section, as identified in the table of contents; and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

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

Report on Summarized Comparative Information

We have previously audited the City of Port Huron, Michigan's June 30, 2018 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 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 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 & Morse, PLLC

November 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2019

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, 2019. 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 through 11 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Port Huron exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,467,135 (net position). Included in this amount is a negative \$93,378,894 of unrestricted net position.
- The government's total net position increased by \$7,577,541. This increase is primarily a result of increased property tax revenue due to citizen approval of an additional four mill levy as well as a reduction in the pension multiplier for active participants in the defined benefit plan which reduced pension costs.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$20,410,494, an increase of \$714,231, in comparison with the prior year. Approximately 23 percent of this total amount, \$4,728,907, 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 \$4,728,907, or 18.4 percent of total General Fund expenditures and transfers.
- The City of Port Huron's total bonded and installment debt (net of repayments and refundings) decreased by \$10,962,432 (14.6 percent) during the current fiscal year. The key factors in this decrease were the payments being made on prior debt and no new borrowing for projects. Additional information can be found in Note H on pages 73 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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, theater and arena complex, 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 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, theater and arena complex, marinas 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 86 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 88 through 96 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 98 through 121 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, net position was \$65,467,135 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Huron's net position (221.5 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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$32,078,680	\$ 30,259,621	\$11,090,763	\$ 12,877,033	\$43,169,443	\$ 43,136,654
Capital assets	<u>53,913,372</u>	<u>53,289,815</u>	<u>155,177,804</u>	<u>159,595,995</u>	<u>209,091,176</u>	<u>212,885,810</u>
Total assets	<u>85,992,052</u>	<u>83,549,436</u>	<u>166,268,567</u>	<u>172,473,028</u>	<u>252,260,619</u>	<u>256,022,464</u>
Deferred outflows of resources	<u>9,073,461</u>	<u>3,853,962</u>	<u>2,559,186</u>	<u>1,087,514</u>	<u>11,632,647</u>	<u>4,941,476</u>
Long-term liabilities	102,190,344	97,756,816	79,747,186	87,674,757	181,937,530	185,431,573
Other liabilities	<u>4,860,548</u>	<u>4,116,150</u>	<u>11,257,152</u>	<u>11,222,969</u>	<u>16,117,700</u>	<u>15,339,119</u>
Total liabilities	<u>107,050,892</u>	<u>101,872,966</u>	<u>91,004,338</u>	<u>98,897,726</u>	<u>198,055,230</u>	<u>200,770,692</u>
Deferred inflows of resources	<u>289,301</u>	<u>1,796,461</u>	<u>81,600</u>	<u>507,193</u>	<u>370,901</u>	<u>2,303,654</u>
Net position:						
Net investment in capital assets	51,509,742	50,618,671	93,520,480	88,630,753	145,030,222	139,249,424
Restricted	13,815,807	11,725,849			13,815,807	11,725,849
Unrestricted (deficit)	<u>(77,600,229)</u>	<u>(78,610,549)</u>	<u>(15,778,665)</u>	<u>(14,475,130)</u>	<u>(93,378,894)</u>	<u>(93,085,679)</u>
Total net position (deficit)	<u>\$(12,274,680)</u>	<u>\$(16,266,029)</u>	<u>\$ 77,741,815</u>	<u>\$ 74,155,623</u>	<u>\$ 65,467,135</u>	<u>\$ 57,889,594</u>

An additional 21.1 percent of the City of Port Huron's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$93,378,894. At the end of the current fiscal year, the City of Port Huron is reporting unrestricted net position deficit in both governmental and business-type activities, and a total net position deficit in governmental 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 business-type activities.

The City of Port Huron's net position increased by \$7,577,541 during the current fiscal year. This increase is primarily a result of increased property tax revenue due to citizen approval of an additional four mill levy as well as a reduction in the pension multiplier for active participants in the defined benefit plan which reduced pension costs.

CITY OF PORT HURON'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,999,909	\$ 4,924,040	\$ 24,915,860	\$ 23,889,987	\$29,915,769	\$ 28,814,027
Operating grants and contributions	5,608,750	5,541,972	400,133	771,753	6,008,883	6,313,725
Capital grants and contributions	1,341,823	1,889,793	211,520	58,151	1,553,343	1,947,944
General revenues:						
Property taxes	12,143,052	9,685,014			12,143,052	9,685,014
Income taxes	6,615,692	6,489,338			6,615,692	6,489,338
State shared revenue	4,795,078	4,717,779			4,795,078	4,717,779
Investment income	1,542,420	813,973	117,114	22,839	1,659,534	836,812
Gain (loss) on sale of capital assets	31,553	57,687		(129,256)	31,553	(71,569)
Other	343,880	356,299			343,880	356,299
Total revenues	<u>37,422,157</u>	<u>34,475,895</u>	<u>25,644,627</u>	<u>24,613,474</u>	<u>63,066,784</u>	<u>59,089,369</u>
Expenses:						
General government	3,471,212	3,653,823			3,471,212	3,653,823
Public safety	14,755,885	16,001,002			14,755,885	16,001,002
Public works	9,340,327	9,533,767			9,340,327	9,533,767
Health and welfare	1,077	684			1,077	684
Community and economic development	2,266,590	2,423,498			2,266,590	2,423,498
Recreation, parks and culture	2,929,717	2,891,793			2,929,717	2,891,793
Water			6,608,839	7,481,214	6,608,839	7,481,214
Wastewater			13,260,458	14,181,754	13,260,458	14,181,754
Land purchase			741,821	309,476	741,821	309,476
Parking			159,232	194,716	159,232	194,716
McMorran			1,727,876	2,351,263	1,727,876	2,351,263
Marina			226,209	247,049	226,209	247,049
Total expenses	<u>32,764,808</u>	<u>34,504,567</u>	<u>22,724,435</u>	<u>24,765,472</u>	<u>55,489,243</u>	<u>59,270,039</u>
Increase (decrease) in net position before transfers	4,657,349	(28,672)	2,920,192	(151,998)	7,577,541	(180,670)
Transfers	<u>(666,000)</u>	<u>33,046</u>	<u>666,000</u>	<u>(33,046)</u>		
Increase (decrease) in net position	3,991,349	4,374	3,586,192	(185,044)	7,577,541	(180,670)
Restatement of net position		(38,437,457)		(10,387,578)		(48,825,035)
Net position – beginning of year	<u>(16,266,029)</u>	<u>22,167,054</u>	<u>74,155,623</u>	<u>84,728,245</u>	<u>57,889,594</u>	<u>106,895,299</u>
Net position - end of year	<u>\$(12,274,680)</u>	<u>\$(16,266,029)</u>	<u>\$ 77,741,815</u>	<u>\$ 74,155,623</u>	<u>\$65,467,135</u>	<u>\$ 57,889,594</u>

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Port Huron's net position by \$3,991,349. The increase in net position attributable to governmental activities is primarily the result of the new public safety and parks and recreation millages and careful budgeting. A summary of the changes follows:

- Property taxes (including related revenue, primarily delinquent taxes, penalties and interest) increased by \$2,458,038 (25.4 percent) during the year, primarily due to the addition of the public safety and parks and recreation millages and an increase of the taxable valuation of property.
- Income tax revenue increased by \$126,354 (1.9 percent). Income tax revenue is budgeted at \$6.6 million for the year ending June 30, 2020.
- State revenue sharing payments increased by \$77,299, primarily due to increased constitutional revenue as a result of higher sales tax collections by the State.
- Operating grants and contributions increased by \$66,778, primarily due to increased grant activity in the area of public works.
- Capital grants and contributions decreased by \$547,970, primarily due to the close out of the grant related to the 10th Street Bridge.
- Investment income increased by \$728,447, primarily due to increased interest rates and more favorable market conditions in the Cemetery Perpetual Care Fund during the year.

Operating expenses decreased compared to the prior year. This comparison can be reviewed in more detail in the fund financial statements. The decrease in governmental activities' expenses of \$1,739,759 is primarily due to reduced pension costs.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City of Port Huron's net position by \$3,586,192. Key elements affecting business-type activities are as follows:

- Charges for services increased by \$1,025,873 (4.3 percent) during the year. The increase was primarily due to increased revenue in the City's two utility funds.
- Operating grants and contributions decreased by \$371,620 during the year. The decrease was primarily due to decreased repayments to the Land Purchase Fund from Tax Increment collections.
- Capital grants and contributions increased by \$153,369 during the year, primarily due to increased grant activity in the Parking Fund.
- Expenses have decreased by \$2,041,037, compared to the prior year primarily due to reduced pension costs in the Water Fund, Wastewater Fund, and the McMorran Fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$20,410,494, an increase of \$714,231 in comparison with the prior year. Of this amount, 23.2 percent (\$4,728,907) 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 (\$9,317,892), 2) restricted or committed for a variety of other specific purposes (\$6,072,248), or 3) converted to nonspendable form (\$291,447).

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 \$4,728,907, while total fund balance reached \$4,750,238. 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 18.4 percent of total General Fund expenditures, while total fund balance represents 18.5 percent of that same amount.

The fund balance of the City of Port Huron's General Fund increased by \$21,320 during the current fiscal year. Key factors in the changes in the General Fund are as follows:

- Income tax revenue increased by 1.9% primarily due to economic conditions. Current year property tax revenues increased by 37% as a result of the new public safety and parks and recreation millages. Also the real and personal property tax valuations increased slightly. Other property tax related revenue, primarily the property tax administration fee, delinquent taxes, penalties and interest, increased by \$125,467. Overall tax revenue increased by \$2,536,672.
- State shared revenues increased by \$103,872 primarily due to increased constitutional revenue as a result of higher sales tax collections by the State.
- Grants decreased by \$47,424 primarily due to a decrease in grants received for park improvements.
- Total revenues increased by \$2,846,398 or 12.5%. The overall revenue increase is primarily due to the increase in tax revenue discussed above.
- General government expenditures increased by \$257,270, primarily due to increased fringe benefit costs.
- Public safety expenditures increased by \$868,579, (6.0%), primarily due to expanded efforts in both the Police and Fire Departments and increased fringe benefit costs.
- Recreation, parks and culture expenditures increased by \$370,532, primarily due to additional improvements to the city parks.
- In the aggregate, General Fund expenditures increased by \$2,110,587 or 9.3% primarily as a result of increased fringe benefit costs.

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 \$4,917,214, an increase of \$1,510,010 during the fiscal year, primarily as a result of decreased capital outlay expenditures and an increase in state shared revenues. Key factors in the change in activity are as follows:

- Property tax revenues for street improvements increased by \$18,354, an increase of 1.7%.
- State shared revenues increased by \$181,510, an increase of 4.2%.
- Public works expenses increased by 3.6% primarily as a result of increased winter maintenance costs.
- Capital outlay decreased by \$2,397,446 due to a decrease in ongoing projects and Tax Increment funding for the Michigan/Quay Reconstruction project.

The Municipal Streets Fund committed fund balance of \$1,696,273 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 \$20,791,752, net position for the Wastewater Fund was \$51,149,045 and net position for the Land Purchase Fund was \$4,118,631. The total net position for the Water and Wastewater Funds increased by \$1,632,762 and \$2,254,394, respectively, while the net position for the Land Purchase Fund decreased by \$604,849. The increase for the Water and Wastewater Funds was primarily due to a reduction in the pension multiplier for active participants in the defined benefit plan which reduced pension costs. Unrestricted net position at the end of the year for the Water Fund was negative \$5,751,258, unrestricted net position for the Wastewater Fund was negative \$9,841,013 and unrestricted net position for the Land Purchase Fund was \$1,495,213. Unrestricted net position for the Water and Wastewater Funds decreased by \$205,663 and \$645,864 respectively. Unrestricted net position for the Land Purchase Fund decreased by \$733,951. The decrease for the Water and Wastewater Funds was primarily the result of the capital asset acquisitions and debt repayments. The decrease for the Land Purchase Fund was primarily the result of the transfers to the Cemetery, Marina and Parking Funds. 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 \$1,445,000, primarily due to the increases in grants and state shared revenue. Year end transfers to the Land Purchase Fund in prior years have resulted in \$452,499 available at June 30, 2019, for capital purchases and significant maintenance and repair items. During the year ended June 30, 2019, expenditures included capital for the Cemetery.

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, 2019, amounts to \$209,091,176 (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 \$3,794,634 (a 1.2 percent increase for governmental activities and a 2.8 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,260,209	\$ 4,260,209	\$ 4,602,858	\$ 4,445,698	\$ 8,863,067	\$ 8,705,907
Construction in progress	1,681,206	713,925	675,652	124,846	2,356,858	838,771
Land improvements	13,887,171	13,046,893	2,282,146	2,071,020	16,169,317	15,117,913
Buildings	11,577,446	11,577,446	42,829,601	41,744,916	54,407,047	53,322,362
Machinery and equipment	16,210,827	15,357,313	21,650,126	21,567,909	37,860,953	36,925,222
Vehicles	9,781,116	8,623,424			9,781,116	8,623,424
Infrastructure	<u>86,079,441</u>	<u>84,884,832</u>	<u>227,004,410</u>	<u>226,179,587</u>	<u>313,083,851</u>	<u>311,064,419</u>
Total	143,477,416	138,464,042	299,044,793	296,133,976	442,522,209	434,598,018
Less accumulated depreciation	<u>89,564,044</u>	<u>85,174,227</u>	<u>143,866,989</u>	<u>136,537,981</u>	<u>233,431,033</u>	<u>221,712,208</u>
Total	<u>\$ 53,913,372</u>	<u>\$ 53,289,815</u>	<u>\$155,177,804</u>	<u>\$159,595,995</u>	<u>\$209,091,176</u>	<u>\$212,885,810</u>

Additional information on the City of Port Huron's capital assets can be found in note F on pages 71 through 72 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 \$64,060,954. Of this amount \$56,403,532 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$2,403,630	\$ 2,671,144	\$53,999,902	\$ 62,217,346	\$56,403,532	\$ 64,888,490
Revenue bonds			7,657,422	8,747,896	7,657,422	8,747,896
HUD Section 108 note payable		1,387,000				1,387,000
Total	<u>\$2,403,630</u>	<u>\$ 4,058,144</u>	<u>\$61,657,324</u>	<u>\$ 70,965,242</u>	<u>\$64,060,954</u>	<u>\$ 75,023,386</u>

The City of Port Huron's total bonded and installment debt (net of repayments and refundings) decreased by \$10,962,432 (14.6 percent) during the current fiscal year. The key factor in this decrease was the repayment of prior year debt and no 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 \$72,663,100. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$54,995,261. Debt issued as a result of an order, which would include \$38,735,693 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 73 through 76 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As of September 30, 2019, the unemployment rate for the City of Port Huron was 5.9 percent, an increase of 0.6 percentage points from the year before. This compares to the county's average unemployment rate of 4.3 percent, the state's average unemployment rate of 3.5 percent and the national average rate of 3.3 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 2019-2020 budget year, total equalized valuation and taxable valuation increased slightly. It is expected that both equalized valuation and taxable valuation will increase somewhat for the 2020-2021 budget year. This will result in an increase in property tax revenues available to the City for 2020-2021. Such increase will be limited somewhat due to the effects of Proposal A. Additional information is available in the Statistical Section, pages 150 and 151.

All of these factors were considered in preparing the City of Port Huron's budget for the 2019-2020 fiscal year.

REQUESTS FOR INFORMATION

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

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City of Port Huron

STATEMENT OF NET POSITION

June 30, 2019

EXHIBIT A

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Assets:				
Cash and cash equivalents	\$ 17,719,486	\$ 7,117,883	\$ 24,837,369	\$ 1,504,113
Investments	9,850,143		9,850,143	
Receivables (net of allowances for uncollectibles)	1,911,698	3,384,358	5,296,056	7,242
Due from other governmental units	1,980,895		1,980,895	
Inventories	562,253	569,527	1,131,780	
Prepaid expenses	54,205	18,995	73,200	1,475
Capital assets:				
Non-depreciable (land and construction in progress)	5,941,415	5,278,510	11,219,925	
Depreciable property and equipment (net of accumulated depreciation)	47,971,957	149,899,294	197,871,251	
Total Assets	85,992,052	166,268,567	252,260,619	1,512,830
DEFERRED OUTFLOWS OF RESOURCES	9,073,461	2,559,186	11,632,647	
LIABILITIES				
Liabilities:				
Accounts payable	889,458	184,654	1,074,112	743,888
Accrued payroll	1,053,810	124,620	1,178,430	795
Contracts payable	1,047,749	341,743	1,389,492	
Accrued interest payable	60,434	449,955	510,389	
Unearned revenue	158,021		158,021	29,341
Other liabilities	136,605	516,160	652,765	
Noncurrent liabilities:				
Due within one year:				
Bonds and other obligations	1,514,471	9,640,020	11,154,491	
Due in more than one year:				
Bonds and other obligations	3,875,444	52,017,304	55,892,748	
Net OPEB liability	41,442,116	11,688,817	53,130,933	
Net pension liability	56,872,784	16,041,065	72,913,849	
Total Liabilities	107,050,892	91,004,338	198,055,230	774,024
DEFERRED INFLOWS OF RESOURCES	289,301	81,600	370,901	
NET POSITION				
Net investment in capital assets	51,509,742	93,520,480	145,030,222	
Restricted for street improvements	3,220,941		3,220,941	
Restricted for law enforcement	243,496		243,496	
Restricted for rubbish and garbage collection	500,693		500,693	
Restricted for loan revolving	509,926		509,926	
Restricted for streetscape maintenance	22,859		22,859	
Restricted for nonexpendable endowments	9,317,892		9,317,892	
Unrestricted	(77,600,229)	(15,778,665)	(93,378,894)	738,806
Net Position	\$ (12,274,680)	\$ 77,741,815	\$ 65,467,135	\$ 738,806

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

City of Port Huron

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

EXHIBIT A-1

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,471,212	\$ 2,485,134	\$	\$
Public safety	14,755,885	468,910	101,492	19,040
Public works	9,340,327	595,784	4,452,267	747,718
Health and welfare	1,077			
Community and economic development	2,266,590	910,438	1,028,025	
Recreation, parks and culture	2,929,717	539,643	26,966	575,065
Total governmental activities	<u>32,764,808</u>	<u>4,999,909</u>	<u>5,608,750</u>	<u>1,341,823</u>
Business-type activities:				
Water	6,608,839	8,178,968		
Wastewater	13,260,458	15,507,210		
Land purchase	741,821		400,133	
Parking	159,232	37,166		188,633
McMorran	1,727,876	1,127,790		22,887
Marina	226,209	64,726		
Total business-type activities	<u>22,724,435</u>	<u>24,915,860</u>	<u>400,133</u>	<u>211,520</u>
Total primary government	<u>\$ 55,489,243</u>	<u>\$ 29,915,769</u>	<u>\$ 6,008,883</u>	<u>\$ 1,553,343</u>
Component units:				
Downtown development	\$ 1,505,564	\$ 136,417	\$ 325,152	\$
Tax increment finance	99,530			
Local development finance	116,743			
Brownfield redevelopment	580,425			
Total component units	<u>\$ 2,302,262</u>	<u>\$ 136,417</u>	<u>\$ 325,152</u>	<u>\$ 0</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			Component Units
Governmental Activities	Business-type Activities	Totals	
\$ (986,078)	\$	\$ (986,078)	\$
(14,166,443)		(14,166,443)	
(3,544,558)		(3,544,558)	
(1,077)		(1,077)	
(328,127)		(328,127)	
(1,788,043)		(1,788,043)	
(20,814,326)		(20,814,326)	
	1,570,129	1,570,129	
	2,246,752	2,246,752	
	(341,688)	(341,688)	
	66,567	66,567	
	(577,199)	(577,199)	
	(161,483)	(161,483)	
	2,803,078	2,803,078	
(20,814,326)	2,803,078	(18,011,248)	
			(1,043,995)
			(99,530)
			(116,743)
			(580,425)
			(1,840,693)
12,143,052		12,143,052	1,764,249
6,615,692		6,615,692	
4,795,078		4,795,078	230,723
1,542,420	117,114	1,659,534	
31,553		31,553	
343,880		343,880	
(666,000)	666,000		
24,805,675	783,114	25,588,789	1,994,972
3,991,349	3,586,192	7,577,541	154,279
(16,266,029)	74,155,623	57,889,594	584,527
\$ (12,274,680)	\$ 77,741,815	\$ 65,467,135	\$ 738,806

City of Port Huron

**BALANCE SHEET -
GOVERNMENTAL FUNDS**
June 30, 2019

EXHIBIT A-2

ASSETS	General	Major Streets	Local Streets
Assets:			
Cash and cash equivalents	\$ 4,312,138	\$ 8,575	\$ 406,203
Investments	520,290		
Receivables (net of allowances for uncollectibles)	1,302,833	1,342	
Due from other governmental units	111,502	557,915	144,495
Due from other funds			
Inventories			
Prepaid items	21,331		
Total Assets	<u>\$ 6,268,094</u>	<u>\$ 567,832</u>	<u>\$ 550,698</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 524,430	\$ 16,938	\$ 9,361
Accrued payroll	538,737	18,190	7,703
Contracts payable	324,218		1,357
Due to other funds			
Unearned revenue	130,471		
Other liabilities		17,322	5,251
Total Liabilities	<u>1,517,856</u>	<u>52,450</u>	<u>23,672</u>
Fund balances:			
Nonspendable:			
Inventories			
Prepaid items	21,331		
Endowments			
Restricted:			
Streets		515,382	527,026
Law enforcement			
Rubbish and garbage collection			
Loan revolving			
Streetscape maintenance			
Section 108			
Committed:			
Subsequent year's expenditures			
Municipal Streets			
Nonmajor governmental funds			
Unassigned	4,728,907		
Total Fund Balances	<u>4,750,238</u>	<u>515,382</u>	<u>527,026</u>
Total Liabilities and Fund Balances	<u>\$ 6,268,094</u>	<u>\$ 567,832</u>	<u>\$ 550,698</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, 2019	June 30, 2018
\$ 4,332,274	\$ 1,581,862	\$ 10,641,052	\$ 8,529,663
	9,329,853	9,850,143	9,111,527
2,236	74,525	1,380,936	2,606,022
	84,524	898,436	823,677
	74,800	74,800	49,821
270,116		270,116	281,090
		21,331	32,689
<u>\$ 4,604,626</u>	<u>\$ 11,145,564</u>	<u>\$ 23,136,814</u>	<u>\$ 21,434,489</u>
\$ 2,000	\$ 165,651	\$ 718,380	\$ 354,245
11,927	20,554	597,111	502,452
715,828		1,041,403	605,679
	74,800	74,800	49,821
65	4,912	135,448	100,619
	136,605	159,178	125,410
<u>729,820</u>	<u>402,522</u>	<u>2,726,320</u>	<u>1,738,226</u>
270,116		270,116	281,090
		21,331	32,689
	9,317,892	9,317,892	8,546,135
1,908,417		2,950,825	1,438,458
	243,496	243,496	362,354
	500,693	500,693	580,934
	493,387	493,387	493,387
	22,859	22,859	32,108
	16,539	16,539	1,392,465
720,646	2,462	723,108	295,471
975,627		975,627	1,404,140
	145,714	145,714	149,420
		4,728,907	4,687,612
<u>3,874,806</u>	<u>10,743,042</u>	<u>20,410,494</u>	<u>19,696,263</u>
<u>\$ 4,604,626</u>	<u>\$ 11,145,564</u>	<u>\$ 23,136,814</u>	<u>\$ 21,434,489</u>

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City of Port Huron

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

June 30, 2019

EXHIBIT A-3

Total fund balances for governmental funds	\$ 20,410,494
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	47,150,039
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	974,922
Certain net OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(38,785,564)
Certain net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(53,227,092)
Certain changes in OPEB liability are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	2,329,745
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	6,162,085
Certain changes in pension liability are reported as deferred inflows of resources in the statement of net position, but are reported as reductions of expenses in the governmental funds	(270,757)
Internal Service Funds are included as part of governmental activities	<u>2,981,448</u>
Net position of governmental activities	<u>\$ (12,274,680)</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, 2019

EXHIBIT A-4

	General Fund	Major Streets	Local Streets
Revenues:			
Taxes	\$ 15,728,361	\$	\$
Licenses and permits	863,134		
Grants	329,883	65,324	
State shared revenues	4,537,878	3,501,708	950,559
Charges for services	1,122,695		
Fines and forfeits	134,220		
Investment income (loss)	271,204		
Rents	376,810		
Other income			
Administrative charges	2,324,364		
Total Revenues	<u>25,688,549</u>	<u>3,567,032</u>	<u>950,559</u>
Expenditures:			
Current:			
General government	3,695,507		
Public safety	15,312,995		
Public works	1,486,030	1,959,580	935,886
Senior citizens	1,077		
Recreation, parks and culture	3,015,628		
General support services	409,264		
Capital outlay	868,713	1,138,079	322,131
Debt Service:			
Principal			
Interest expense			
Total Expenditures	<u>24,789,214</u>	<u>3,097,659</u>	<u>1,258,017</u>
Revenues over (under) Expenditures	<u>899,335</u>	<u>469,373</u>	<u>(307,458)</u>
Other financing sources (uses):			
Transfers in		75,000	684,544
Transfers out	(879,300)	(684,544)	
Sale of capital assets	1,285		
	<u>(878,015)</u>	<u>(609,544)</u>	<u>684,544</u>
Net Change in Fund Balances	21,320	(140,171)	377,086
Fund balances at beginning of year	<u>4,728,918</u>	<u>655,553</u>	<u>149,940</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,750,238</u>	<u>\$ 515,382</u>	<u>\$ 527,026</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, 2019	June 30, 2018
\$ 1,460,082	\$ 1,570,301	\$ 18,758,744	\$ 16,174,352
		863,134	843,222
	950,640	1,345,847	2,954,557
100,440	141,485	9,232,070	8,957,521
141,546	880,112	2,144,353	2,128,276
		134,220	135,649
	1,177,595	1,448,799	743,249
		376,810	373,993
			250
		2,324,364	2,276,890
<u>1,702,068</u>	<u>4,720,133</u>	<u>36,628,341</u>	<u>34,587,959</u>
		3,695,507	3,438,237
	93,847	15,406,842	14,474,260
8,642	2,583,408	6,973,546	6,831,167
		1,077	684
		3,015,628	2,645,096
345,331	571,142	1,325,737	1,330,802
	955,408	3,284,331	4,864,507
	1,387,000	1,387,000	112,000
	164,727	164,727	24,603
<u>353,973</u>	<u>5,755,532</u>	<u>35,254,395</u>	<u>33,721,356</u>
<u>1,348,095</u>	<u>(1,035,399)</u>	<u>1,373,946</u>	<u>866,603</u>
	499,072	1,258,616	2,121,506
(75,000)	(285,772)	(1,924,616)	(2,088,460)
	5,000	6,285	12,484
<u>(75,000)</u>	<u>218,300</u>	<u>(659,715)</u>	<u>45,530</u>
1,273,095	(817,099)	714,231	912,133
<u>2,601,711</u>	<u>11,560,141</u>	<u>19,696,263</u>	<u>18,784,130</u>
<u>\$ 3,874,806</u>	<u>\$ 10,743,042</u>	<u>\$ 20,410,494</u>	<u>\$ 19,696,263</u>

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

Year Ended June 30, 2019

EXHIBIT A-5

Net changes in fund balances - total governmental funds	\$ 714,231
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay expenditures	2,729,084
Depreciation expense	(3,373,793)
Revenue is reported in the statement of activities at the time it is earned without regard to timeliness of collection	352,775
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds -	
Street construction donated from tax increment authorities	682,394
The change in net OPEB liability amounts does not require the use of current resources and is not reported in the governmental funds	(1,181,124)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	1,794,504
Payments on long-term debt use current financial resources from governmental funds, but debt payments decrease long-term liabilities in the statement of net position	1,387,000
Internal Service Funds are included as part of governmental activities - change in net position	886,278
	<hr/>
Change in net position of governmental activities	<u>\$ 3,991,349</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, 2019

EXHIBIT A-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2018 Actual
Revenues:					
Taxes:					
Real property taxes	\$ 7,590,000	\$ 7,590,000	\$ 7,635,229	\$ 45,229	\$ 5,493,624
Personal property taxes	850,000	850,000	822,640	(27,360)	679,394
Income tax	6,600,000	6,600,000	6,615,692	15,692	6,489,338
Other	565,000	565,000	654,800	89,800	529,333
	<u>15,605,000</u>	<u>15,605,000</u>	<u>15,728,361</u>	<u>123,361</u>	<u>13,191,689</u>
Business licenses and permits:					
Cable television	350,000	350,000	342,075	(7,925)	344,884
Other	15,000	15,000	1,805	(13,195)	11,165
	<u>365,000</u>	<u>365,000</u>	<u>343,880</u>	<u>(21,120)</u>	<u>356,049</u>
Nonbusiness licenses and permits:					
Building	225,000	325,000	334,839	9,839	321,320
Electrical	65,000	65,000	70,274	5,274	48,481
Heating	65,000	65,000	66,064	1,064	70,332
Plumbing	35,000	35,000	36,865	1,865	39,980
Other	5,000	5,000	11,212	6,212	7,060
	<u>395,000</u>	<u>495,000</u>	<u>519,254</u>	<u>24,254</u>	<u>487,173</u>
Grants	125,000	1,095,000	329,883	(765,117)	377,307
State shared revenues	4,325,000	4,500,000	4,537,878	37,878	4,434,006
Charges for services:					
Recreation fees	500,000	560,000	539,643	(20,357)	548,231
Blue Water Bridge reimbursement	300,000	300,000	300,000		300,000
County parks millage	130,000	130,000	132,565	2,565	129,151
Other	150,000	150,000	150,487	487	118,088
	<u>1,080,000</u>	<u>1,140,000</u>	<u>1,122,695</u>	<u>(17,305)</u>	<u>1,095,470</u>
Fines and forfeits:					
Parking violations	30,000	30,000	42,386	12,386	38,074
Ordinance fines	120,000	120,000	91,834	(28,166)	97,575
	<u>150,000</u>	<u>150,000</u>	<u>134,220</u>	<u>(15,780)</u>	<u>135,649</u>
Investment income	100,000	240,000	271,204	31,204	102,726
Rents	370,000	370,000	376,810	6,810	373,993
Sale of property and equipment	13,488	13,488	1,285	(12,203)	12,484
Charges to other funds:					
Garbage and rubbish collection fund	111,913	111,913	111,913		103,947
Marina fund	26,405	26,405	26,405		23,715
Parking fund	13,013	13,013	13,013		12,865
Water fund	716,289	716,289	716,289		704,220
Wastewater fund	1,202,130	1,202,130	1,202,130		1,187,300
Central stores fund	11,395	11,395	11,395		11,228
Data processing fund	78,347	78,347	78,347		72,166
Motor vehicle fund	164,872	164,872	164,872		161,449
	<u>2,324,364</u>	<u>2,324,364</u>	<u>2,324,364</u>		<u>2,276,890</u>
Total Revenues	<u>24,852,852</u>	<u>26,297,852</u>	<u>25,689,834</u>	<u>(608,018)</u>	<u>22,843,436</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, 2019

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2018 Actual
Expenditures:					
Current:					
General government:					
City council	\$ 57,835	\$ 57,835	\$ 50,148	\$ 7,687	\$ 50,583
City manager	273,687	300,687	300,045	642	245,501
Elections	79,574	79,574	76,702	2,872	56,952
Finance and accounting	706,306	712,306	711,400	906	655,035
Income tax	367,271	367,271	364,859	2,412	327,229
Assessor	350,598	350,598	349,069	1,529	325,628
Legal	160,000	160,000	125,900	34,100	154,357
Clerk	295,667	295,667	292,047	3,620	285,673
Human resources	393,849	393,849	388,258	5,591	330,037
Purchasing	63,401	65,401	64,902	499	58,483
Board of review	2,327	2,327	2,239	88	2,239
Treasurer	249,765	249,765	241,704	8,061	226,282
Municipal office center	721,269	729,769	728,234	1,535	720,238
	<u>3,721,549</u>	<u>3,765,049</u>	<u>3,695,507</u>	<u>69,542</u>	<u>3,438,237</u>
Public safety:					
Police administration	1,389,243	1,229,243	1,220,684	8,559	1,172,524
Detectives	1,409,710	1,249,710	1,232,753	16,957	1,428,891
Patrol	6,916,767	7,324,767	7,317,119	7,648	6,439,078
Communications	41,400	41,400	40,653	747	41,132
Fire	5,502,671	5,514,671	5,501,786	12,885	5,362,791
	<u>15,259,791</u>	<u>15,359,791</u>	<u>15,312,995</u>	<u>46,796</u>	<u>14,444,416</u>
Public works:					
Inspection	339,371	339,371	313,261	26,110	299,183
Emergency management	17,200	17,200	9,523	7,677	11,473
Public works administration	135,260	135,260	134,809	451	128,917
Engineering	230,389	230,389	208,403	21,986	210,213
Street lighting	690,276	690,276	632,452	57,824	626,603
Blight and code enforcement	275,345	275,345	187,582	87,763	283,294
	<u>1,687,841</u>	<u>1,687,841</u>	<u>1,486,030</u>	<u>201,811</u>	<u>1,559,683</u>
Senior citizens:					
Discounts for senior citizens	1,000	2,000	1,077	923	684
Recreation, parks and culture:					
Parks and forestry	1,261,087	1,487,087	1,485,881	1,206	1,318,074
Boat launch ramps	12,417	12,417	7,373	5,044	8,275
Recreation	608,939	658,939	656,078	2,861	534,923
Rockin the Rivers	41,506	44,506	44,469	37	40,327
20th and Court pool	76,738	87,738	87,298	440	100,221
Sanborn pool	138,342	188,342	186,927	1,415	147,054
Chillyfest	55,644	55,644	49,862	5,782	50,760
Parades and special events		5,500	5,430	70	
Lighthouse park	30,457	30,457	27,111	3,346	18,186
Lakeside park	146,900	196,900	194,683	2,217	192,409
Palmer park recreation center	209,917	209,917	198,396	11,521	182,149
Library	8,000	8,000	8,000		8,000
Museum	75,199	75,199	64,120	11,079	44,718
	<u>2,665,146</u>	<u>3,060,646</u>	<u>3,015,628</u>	<u>45,018</u>	<u>2,645,096</u>

(Continued on next page)

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

Year Ended June 30, 2019

EXHIBIT A-6
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2018 Actual
General support services:					
Planning	\$ 203,395	\$ 213,395	\$ 210,057	\$ 3,338	\$ 218,676
Mitigation grant expenditures	100,000	100,000	80,910	19,090	110,149
Telephone service	11,340	21,340	16,987	4,353	9,991
Contingencies	40,000				
Insurance, health and safety	98,490	98,490	93,554	4,936	91,633
Taxes written off	15,000	15,000	6,000	9,000	8,908
Demolition	50,000	50,000	1,756	48,244	13,980
	<u>518,225</u>	<u>498,225</u>	<u>409,264</u>	<u>88,961</u>	<u>453,337</u>
Capital outlay	50,000	975,000	868,713	106,287	137,174
Total Expenditures	<u>23,903,552</u>	<u>25,348,552</u>	<u>24,789,214</u>	<u>559,338</u>	<u>22,678,627</u>
Revenues over (under) Expenditures	<u>949,300</u>	<u>949,300</u>	<u>900,620</u>	<u>(48,680)</u>	<u>164,809</u>
Other financing sources (uses):					
Transfers in:					
Enterprise funds:					
Land Purchase					225,000
Transfers out:					
Special revenue funds:					
Beautification Commission	(3,300)	(3,300)	(3,300)		(3,300)
Enterprise funds:					
Land purchase	(270,000)	(270,000)	(200,000)	70,000	
McMorran	(676,000)	(676,000)	(676,000)		(371,954)
	<u>(949,300)</u>	<u>(949,300)</u>	<u>(879,300)</u>	<u>70,000</u>	<u>(375,254)</u>
	<u>(949,300)</u>	<u>(949,300)</u>	<u>(879,300)</u>	<u>70,000</u>	<u>(150,254)</u>
Net Change in Fund Balance			21,320	21,320	14,555
Fund balance at beginning of year	<u>4,728,918</u>	<u>4,728,918</u>	<u>4,728,918</u>		<u>4,714,363</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,728,918</u>	<u>\$ 4,728,918</u>	<u>\$ 4,750,238</u>	<u>\$ 21,320</u>	<u>\$ 4,728,918</u>

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

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

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City of Port Huron

**MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2019

EXHIBIT A-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2018 Actual
MAJOR STREETS:					
Revenues:					
Grants	\$ 100,000	\$ 100,000	\$ 65,324	\$ (34,676)	\$ 1,593,970
State shared revenues	2,730,000	3,130,000	3,501,708	371,708	3,397,788
Total Revenues	<u>2,830,000</u>	<u>3,230,000</u>	<u>3,567,032</u>	<u>337,032</u>	<u>4,991,758</u>
Expenditures:					
Current:					
Public works	2,086,784	2,086,784	1,959,580	127,204	1,872,624
Capital outlay	1,722,250	2,722,250	1,138,079	1,584,171	2,554,335
Total Expenditures	<u>3,809,034</u>	<u>4,809,034</u>	<u>3,097,659</u>	<u>1,711,375</u>	<u>4,426,959</u>
Revenues over (under) Expenditures	(979,034)	(1,579,034)	469,373	2,048,407	564,799
Other financing sources (uses):					
Transfers in	1,500,000	2,300,000	75,000	(2,225,000)	100,000
Transfers out	(565,000)	(765,000)	(684,544)	80,456	(641,562)
	<u>935,000</u>	<u>1,535,000</u>	<u>(609,544)</u>	<u>(2,144,544)</u>	<u>(541,562)</u>
Net Change in Fund Balances	(44,034)	(44,034)	(140,171)	(96,137)	23,237
Fund balance at beginning of year	<u>655,553</u>	<u>655,553</u>	<u>655,553</u>		<u>632,316</u>
FUND BALANCE AT END OF YEAR	<u>\$ 611,519</u>	<u>\$ 611,519</u>	<u>\$ 515,382</u>	<u>\$ (96,137)</u>	<u>\$ 655,553</u>
LOCAL STREETS:					
Revenues:					
State shared revenues	\$ 827,000	\$ 727,000	\$ 950,559	\$ 223,559	\$ 865,279
Total Revenues	<u>827,000</u>	<u>727,000</u>	<u>950,559</u>	<u>223,559</u>	<u>865,279</u>
Expenditures:					
Current:					
Public works	1,311,879	1,311,879	935,886	375,993	893,353
Capital outlay	102,250	702,250	322,131	380,119	1,303,321
Total Expenditures	<u>1,414,129</u>	<u>2,014,129</u>	<u>1,258,017</u>	<u>756,112</u>	<u>2,196,674</u>
Revenues over (under) Expenditures	(587,129)	(1,287,129)	(307,458)	979,671	(1,331,395)
Other financing sources (uses):					
Transfers in	565,000	1,265,000	684,544	(580,456)	1,341,562
Net Change in Fund Balances	(22,129)	(22,129)	377,086	399,215	10,167
Fund balance at beginning of year	<u>149,940</u>	<u>149,940</u>	<u>149,940</u>		<u>139,773</u>
FUND BALANCE AT END OF YEAR	<u>\$ 127,811</u>	<u>\$ 127,811</u>	<u>\$ 527,026</u>	<u>\$ 399,215</u>	<u>\$ 149,940</u>

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**MAJOR SPECIAL REVENUE FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Year Ended June 30, 2019

EXHIBIT A-7
(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Year Ended June 30, 2018 Actual
MUNICIPAL STREETS:					
Revenues:					
Taxes - Streets	\$ 1,100,000	\$ 1,100,000	\$ 1,114,751	\$ 14,751	\$ 1,096,397
Taxes - BWATC	360,000	360,000	345,331	(14,669)	341,724
State shared revenues	80,000	100,000	100,440	440	108,130
Charges for services	125,000	145,000	141,546	(3,454)	136,234
Other income					250
Total Revenues	<u>1,665,000</u>	<u>1,705,000</u>	<u>1,702,068</u>	<u>(2,932)</u>	<u>1,682,735</u>
Expenditures:					
Current:					
Public works	97,133	97,133	8,642	88,491	36,535
General support services-BWATC	360,000	360,000	345,331	14,669	341,724
Total Expenditures	<u>457,133</u>	<u>457,133</u>	<u>353,973</u>	<u>103,160</u>	<u>378,259</u>
Revenues over (under) Expenditures	1,207,867	1,247,867	1,348,095	100,228	1,304,476
Other financing sources (uses):					
Transfers out	<u>(1,500,000)</u>	<u>(2,800,000)</u>	<u>(75,000)</u>	<u>2,725,000</u>	<u>(800,000)</u>
Net Change in Fund Balances	(292,133)	(1,552,133)	1,273,095	2,825,228	504,476
Fund balance at beginning of year	<u>2,601,711</u>	<u>2,601,711</u>	<u>2,601,711</u>		<u>2,097,235</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 2,309,578</u></u>	<u><u>\$ 1,049,578</u></u>	<u><u>\$ 3,874,806</u></u>	<u><u>\$ 2,825,228</u></u>	<u><u>\$ 2,601,711</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, 2019

EXHIBIT A-8

		Business-Type Activities -		
		Water	Wastewater	Land Purchase
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 2,475,261	\$ 2,459,174	\$ 1,491,001
Accounts receivable (net of allowances for uncollectibles)		1,405,341	1,918,507	10,500
Due from other governmental units				
Inventories		430,301	112,860	
Prepaid expenses				
Total Current Assets		4,310,903	4,490,541	1,501,501
Capital assets:				
Land		799,823	631,745	1,587,112
Land improvements				944,293
Buildings		6,996,908	27,075,664	435,529
Systems		77,970,457	149,033,953	
Machinery and equipment			18,739,960	
Vehicles				
Construction in progress		420,087	255,565	
		86,187,275	195,736,887	2,966,934
Less accumulated depreciation		36,722,634	96,011,136	343,516
Total Capital Assets		49,464,641	99,725,751	2,623,418
Total Assets		53,775,544	104,216,292	4,124,919
DEFERRED OUTFLOWS OF RESOURCES		930,614	1,395,919	
LIABILITIES				
Current liabilities:				
Accounts payable		31,279	68,176	6,288
Accrued payroll		46,140	63,475	
Contracts payable		201,299	139,438	
Accrued interest payable		163,459	286,496	
Other liabilities		437,329		
Current portion of long-term debt		3,378,749	6,261,271	
Claims and judgments payable (current portion)				
Compensated absences payable (current portion)				
Total Current Liabilities		4,258,255	6,818,856	6,288
Noncurrent liabilities:				
Long-term debt (exclusive of current portion)		19,542,882	32,474,422	
Claims and judgments payable (exclusive of current portion)				
Compensated absences payable (exclusive of current portion)				
Net OPEB liability		4,250,480	6,375,713	
Net pension liability		5,833,116	8,749,666	
Total Noncurrent Liabilities		29,626,478	47,599,801	
Total Liabilities		33,884,733	54,418,657	6,288
DEFERRED INFLOWS OF RESOURCES		29,673	44,509	
NET POSITION				
Net investment in capital assets		26,543,010	60,990,058	2,623,418
Unrestricted (deficit)		(5,751,258)	(9,841,013)	1,495,213
Total Net Position		\$ 20,791,752	\$ 51,149,045	\$ 4,118,631

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
\$ 692,447	\$ 7,117,883	\$ 8,782,674	\$ 7,078,434	\$ 7,052,749	
50,010	3,384,358	3,514,800	530,762	775,013	
26,366	569,527	563,373	107,537	105,663	
18,995	18,995	16,186	292,137	294,320	
787,818	11,090,763	12,877,033	32,874	25,061	
			8,041,744	8,252,806	
1,584,178	4,602,858	4,445,698			
1,337,853	2,282,146	2,071,020	1,912,111	1,890,311	
8,321,500	42,829,601	41,744,916			
	227,004,410	226,179,587			
2,910,166	21,650,126	21,567,909	5,317,633	4,895,229	
			8,976,107	7,802,468	
	675,652	124,846			
14,153,697	299,044,793	296,133,976	16,205,851	14,588,008	
10,789,703	143,866,989	136,537,981	9,442,518	8,410,547	
3,363,994	155,177,804	159,595,995	6,763,333	6,177,461	
4,151,812	166,268,567	172,473,028	14,805,077	14,430,267	
232,653	2,559,186	1,087,514	581,631	247,049	
78,911	184,654	316,310	171,078	32,357	
15,005	124,620	113,354	463,045	789,411	
1,006	341,743	343,511			
	449,955	540,905	60,434	67,160	
78,831	516,160	600,971			
	9,640,020	9,307,918	285,614	267,514	
			929,208	897,429	
			299,649	223,874	
173,753	11,257,152	11,222,969	2,209,028	2,277,745	
	52,017,304	61,657,324	2,118,016	2,403,630	
			48,906	46,321	
			1,708,522	1,826,239	
1,062,624	11,688,817	10,593,104	2,656,552	2,407,523	
1,458,283	16,041,065	15,424,329	3,645,692	3,505,530	
2,520,907	79,747,186	87,674,757	10,177,688	10,189,243	
2,694,660	91,004,338	98,897,726	12,386,716	12,466,988	
7,418	81,600	507,193	18,544	115,158	
3,363,994	93,520,480	88,630,753	4,359,703	3,506,317	
(1,681,607)	(15,778,665)	(14,475,130)	(1,378,255)	(1,411,147)	
\$ 1,682,387	\$ 77,741,815	\$ 74,155,623	\$ 2,981,448	\$ 2,095,170	

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT A-9

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Operating revenues:			
Charges for services	\$ 8,178,968	\$ 15,507,210	\$
Rents			
Total Operating Revenues	8,178,968	15,507,210	
Operating expenses:			
Personal services	1,701,021	3,187,020	
Supplies and materials	259,243	632,526	
Contractual services	1,495,920	3,549,836	332,795
Depreciation	2,355,227	4,605,827	65,558
Total Operating Expenses	5,811,411	11,975,209	398,353
Operating Income (Loss)	2,367,557	3,532,001	(398,353)
Nonoperating revenues (expenses):			
Investment income	62,633	7,642	46,839
Interest expense	(797,428)	(1,285,249)	
Operating grants and contributions			400,133
Gain (loss) on sale of property and equipment			(18,316)
Operating assistance - component units			(325,152)
	(734,795)	(1,277,607)	103,504
Income (Loss) Before Capital Contributions and Transfers	1,632,762	2,254,394	(294,849)
Capital contributions:			
Grants and contributions received			
Income (Loss) Before Transfers	1,632,762	2,254,394	(294,849)
Transfers in (out):			
Transfer in			200,000
Transfer out			(510,000)
			(310,000)
Change in Net Position	1,632,762	2,254,394	(604,849)
Net position at beginning of year (as restated)	19,158,990	48,894,651	4,723,480
Restatement of net position			
NET POSITION AT END OF YEAR	\$ 20,791,752	\$ 51,149,045	\$ 4,118,631

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
\$ 1,179,956	\$ 24,866,134	\$ 23,836,157	\$ 17,849,377	\$ 16,576,765
49,726	49,726	53,830		
1,229,682	24,915,860	23,889,987	17,849,377	16,576,765
946,381	5,834,422	7,608,705	14,086,794	13,144,984
43,891	935,660	886,614	376,294	331,065
820,649	6,199,200	6,652,602	1,517,527	1,430,969
302,396	7,329,008	7,251,001	1,031,971	959,602
2,113,317	20,298,290	22,398,922	17,012,586	15,866,620
(883,635)	4,617,570	1,491,065	836,791	710,145
	117,114	22,839	93,621	70,724
	(2,082,677)	(2,366,550)	(69,402)	(76,969)
	400,133	771,753		
	(18,316)	(129,256)	25,268	45,203
	(325,152)			
	(1,908,898)	(1,701,214)	49,487	38,958
(883,635)	2,708,672	(210,149)	886,278	749,103
211,520	211,520	58,151		
(672,115)	2,920,192	(151,998)	886,278	749,103
976,000	1,176,000	711,954		
	(510,000)	(745,000)		
976,000	666,000	(33,046)		
303,885	3,586,192	(185,044)	886,278	749,103
1,378,502	74,155,623	84,728,245	2,095,170	4,633,796
		(10,387,578)		(3,287,729)
\$ 1,682,387	\$ 77,741,815	\$ 74,155,623	\$ 2,981,448	\$ 2,095,170

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

EXHIBIT A-10

	Business-Type Activities -		
	Water	Wastewater	Land Purchase
Cash flows from operating activities:			
Receipts from customers	\$ 8,368,563	\$ 15,440,135	\$
Payments to suppliers for goods and services	(1,047,645)	(2,962,006)	(523,746)
Payments to employees for services	(1,766,399)	(3,281,121)	
Payments connected with interfund services	(716,289)	(1,202,130)	
Net cash provided by (used in) operating activities	4,838,230	7,994,878	(523,746)
Cash flows from noncapital financing activities:			
Operating grants and contributions received			400,133
Operating assistance - component units			(325,152)
Transfers in			200,000
Transfers out			(510,000)
Net cash provided by (used in) noncapital financing activities			(235,019)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,063,076)	(1,331,517)	(328,511)
Principal payments on long-term debt	(3,254,839)	(6,053,079)	
Interest paid	(829,430)	(1,344,197)	
Proceeds from sale of property and equipment			115,535
Capital contributions			
Net cash provided by (used in) capital and related financing activities	(5,147,345)	(8,728,793)	(212,976)
Cash flows from investing activities:			
Investment income received	62,633	7,642	46,839
Net cash provided by (used in) investing activities	62,633	7,642	46,839
Net increase (decrease) in cash and cash equivalents	(246,482)	(726,273)	(924,902)
Cash and cash equivalents at beginning of year	2,721,743	3,185,447	2,415,903
Cash and cash equivalents at end of year	\$ 2,475,261	\$ 2,459,174	\$ 1,491,001

(Continued on next page)

Enterprise Funds			Governmental Activities - Internal Service Funds	
Other Nonmajor Enterprise Funds	Totals		Totals	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
\$ 1,152,793	\$ 24,961,491	\$ 23,560,529	\$ 18,091,754	\$ 16,648,638
(783,239)	(5,316,636)	(5,444,426)	(1,494,306)	(1,365,111)
(960,452)	(6,007,972)	(5,863,939)	(14,474,553)	(13,088,014)
(39,418)	(1,957,837)	(1,928,100)	(254,614)	(244,843)
(630,316)	11,679,046	10,324,064	1,868,281	1,950,670
	400,133	771,753		
	(325,152)			
976,000	1,176,000	711,954		
	(510,000)	(745,000)		
976,000	740,981	738,707		
(135,705)	(2,858,809)	(2,128,659)	(1,617,843)	(1,254,126)
	(9,307,918)	(9,064,769)	(267,514)	(250,214)
	(2,173,627)	(2,427,011)	(76,128)	(83,260)
	115,535	244	25,268	45,203
22,887	22,887	58,151		
(112,818)	(14,201,932)	(13,562,044)	(1,936,217)	(1,542,397)
	117,114	22,839	93,621	70,724
	117,114	22,839	93,621	70,742
232,866	(1,664,791)	(2,476,434)	25,685	478,997
459,581	8,782,674	11,259,108	7,052,749	6,573,752
\$ 692,447	\$ 7,117,883	\$ 8,782,674	\$ 7,078,434	\$ 7,052,749

City of Port Huron

PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

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)	\$ 2,367,557	\$ 3,532,001	\$ (398,353)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,355,227	4,605,827	65,558
Change in current assets and liabilities:			
Decrease (increase) in account receivables	185,442	(67,075)	
Decrease (increase) in due from other government units			
Decrease (increase) in inventory	(1,872)	(6,457)	
Decrease (increase) in prepaid expenses			
Decrease (increase) in OPEB assets			
Decrease (increase) in deferred outflows of resources	(534,836)	(803,002)	
Increase (decrease) in accounts payable	(6,899)	24,683	(190,951)
Increase (decrease) in accrued payroll	1,826	6,718	
Increase (decrease) in claims and judgments payable			
Increase (decrease) in contracts payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in other liabilities	4,153		
Increase (decrease) in net pension liability	224,269	336,396	
Increase (decrease) in net OPEB liability	398,442	597,656	
Increase (decrease) in deferred inflows of resources	(155,079)	(231,869)	
Total Adjustments	2,470,673	4,462,877	(125,393)
Net cash provided by (used in) operating activities	\$ 4,838,230	\$ 7,994,878	\$ (523,746)

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2019, infrastructure improvements with an estimated value of \$188,633 were constructed and subsequently donated to the Parking Fund (a nonmajor enterprise fund) and were funded by the Water Street 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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
\$ (883,635)	\$ 4,617,570	\$ 1,491,065	\$ 836,791	\$ 710,145
302,396	7,329,008	7,251,001	1,031,971	959,602
12,075	130,442	(358,943)	244,251	68,714
2,175	(6,154)	18,149	(1,874)	3,159
(2,809)	(2,809)	(636)	2,183	(32,200)
		45,691	(7,813)	177,756
(133,834)	(1,471,672)	996,433	(334,582)	249,234
41,511	(131,656)	175,777	138,721	(608)
2,722	11,266	6,540	(326,366)	83,893
			34,364	(252,319)
1,006	1,006	(26,600)		
			(41,942)	(40,231)
(88,964)	(84,811)	29,485		
56,071	616,736	424,996	140,162	(36,854)
99,615	1,095,713	36	249,029	8
(38,645)	(425,593)	271,070	(96,614)	60,371
253,319	7,061,476	8,832,999	1,031,490	1,240,525
\$ (630,316)	\$ 11,679,046	\$ 10,324,064	\$ 1,868,281	\$ 1,950,670

City of Port Huron

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

EXHIBIT A-11

	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Agency
ASSETS			
Cash and cash equivalents	\$	\$ 24,395	\$ 3,256
Interest in pooled investments	19,085,997		
Total Assets	<u>19,085,997</u>	<u>24,395</u>	<u>\$ 3,256</u>
LIABILITIES			
Liabilities:			
Due to other governmental units			\$ 2,885
Taxes collected in advance			371
Total Liabilities			<u>\$ 3,256</u>
NET POSITION			
Net position - restricted for OPEB and senior citizens	<u>\$ 19,085,997</u>	<u>\$ 24,395</u>	

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

FIDUCIARY FUNDS - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2019

EXHIBIT A-12

	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens
Additions:		
Investment income (loss)	\$ 570,510	\$ 30
Employer contributions	4,127,840	
Total Additions	<u>4,698,350</u>	<u>30</u>
Deductions:		
Benefit payments	3,513,225	
Administrative expense	35,424	
Total Deductions	<u>3,548,649</u>	
Change in Net Position	<u>1,149,701</u>	<u>30</u>
Net position at beginning of year-restricted for OPEB and senior citizens	<u>17,936,296</u>	<u>24,365</u>
NET POSITION AT END OF YEAR-restricted for OPEB and senior citizens	<u>\$ 19,085,997</u>	<u>\$ 24,395</u>

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

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City of Port Huron

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

June 30, 2019

EXHIBIT A-13

	<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>	<u>Brownfield Redevelopment</u>	<u>Total</u>
ASSETS					
Assets:					
Cash and cash equivalents	\$ 431,520	\$ 100,971	\$ 308,550	\$ 663,072	\$ 1,504,113
Receivables (net of allowances for uncollectibles)	4,439		310	2,493	7,242
Prepaid expenses	1,475				1,475
Total Assets	<u>437,434</u>	<u>100,971</u>	<u>308,860</u>	<u>665,565</u>	<u>1,512,830</u>
LIABILITIES					
Liabilities:					
Accounts payable	2,971	99,530		641,387	743,888
Accrued payroll	795				795
Unearned revenue	29,341				29,341
Total Liabilities	<u>33,107</u>	<u>99,530</u>		<u>641,387</u>	<u>774,024</u>
NET POSITION					
Unrestricted	<u>404,327</u>	<u>1,441</u>	<u>308,860</u>	<u>24,178</u>	<u>738,806</u>
Net Position	<u>\$ 404,327</u>	<u>\$ 1,441</u>	<u>\$ 308,860</u>	<u>\$ 24,178</u>	<u>\$ 738,806</u>

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

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

Year Ended June 30, 2019

EXHIBIT A-14

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development:				
Governmental activities:				
Community and economic development	\$ 1,505,564	\$ 136,417	\$ 325,152	\$
Tax Increment Finance:				
Governmental activities:				
Community and economic development	99,530			
Local Development Finance:				
Governmental activities:				
Community and economic development	116,743			
Brownfield Redevelopment:				
Governmental activities:				
Community and economic development	580,425			
Total component units	\$ 2,302,262	\$ 136,417	\$ 325,152	\$ 0
General revenues:				
Property taxes				
Unrestricted state-shared revenues				
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				
<u>Downtown Development</u>	<u>Tax Increment Finance</u>	<u>Local Development Finance</u>	<u>Brownfield Redevelopment</u>	<u>Total</u>
<u>\$ (1,043,995)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (1,043,995)</u>
	<u>(99,530)</u>			<u>(99,530)</u>
		<u>(116,743)</u>		<u>(116,743)</u>
			<u>(580,425)</u>	<u>(580,425)</u>
<u>(1,043,995)</u>	<u>(99,530)</u>	<u>(116,743)</u>	<u>(580,425)</u>	<u>(1,840,693)</u>
<u>879,487</u>	<u>99,530</u>	<u>206,846</u>	<u>578,386</u>	<u>1,764,249</u>
<u>18,668</u>		<u>202,851</u>	<u>9,204</u>	<u>230,723</u>
<u>898,155</u>	<u>99,530</u>	<u>409,697</u>	<u>587,590</u>	<u>1,994,972</u>
<u>(145,840)</u>		<u>292,954</u>	<u>7,165</u>	<u>154,279</u>
<u>550,167</u>	<u>1,441</u>	<u>15,906</u>	<u>17,013</u>	<u>584,527</u>
<u>\$ 404,327</u>	<u>\$ 1,441</u>	<u>\$ 308,860</u>	<u>\$ 24,178</u>	<u>\$ 738,806</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2019

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, 2019 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 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, 2019, are reported discretely as governmental fund types - Special Revenue Funds. As of June 30, 2019, the DDA manages five plans (one of which no longer captures taxes), the TIFA manages one, the LDFA manages one plan and the BRDA manages six plans.

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, 2018, the date of its latest audited financial statements, is as follows:

Total Assets and Deferred Outflows of Resources	\$22,316,173
Total Liabilities and Deferred Inflows of Resources	<u>8,712,038</u>
Total Net Position	<u>\$13,604,135</u>
Invested in Capital Assets	\$13,359,270
Restricted	310,921
Unrestricted	<u>(66,056)</u>
Total Net Position	<u>\$13,604,135</u>
Total Operating Revenues	\$ 7,761,117
Total Operating Expenses	(7,494,946)
Capital Grant Contribution	298,539
Prior Period Adjustment	<u>(337,622)</u>
Change in Net Position	<u>\$ 227,088</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 non-operating 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 non-operating 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, 2019, \$19,085,997 or 100 percent of the Retiree Health Care Benefits Fund's net position is reported as interest in pooled investments. Approximately \$15,456,000 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, 2019 the total accrued liability (\$2,008,171) 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 non-vesting 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.

NET POSITION

Net Position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

NET POSITION FLOW ASSUMPTION

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), 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 net position to have been depleted before unrestricted net position is applied.

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:

Non-spendable: 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; the General Fund is the only fund that reports a positive unassigned fund balance

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 healthcare benefits to retirees. This plan is closed to all new hires, effective January 1, 2012. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Insurance and Fringe Benefit Fund (an Internal Service Fund) is used to liquidate the obligations.

PROPERTY TAX REVENUE

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. A penalty of one percent is added on August 1 and on the first day of each succeeding month until March 1 of the following year. At that time the taxes are considered delinquent and turned over to the County Treasurer for collection.

The City's property tax revenue was levied on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

Included in property tax revenue in the General Fund are two property tax levies approved by citizens during the August 2017 election. A three mill property tax levy for public safety and a one mill property tax levy for parks and recreation were both approved for a period of five years, beginning with the 2018-19 year. Property tax revenue for 2018-19 was \$1,659,625 for public safety activities and \$553,178 for parks and recreation activities. Property tax revenues for those activities are considered to be expended before any unrestricted revenue sources are used. Expenditures during 2018-19 were \$15,312,995 for public safety activities and \$3,015,628 for parks and recreation activities, with an additional transfer to McMorran (a recreational facility) of \$676,000.

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.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 re-appropriated 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. Further, after June 30, 2019, the City Council approved a budget amendment of \$1,607,000 for the Loan Revolving Fund. This budget amendment included budgeted expenditures which exceeded budgeted revenues and beginning fund balance by \$148, which State statute does not allow. 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, 2019, building department revenues and expenditures totaled \$519,254 and \$519,409 respectively. Cumulative building department revenues and expenditures since July 1, 1999 totaled \$6,675,860 and \$9,670,493 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 certain banks and credit unions 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	\$ 854,588	6.48 years
General Fund – Municipal Obligations	<u>520,290</u> 1,374,878	4.34 years
Other Items Reported as Investments -		
Cemetery Perpetual Care Fund Certificates of Deposit	525,000	
Equities	<u>7,950,265</u>	
Total Investments – Primary Government	8,475,265	
Retiree Health Care Benefits Fund	<u>19,085,997</u>	
	<u>\$ 27,561,262</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 \$26,713,367 had \$25,148,116 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, 2019 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	\$ 494,946	AA
Corporate bonds	<u>359,642</u>	A
Total	<u>\$ 854,588</u>	
General Fund:		
Municipal obligations	\$ 260,273	AAA
Municipal obligations	<u>260,017</u>	AA
Total	<u>\$ 520,290</u>	
Retiree Health Care Benefits Fund	<u>\$19,085,997</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, 2019, 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, 2019 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, 2019:

- Mutual funds and equities of \$7,950,265 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$854,588 are valued using a matrix pricing model (Level 2 inputs).
- Municipal obligations of \$520,290 are valued using a matrix pricing model (Level 2 inputs).
- Interest in pooled investments of \$19,085,997 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, 2019, 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 RHFV Total Market Portfolio	<u>\$19,085,997</u>	<u>\$ 0</u>	N/A	N/A

The MERS RHFV 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 RHFV Total Market Portfolio.

NOTE D--RECEIVABLES

Receivables at June 30, 2019 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	\$ 1,208,010	\$	\$ 1,208,010	\$	\$ 1,208,010	\$
Interest receivable	2,544	12,723	15,267		15,267	
Property taxes	45,030	18,385	63,415		63,415	
Accounts	<u>174,429</u>	<u>62,495</u>	<u>236,744</u>	<u>530,762</u>	<u>767,506</u>	<u>3,419,358</u>
Gross Receivables	1,429,833	93,603	1,523,436	530,762	2,054,198	3,419,358
Less allowances						
for uncollectable	<u>127,000</u>	<u>15,500</u>	<u>142,500</u>		<u>142,500</u>	<u>35,000</u>
Net total receivables	<u>\$ 1,302,833</u>	<u>\$ 78,103</u>	<u>\$ 1,380,936</u>	<u>\$ 530,762</u>	<u>\$ 1,911,698</u>	<u>\$ 3,384,358</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	Rental Certification	\$ 3,069
	Community Development Block Grant	43,118
	HOME	17,607
	Neighborhood Rehabilitation	<u>11,006</u>
		<u>\$ 74,800</u>

NOTE F--CAPITAL ASSETS

The components of property and equipment at June 30, 2019 for the primary government's governmental activities are summarized as follows:

	Balance July 1, 2018	Additions	*Deductions	Balance June 30, 2019
Property and equipment not being depreciated:				
Land	\$ 4,260,209	\$	\$	\$ 4,260,209
Construction in progress	713,925	1,501,143	533,862	1,681,206
Total property and equipment not being depreciated	<u>4,974,134</u>	<u>1,501,143</u>	<u>533,862</u>	<u>5,941,415</u>
Property and equipment being depreciated:				
Land improvements	13,046,893	840,278		13,887,171
Buildings	11,577,446			11,577,446
Streets, bridges and sidewalks	84,884,832	1,194,609		86,079,441
Machinery and equipment	15,357,313	853,514		16,210,827
Vehicles	8,623,424	1,173,639	15,947	9,781,116
Total property and equipment being depreciated	<u>133,489,908</u>	<u>4,062,040</u>	<u>15,947</u>	<u>137,536,001</u>
Less accumulated depreciation:				
Land improvements	10,223,461	350,644		10,574,105
Buildings	9,544,172	193,143		9,737,315
Streets, bridges and sidewalks	48,385,693	2,670,503		51,056,196
Machinery and equipment	11,718,625	512,448		12,231,073
Vehicles	5,302,276	679,026	15,947	5,965,355
Total accumulated depreciation	<u>85,174,227</u>	<u>4,405,764</u>	<u>15,947</u>	<u>89,564,044</u>
Net property and equipment being depreciated	<u>48,315,681</u>	<u>(343,724)</u>		<u>47,971,957</u>
Net governmental property and equipment	<u>\$ 53,289,815</u>	<u>\$ 1,157,419</u>	<u>\$ 533,862</u>	<u>\$ 53,913,372</u>

The components of property and equipment at June 30, 2019 for the primary government's business-type activities are summarized as follows:

	Balance July 1, 2018	Additions	*Deductions	Balance June 30, 2019
Property and equipment not being depreciated:				
Land	\$ 4,445,698	\$ 291,011	\$ 133,851	\$ 4,602,858
Construction in progress	124,846	624,042	73,236	675,652
Total property and equipment not being depreciated	<u>4,570,544</u>	<u>915,053</u>	<u>207,087</u>	<u>5,278,510</u>
Property and equipment being depreciated:				
Land improvements	2,071,020	211,126		2,282,146
Buildings	41,744,916	1,084,685		42,829,601
Systems	226,179,587	824,823		227,004,410
Machinery and equipment	21,567,909	82,217		21,650,126
Total property and equipment being depreciated	<u>291,563,432</u>	<u>2,202,851</u>		<u>293,766,283</u>
Less accumulated depreciation:				
Land improvements	719,473	93,600		813,073
Buildings	30,387,239	750,715		31,137,954
Systems	89,104,295	5,808,566		94,912,861
Machinery and equipment	16,326,974	676,127		17,003,101
Total accumulated depreciation	<u>136,537,981</u>	<u>7,329,008</u>		<u>143,866,989</u>
Net property and equipment being depreciated	<u>155,025,451</u>	<u>(5,126,157)</u>		<u>149,899,294</u>
Net business-type property and equipment	<u>\$ 159,595,995</u>	<u>\$ (4,211,104)</u>	<u>\$ 207,087</u>	<u>\$ 155,177,804</u>

*Deductions for construction in progress represents 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	\$ 1,256,261
Community and economic development	1,828
Public safety	150,471
Public works	2,773,568
Recreation, parks and culture	<u>223,636</u>
Total governmental activities	<u>\$ 4,405,764</u>
Business-type activities:	
Water	\$ 2,355,227
Wastewater	4,605,827
Land purchase	65,558
Parking	49,577
McMorran	216,880
Marina	<u>35,939</u>
Total business-type activities	<u>\$ 7,329,008</u>

NOTE G--INTERFUND TRANSFERS

Interfund transfers are used either to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or to use unrestricted revenues collected in the General Fund, Municipal Streets Fund or the Land Purchase Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers are as follows:

Transfers to major governmental funds:

Major governmental funds:

Major Streets Fund from:

 Municipal Streets Fund \$ 75,000

Local Streets Fund from:

 Major Streets Fund \$ 684,544

Transfers to major enterprise funds:

Land Purchase fund – from:

Major governmental fund:

 General Fund \$ 200,000

Transfers to nonmajor governmental funds from:

 General Fund (to Beautification Commission) \$ 3,300

 Cemetery Perpetual Care (to Cemetery) 285,772

 Land Purchase (to Cemetery) 210,000

 Total \$ 499,072

Transfer to nonmajor enterprise funds from:

 General Fund (to McMorran) \$ 676,000

 Land Purchase Fund (to Marina) 210,000

 Land Purchase Fund (to Parking) 90,000

 Total \$ 976,000

The transfer of \$200,000 from the General Fund to the Land Purchase Fund represents revenue that has no legal restrictions.

NOTE H--LONG TERM DEBT

Long-term debt of the City is as follows:

	Balance July 1, 2018	Additions	(Reductions)	Balance June 30, 2019	Due Within One Year
Business-type activities:					
Water Fund:					
1.1% to 5.625% 2011 Water Supply System Revenue Bonds, net of unamortized discount of \$67,914; amount of issue - \$6,910,464	\$6,123,999	\$	\$ (141,913)	\$ 5,982,086	\$ 151,913
4.0% to 5.0% 2006 Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$14,636; amount of issue - \$6,890,000	1,554,272		(754,636)	799,636	799,636
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation), net of unamortized premium of \$15,700; amount of issue - \$3,000,000	1,069,625		(193,925)	875,700	203,925
2.125% to 2.5% Drinking Water Revolving Fund (DWRf) Water Supply System (Junior Lien) Revenue Bonds (Limited Tax General Obligation):					
Series 7088-01	1,917,355		(460,000)	1,457,355	475,000
Series 7105-01	545,336		(85,000)	460,336	85,000
Series 7110-01	994,976		(190,000)	804,976	195,000
Series 7113-01	535,000		(100,000)	435,000	105,000
Series 7119-01	1,024,255		(105,000)	919,255	105,000
Series 7132-01	171,230		(25,000)	146,230	25,000
Series 7147-01	725,245		(100,000)	625,245	100,000
Series 7150-01	201,504		(25,000)	176,504	25,000
Series 7167-01	751,036		(90,000)	661,036	95,000
Series 7168-01	650,000		(85,000)	565,000	90,000
Series 7169-01	162,532		(20,000)	142,532	20,000
Series 7185-01	600,053		(65,000)	535,053	65,000
Series 7186-01	336,848		(45,000)	291,848	45,000
Series 7187-01	238,662		(30,000)	208,662	30,000
Series 7188-01	324,909		(40,000)	284,909	40,000
Series 7220-01	976,676		(90,000)	886,676	90,000
Series 7221-01	300,000		(25,000)	275,000	25,000
Series 7275-01	1,654,258		(120,000)	1,534,258	125,000
Series 7276-01	110,000		(10,000)	100,000	10,000
Series 7378-01	1,753,679		(85,000)	1,668,679	85,000
3.64% 2012B Water Meter Refunding Bonds (Limited Tax General Obligation); amount of issue - \$5,112,000	3,455,020		(369,365)	3,085,655	388,275
Total Water Fund	26,176,470		(3,254,839)	22,921,631	3,378,749

	Balance July 1, 2018	Additions	(Reductions)	Balance June 30, 2019	Due Within One Year
Wastewater Fund:					
2.0% to 5.0% 2014 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$90,600; amount of issue - \$4,715,000	\$3,365,700	\$	\$ (415,100)	\$ 2,950,600	\$ 460,100
2.0% to 4.25% 2012 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$92,548; amount of issue - \$3,460,000	2,050,685		(368,137)	1,682,548	413,137
2.0% to 5.25% 2011B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$42,504; amount of issue - \$3,300,000	2,840,564		(73,068)	2,767,496	73,068
2.0% to 4.0% 2011 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$7,125,000	3,650,000		(660,000)	2,990,000	700,000
2.0% to 5.25% 2011 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$20,412; amount of issue - \$5,800,000	4,966,546		(161,134)	4,805,412	161,134
4.0% to 5.0% 2007B Wastewater General Obligation Limited Tax Bonds, net of unamortized discount of \$31,655; amount of issue - \$4,985,000	3,505,910		(172,565)	3,333,345	182,565
4.0% to 5.0% 2006 Wastewater General Obligation Limited Tax Bonds, net of unamortized premium of \$8,075; amount of issue - \$5,500,000	1,201,150		(603,075)	598,075	598,075
1.625% to 2.5% State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:					
Series 5006-01	598,192		(305,000)	293,192	293,192
Series 5006-02	741,635		(235,000)	506,635	250,000
Series 5006-03	1,551,120		(505,000)	1,046,120	515,000
Series 5006-04	1,699,559		(410,000)	1,289,559	420,000
Series 5006-05	85,903		(20,000)	65,903	25,000
Series 5006-06	907,776		(170,000)	737,776	175,000
Series 5006-07	980,000		(190,000)	790,000	190,000
Series 5006-08	526,781		(85,000)	441,781	85,000
Series 5006-09	1,262,532		(165,000)	1,097,532	170,000
Series 5006-10	455,000		(60,000)	395,000	65,000
Series 5006-11	810,710		(95,000)	715,710	100,000
Series 5006-12	859,821		(90,000)	769,821	90,000
Series 5006-13	579,548		(65,000)	514,548	65,000
Series 5006-14	458,139		(55,000)	403,139	55,000
Series 5006-15	1,383,666		(130,000)	1,253,666	130,000
Series 5006-16	1,975,000		(145,000)	1,830,000	145,000
Series 5006-17	284,750		(20,000)	264,750	20,000
Series 5006-18	1,156,014		(70,000)	1,086,014	75,000
Series 5006-19	1,462,640		(90,000)	1,372,640	90,000
Series 5006-20	1,934,545		(90,000)	1,844,545	95,000
Series 5177-01	3,050,000		(580,000)	2,470,000	595,000
Series 5413-01	444,886		(25,000)	419,886	25,000
Total Wastewater Fund	<u>44,788,772</u>		<u>(6,053,079)</u>	<u>38,735,693</u>	<u>6,261,271</u>
Total business-type activities	<u>70,965,242</u>		<u>(9,307,918)</u>	<u>61,657,324</u>	<u>9,640,020</u>

	Balance July 1, 2018	Additions	(Reductions)	Balance June 30, 2019	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	\$ 2,671,144	\$	\$ (267,514)	\$ 2,403,630	\$ 285,614
HUD Section 108 Loan:					
2.500% to 2.558%; amount of issue - \$1,500,000	1,387,000		(1,387,000)		
Claims and judgments payable	943,750	5,799,046	(5,764,682)	978,114	929,208
Compensated absences payable	2,050,113	463,736	(505,678)	2,008,171	299,649
Total governmental activities	7,052,007	6,262,782	(7,924,874)	5,389,915	1,514,471
Total	\$ 78,017,249	\$ 6,262,782	\$(17,232,792)	\$ 67,047,239	\$ 11,154,491

All outstanding bonds and the HUD Section 108 Loan are considered direct borrowings and direct placements of debt.

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, 2019, the City's debt limit amounted to \$72,663,100 and indebtedness subject to the limitation totaled \$17,667,839 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$54,995,261. 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 \$12,186,928 (principal - \$7,657,422; interest - \$4,529,506). During the current year, net revenues of the system were \$4,785,417 compared to the annual debt requirements of \$1,486,083.

Recorded in the Enterprise Funds are general obligation bonds amounting to \$55,675,238 at June 30, 2019 for which the City's full faith and credit is pledged. Recorded in the Water Fund is a revenue bond in the amount of \$5,982,086 at June 30, 2019 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 (all of which are considered direct borrowings and direct placements of debt) at June 30, 2019 are as follows:

	Business-Type Activities (Enterprise Funds)		
	Principal	Interest	Total
2020	\$ 9,640,020	\$ 1,912,593	\$ 11,552,613
2021	8,151,575	1,687,251	9,838,826
2022	7,592,159	1,460,375	9,052,534
2023	6,868,468	1,239,944	8,108,412
2024	4,099,260	1,078,211	5,177,471
2025-2029	12,703,531	3,921,439	16,624,970
2030-2034	6,975,818	2,243,960	9,219,778
2035-2039	4,336,531	925,021	5,261,552
2040-2041	1,289,962	82,741	1,372,703
	<u>\$ 61,657,324</u>	<u>\$ 14,551,535</u>	<u>\$ 76,208,859</u>

Recorded in the Internal Service Funds is a general obligation bond amounting to \$2,403,630 at June 30, 2019 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.

In addition, a HUD Section 108 loan amounting to \$1,387,000 at June 30, 2018 had been recorded in the governmental activities column of the Statement of Net Position. The proceeds of this loan were advanced to a developer, who had pledged to repay the City over ten years. During the year, the developer repaid the entire \$1,387,000 of advanced funds to the City. The City placed those funds in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the HUD Section 108 loan is considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position.

The annual requirements to pay principal and interest on the obligations outstanding (all of which are considered direct borrowings and direct placements of debt) at June 30, 2019 are as follows:

	Governmental Activities		
	Principal	Interest	Total
2020	\$ 285,614	\$ 68,504	\$ 354,118
2021	304,542	60,365	364,907
2022	324,336	51,684	376,020
2023	345,026	42,441	387,467
2024	366,648	32,608	399,256
2025-2026	<u>777,464</u>	<u>33,222</u>	<u>810,686</u>
	<u>\$ 2,403,630</u>	<u>\$ 288,824</u>	<u>\$ 2,692,454</u>

NOTE I--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 J--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 (\$7,709,170) 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.

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, 2019, 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, 2019, taxes of approximately \$4.25 million have been captured to fund such reimbursements.

Revenue is recognized annually as non-operating 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, 2019 are summarized as follows:

	Balance July 1, 2018	Additions	(Reductions)	Balance June 30, 2019
Commitment from Component Units:				
Downtown Development - On behalf of payments from primary government:				
General Fund	\$ 551,166	\$	\$	\$ 551,166
Land Purchase Fund	<u>5,167,655</u>	<u>325,152</u>	<u>(373,049)</u>	<u>5,119,758</u>
Total Downtown Development	<u>5,718,821</u>	<u>325,152</u>	<u>(373,049)</u>	<u>5,670,924</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>1,867,794</u>
Total Tax Increment Finance	<u>2,031,657</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>168,751</u>			<u>168,751</u>
Total Local Development Finance	<u>560,048</u>			<u>560,048</u>
Brownfield Redevelopment Authority - On behalf of payments from primary government:				
Land Purchase Fund	<u>579,951</u>		<u>(27,084)</u>	<u>552,867</u>
Total Commitment from Component Units	<u>\$ 8,890,477</u>	<u>\$ 325,152</u>	<u>\$ (400,133)</u>	<u>\$ 8,815,496</u>

NOTE K--DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES

The components of Deferred Outflows of Resources at June 30, 2019 are summarized as follows:

	OPEB	Pension	Total
Governmental Activities:			
Internal Service Funds:			
Motor Vehicle Fund	\$ 95,743	\$ 253,235	\$ 348,978
Data Processing Fund	<u>63,829</u>	<u>168,824</u>	<u>232,653</u>
Total Internal Service Funds	159,572	422,059	581,631
All Other Governmental Activities	<u>2,329,745</u>	<u>6,162,085</u>	<u>8,491,830</u>
Total Governmental Activities	<u>\$ 2,489,317</u>	<u>\$ 6,584,144</u>	<u>\$ 9,073,461</u>
Business-type Activities:			
Enterprise Funds:			
Water Fund	\$ 255,315	\$ 675,299	\$ 930,614
Wastewater Fund	382,972	1,012,947	1,395,919
McMorran Fund	<u>63,829</u>	<u>168,824</u>	<u>232,653</u>
Total Business-type Activities (Enterprise Funds)	<u>\$ 702,116</u>	<u>\$ 1,857,070</u>	<u>\$ 2,559,186</u>

The components of Deferred Inflows of Resources at June 30, 2019 are summarized as follows:

	<u>OPEB</u>	<u>Pension</u>	<u>Total</u>
Governmental Activities:			
Internal Service Funds:			
Motor Vehicle Fund	\$	\$ 11,126	\$ 11,126
Data Processing Fund		7,418	7,418
Total Internal Service Funds		18,544	18,544
All Other Governmental Activities		270,757	270,757
Total Governmental Activities	<u>\$ 0</u>	<u>\$ 289,301</u>	<u>\$ 289,301</u>
Business-type Activities:			
Enterprise Funds:			
Water Fund	\$	\$ 29,673	\$ 29,673
Wastewater Fund		44,509	44,509
McMorran Fund		7,418	7,418
Total Business-type Activities (Enterprise Funds)	<u>\$ 0</u>	<u>\$ 81,600</u>	<u>\$ 81,600</u>

NOTE L--OTHER POST EMPLOYMENT BENEFIT PLAN

DESCRIPTION AND ADMINISTRATION OF PLAN

The City has established a single employer defined benefit plan which it administers, the Retiree Health Care Benefits Fund. The plan provides postemployment benefits other than pensions (OPEB) to its qualifying full-time employees and retirees. The OPEB 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. The plan is administered in accordance with the Uniform Resolution Adopting the MERS Retiree Health Funding Vehicle (RHFV), which was adopted by City Council on May 14, 2007.

PLAN MEMBERSHIP

At June 30, 2019, the following employees and retirees were covered under the plan:

Active employees	109
Retirees and covered spouses	<u>477</u>
Total members covered	<u>586</u>

The plan is closed to new entrants. All new employees hired after January 1, 2012 are ineligible to participate in the plan.

BENEFITS PROVIDED

The plan provides health care benefits for certain retirees and their covered spouses. The benefits provided to retirees are generally the same as or similar to the benefits received by employees. Therefore, benefits received by retirees may be changed due to changes in collective bargaining agreements and other requirements.

CONTRIBUTIONS

Adoption of the plan granted the City the authority to establish and amend the contribution requirements. In practice, these contributions are established based on the actuarially determined rate. For the year ended June 30, 2019, the City contributed \$4,127,840 which was less than of the actuarially determined amount by \$126,261. The City's contribution rate was 60.5 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

INVESTMENT POLICY AND RATE OF RETURN

The investments of the plan are governed by Public Act 149 of 1999, as amended. The City has adopted the MERS Retiree Health Funding Vehicle (RHFV). The long-term expected rate of return on RHFV investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of RHFV 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 June 30, 2019, 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	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET OPEB LIABILITY

The City of Port Huron has chosen to use June 30, 2019 as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, which used update procedures to roll forward the estimated liability to June 30, 2019.

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

<u>Changes in the Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018	<u>\$66,086,769</u>	<u>\$17,936,296</u>	<u>\$48,150,473</u>
Changes for the year:			
Service cost	374,392		374,392
Interest	4,503,392		4,503,392
Contributions – employer		4,130,796	(4,130,796)
Net investment income		570,510	(570,510)
Difference between expected and actual experience	3,047,340		3,047,340
Changes in assumptions	1,718,262		1,718,262
Benefit payments, including refunds	(3,513,225)	(3,513,225)	
Administrative expenses		(38,380)	38,380
Net changes	<u>6,130,161</u>	<u>1,149,701</u>	<u>4,980,460</u>
Balances at June 30, 2019	<u>\$72,216,930</u>	<u>\$19,085,997</u>	<u>\$53,130,933</u>

The Plan's fiduciary net position represents 26.4 percent of the total OPEB liability.

The changes in assumptions results from a one year delay in the planned 0.5 percent per year reduction in the health care cost trend rate.

OPEB EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the City of Port Huron recognized OPEB expense of \$5,748,796. At June 30, 2019, the City of Port Huron reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,808,584	\$
Changes in assumptions	1,019,781	
Net difference between projected and actual earnings on OPEB plan investments	363,068	
Total	<u>\$ 3,191,433</u>	<u>\$ 0</u>

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

Year ending June 30, 2020	\$2,017,314
Year ending June 30, 2021	\$ 971,207
Year ending June 30, 2022	\$ 80,078
Year ending June 30, 2023	\$ 122,834

ACTUARIAL ASSUMPTIONS

The total OPEB liability in the June 30, 2019 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	6.50%	Net of OPEB plan investment expense, including inflation
Health care cost trend rate	8.00%	For the year ending June 30, 2019, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for the year ending June 30, 2026 and later years.

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 June 30, 2019 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 OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumes employer contributions will be made at rates equal to the actuarially determined contribution rates.

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability of the City of Port Huron, calculated using the discount rate of 6.5 percent, as well as what the City of Port Huron's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5 percent) or 1-percentage point higher (7.5 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.5%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.5%)</u>	<u>1% Increase</u> <u>(7.5%)</u>
Net OPEB Liability	<u>\$ 63,678,548</u>	<u>\$ 53,130,933</u>	<u>\$ 44,503,232</u>

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTH CARE COST TREND RATES

The following presents the net OPEB liability of the City of Port Huron, calculated using the health care cost trend rate, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Health Care</u> <u>Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 44,410,725</u>	<u>\$ 53,130,933</u>	<u>\$ 63,749,477</u>

NOTE M--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, 2019, 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, 2018 (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 3% 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 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.

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	388
Inactive plan members entitled to but not yet receiving benefits	52
Active plan members	<u>242</u>
Total employees covered by MERS	<u>682</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, 2018, the average active employee contribution rate was 35.4 percent of annual pay, and the City's average contribution rate was 5.9 percent of annual payroll.

PAYABLE TO THE PENSION PLAN

At June 30, 2019, the City of Port Huron reported a payable of \$349,725 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2019. Of this amount, \$304,460 was payable for the employer portion and \$45,265 was payable for amounts withheld from employees.

NET PENSION LIABILITY

The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 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, 2017	<u>\$ 156,773,624</u>	<u>\$ 86,663,038</u>	<u>\$ 70,110,586</u>
Changes for the year:			
Service cost	1,666,791		1,666,791
Interest	12,141,293		12,141,293
Changes to benefit terms	(8,911,168)		(8,911,168)
Differences between expected and actual experience	374,885		374,885
Contributions – employer		4,957,393	(4,957,393)
Contributions – employee		869,239	(869,239)
Net investment income		(3,194,651)	3,194,651
Benefit payments, including refunds	(11,681,756)	(11,681,756)	
Administrative expenses		(163,443)	163,443
Net changes	<u>(6,409,955)</u>	<u>(9,213,218)</u>	<u>(2,803,263)</u>
Balances at December 31, 2018	<u>\$ 150,363,669</u>	<u>\$ 77,449,820</u>	<u>\$ 72,913,849</u>

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

For the year ended June 30, 2019, the City of Port Huron recognized pension expense of \$2,212,745. At June 30, 2018, the City of Port Huron reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 476,726	\$ 370,901
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments	5,963,913	
Employer contributions to the plan subsequent to the measurement date	<u>2,000,575</u>	
Total	<u>\$ 8,441,214</u>	<u>\$ 370,901</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, 2020	\$ 2,048,893
Year ending June 30, 2021	\$ 810,814
Year ending June 30, 2022	\$ 1,232,641
Year ending June 30, 2023	\$ 1,977,390

These amounts are exclusive of the employer contributions to the plan subsequent to the measurement date (\$2,000,575), which will affect the net pension liability in the fiscal year ending June 30, 2020, rather than pension expense.

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2018 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%	Net of pension plan investment 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, 2018 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.

INVESTMENT RATE OF RETURN

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, 2018, 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	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

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>\$ 87,691,157</u>	<u>\$ 72,913,849</u>	<u>\$ 60,272,917</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. 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 N--DEFERRED COMPENSATION PLANS

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City makes contributions into the plan on behalf of certain employees. The plan permits employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the opinion of the City's legal counsel that the City has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE O--RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers compensation), as well as medical benefits provided to employees. The City 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 \$550,000. The City is uninsured for acts of nature and environmental cleanup losses.

The component units of the City 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, 2019</u>	Year ended <u>June 30, 2018</u>
Estimated liability, beginning of year	\$ 943,750	\$ 1,196,069
Estimated claims incurred including changes in estimates	5,799,046	6,007,708
Claim payments	<u>(5,764,682)</u>	<u>(6,260,027)</u>
Estimated liability, end of year	<u>\$ 978,114</u>	<u>\$ 943,750</u>

NOTE P--COMMITMENTS

The City has entered into various construction contracts. Such contracts include sewer separation contracts necessary for the elimination of combined sewer overflows, street resurfacing contracts including improvements of water distribution and wastewater collection systems and site improvement contracts necessary for the construction of infrastructure related to redevelopment. Several of such contracts were in progress but not completed as of June 30, 2019. The total spent to date on these contracts is approximately \$1.5 million as of June 30, 2019. The total contractual commitments outstanding as of June 30, 2019, aggregated approximately \$2.6 million. The City has sufficient funds available to cover these commitments.

NOTE Q--TAX ABATEMENTS

The City uses the Industrial Facilities Tax exemption (Public Act 198 of 1974, as amended) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years. For the fiscal year ended June 30, 2019, the City abated approximately \$104,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Additionally, the Brownfield Redevelopment Authority (BRDA), a discretely presented component unit, uses Brownfield Redevelopment Agreements under Public Act 381 of 1996, as amended, that remediate environmental contamination, blight or functional obsolescence of their properties. As a result of these agreements, tax revenue was reduced. For the fiscal year ended June 30, 2019, the Authority abated approximately \$177,000 of taxes under this program. There are no provisions to recapture taxes.

The City also granted reduced property tax revenue to Low Income Housing programs under Public Act 346 of 1966, as amended. Qualified low-income housing is exempt from property taxes, but pay a fee in lieu of taxes based on a percentage of their rents. The amount of tax foregone was determined by subtracting the fee in lieu of taxes paid from the amount of tax that would have been normally calculated. For the fiscal year ended June 30, 2019, net taxes abated under this program was approximately \$92,000. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the City's tax revenue.

NOTE R--UPCOMING REPORTING CHANGES

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. GASB Statement No. 84 is effective for fiscal years beginning after December 15, 2018.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which changes accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the

foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. GASB Statement No. 87 is effective for fiscal years beginning after December 15, 2019.

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. GASB Statement No. 89 is effective for fiscal years beginning after December 15, 2019.

FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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 pension contributions

City of Port Huron single employer OPEB plan – Retiree Health Care Benefits Fund:

Schedule of changes in the net OPEB liability and related ratios

Schedule of employer OPEB contributions

Schedule of OPEB investment returns

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

EXHIBIT B

	June 30, 2015	June 30, 2016	June 30, 2017
Total Pension Liability			
Service cost	\$ 1,808,963	\$ 1,757,825	\$ 1,772,330
Interest	11,010,397	11,228,924	11,834,909
Changes in benefit terms	(410)		
Differences between expected and actual experience		2,491,086	(1,483,605)
Changes in assumptions		6,951,357	
Benefit payments, including refunds	(9,923,800)	(10,365,273)	(10,851,323)
Net change in total pension liability	2,895,150	12,063,919	1,272,311
Total pension liability - beginning of year	137,516,746	140,411,896	152,475,815
Total pension liability - end of year	<u>\$ 140,411,896</u>	<u>\$ 152,475,815</u>	<u>\$ 153,748,126</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,266,049	\$ 4,561,758	\$ 4,350,070
Contributions - employee	1,153,294	1,138,153	1,040,220
Net investment income	5,295,419	(1,225,499)	8,693,531
Benefit payments, including refunds	(9,923,800)	(10,365,273)	(10,851,323)
Administrative expenses	(193,299)	(182,216)	(171,949)
Other			
Net change in plan fiduciary net position	(402,337)	(6,073,077)	3,060,549
Plan fiduciary net position - beginning of year	85,485,562	85,083,225	79,010,148
Plan fiduciary net position - end of year	<u>\$ 85,083,225</u>	<u>\$ 79,010,148</u>	<u>\$ 82,070,697</u>
City's net pension liability - ending	<u>\$ 55,328,671</u>	<u>\$ 73,465,667</u>	<u>\$ 71,677,429</u>
Plan fiduciary net position as a percent of total pension liability	60.6%	51.8%	53.4%
Covered payroll as of measurement date	\$ 13,780,076	\$ 13,808,346	\$ 13,768,369
City's net pension liability as a percent of covered payroll	401.5%	532.0%	520.6%

Note: GASB 68 was implemented during the fiscal year ended June 30, 2015. This schedule is being developed prospectively. Ultimately, 10 years of data will be presented.

<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$ 1,764,161	\$ 1,666,791
11,928,206	12,141,293
	(8,911,168)
391,125	374,885
(11,057,994)	(11,681,756)
<u>3,025,498</u>	<u>(6,409,955)</u>
153,748,126	156,773,624
<u>\$ 156,773,624</u>	<u>\$ 150,363,669</u>
\$ 4,275,121	\$ 4,957,393
1,021,459	869,239
10,520,868	(3,194,651)
(11,057,994)	(11,681,756)
(167,113)	(163,443)
<u>4,592,341</u>	<u>(9,213,218)</u>
82,070,697	86,663,038
<u>\$ 86,663,038</u>	<u>\$ 77,449,820</u>
<u>\$ 70,110,586</u>	<u>\$ 72,913,849</u>
55.3%	51.5%
\$ 13,944,929	\$ 13,975,269
502.8%	521.7%

City of Port Huron

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
 Last Ten Fiscal Years

EXHIBIT B-1

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Actuarial determined contribution	\$ 2,257,795	\$ 2,646,604	\$ 2,489,132	\$ 2,779,836
Contributions in relation to the actuarially determined contribution	2,257,795	2,646,604	2,489,132	2,779,836
Contributions deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll - fiscal year	\$ 14,589,057	\$ 14,616,197	\$ 13,840,815	\$ 13,711,611
Contributions as a percentage of covered payroll	15.5%	18.1%	18.0%	20.3%

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, 2019 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	8.00%; net of pension plan investment expense, including inflation.
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, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$ 2,941,737	\$ 3,709,560	\$ 3,716,779	\$ 4,169,901	\$ 4,606,653	\$ 4,295,151
2,941,737	3,709,560	4,216,779	4,669,901	4,606,653	4,795,151
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (500,000)</u>	<u>\$ (500,000)</u>	<u>\$ 0</u>	<u>\$ (500,000)</u>
\$ 13,775,289	\$ 13,913,491	\$ 13,674,382	\$ 14,842,828	\$ 14,446,746	\$ 14,622,078
21.4%	26.7%	30.8%	31.5%	31.9%	32.8%

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE
NET OPEB LIABILITY AND RELATED RATIOS
Last Three Fiscal Years

EXHIBIT B-2

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	\$ 354,612	\$ 367,910	\$ 374,392
Interest	4,030,397	4,109,240	4,503,392
Difference between expected and actual experience			3,047,340
Changes in assumptions			1,718,262
Benefit payments, including refunds	(3,125,166)	(3,218,912)	(3,513,225)
Net change in total OPEB liability	1,259,843	1,258,238	6,130,161
Total OPEB liability - beginning of year	63,568,688	64,828,531	66,086,769
Total OPEB liability - end of year	<u>\$ 64,828,531</u>	<u>\$ 66,086,769</u>	<u>\$ 72,216,930</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,126,902	\$ 3,222,467	\$ 4,130,796
Net investment income	1,920,945	1,296,615	570,510
Benefit payments, including refunds	(3,125,166)	(3,218,912)	(3,513,225)
Administrative expenses	(38,758)	(42,094)	(38,380)
Net change in plan fiduciary net position	1,883,923	1,258,076	1,149,701
Plan fiduciary net position - beginning of year	14,794,297	16,678,220	17,936,296
Plan fiduciary net position - end of year	<u>\$ 16,678,220</u>	<u>\$ 17,936,296</u>	<u>\$ 19,085,997</u>
City's net OPEB liability - ending	<u>\$ 48,150,311</u>	<u>\$ 48,150,473</u>	<u>\$ 53,130,933</u>
Plan fiduciary net position as a percent of total OPEB liability	25.7%	27.1%	26.4%
Covered-employee payroll as of measurement date	\$ 7,634,516	\$ 7,415,530	\$ 6,824,559
City's net OPEB liability as a percent of covered-employee payroll	630.7%	649.3%	778.5%

Note: GASB 74 was implemented during the fiscal year ended June 30, 2017. This schedule is being developed prospectively. Ultimately, 10 years of data will be presented.

City of Port Huron

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 Last Ten Fiscal Years

EXHIBIT B-3

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Actuarial determined contribution	\$ 3,396,937	\$ 3,429,293	\$ 3,583,611	\$ 3,701,740
Contributions in relation to the actuarially determined contribution	3,396,937	3,429,293	3,583,611	3,701,740
Contributions deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll - fiscal year	\$ 14,589,057	\$ 14,616,197	\$ 13,840,815	\$ 13,711,611
Contributions as a percentage of covered-employee payroll	23.3%	23.5%	25.9%	27.0%
Valuation date	12/31/2009	12/31/2009	6/30/2012	6/30/2013

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial valuation information relative to the determination of contributions:

Valuation date See above for valuation date information by fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	3.75%
Investment rate of return	6.5%; net of OPEB plan investment expense, including inflation.
Retirement age	Experience-based table of rates are specific to the type of eligibility
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, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$ 3,266,897	\$ 3,413,907	\$ 2,689,768	\$ 2,697,774	\$ 3,833,526	\$ 4,254,101
<u>3,266,897</u>	<u>3,413,907</u>	<u>3,075,907</u>	<u>3,192,066</u>	<u>3,218,912</u>	<u>4,127,840</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (385,922)</u>	<u>\$ (494,292)</u>	<u>\$ 614,614</u>	<u>\$ 126,261</u>
\$ 13,775,289	\$ 13,913,491	\$ 13,674,382	\$ 7,634,516	\$ 7,415,530	\$ 6,824,559
23.7%	24.5%	22.5%	41.8%	43.4%	60.5%
6/30/2013	6/30/2013	6/30/2015	6/30/2015	6/30/2017	6/30/2018

City of Port Huron

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB INVESTMENT RETURNS**

Last Three Fiscal Years

EXHIBIT B-4

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Annual money-weighted rate of return, net of investment expense	<u>13.0%</u>	<u>7.8%</u>	<u>3.1%</u>

Note: GASB 74 was implemented during the fiscal year ended June 30, 2017. This schedule is being developed prospectively. Ultimately, 10 years of data will be presented.

FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

Loan Revolving Fund - This fund has been established to account for grants received from the Department of Housing and Urban Development. 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.

NONMAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

June 30, 2019

EXHIBIT C

ASSETS	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Assets:						
Cash and cash equivalents	\$	\$ 249,217	\$ 577,310	\$ 119,871	\$ 512,526	\$ 150
Investments						
Receivables	60,050		1,752			
Due from other governmental units						50,661
Due from other funds			74,800			
Total Assets	<u>\$ 60,050</u>	<u>\$ 249,217</u>	<u>\$ 653,862</u>	<u>\$ 119,871</u>	<u>\$ 512,526</u>	<u>\$ 50,811</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$ 5,721	\$ 152,325	\$ 1,906	\$	\$ 1,303
Accrued payroll	5,356		754	9,146	1,365	2,803
Due to other funds	3,069					43,118
Unearned revenue			90		1,235	3,587
Other liabilities	18,990					
Total Liabilities	<u>27,415</u>	<u>5,721</u>	<u>153,169</u>	<u>11,052</u>	<u>2,600</u>	<u>50,811</u>
Fund balances:						
Nonspendable:						
Endowments						
Restricted:						
Law enforcement		243,496				
Rubbish and garbage collection			500,693			
Loan revolving					493,387	
Streetscape maintenance						
Section 108					16,539	
Committed:						
Subsequent year's expenditures				962		
Other	32,635			107,857		
Total Fund Balances	<u>32,635</u>	<u>243,496</u>	<u>500,693</u>	<u>108,819</u>	<u>509,926</u>	
Total Liabilities and Fund Balances	<u>\$ 60,050</u>	<u>\$ 249,217</u>	<u>\$ 653,862</u>	<u>\$ 119,871</u>	<u>\$ 512,526</u>	<u>\$ 50,811</u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2019	June 30, 2018
\$	\$	\$ 23,036	\$ 6,821	\$ 92,931	\$ 1,581,862	\$ 1,709,106
				9,329,853	9,329,853	8,613,390
				12,723	74,525	1,357,024
22,474	11,389				84,524	57,557
					74,800	49,821
<u>\$ 22,474</u>	<u>\$ 11,389</u>	<u>\$ 23,036</u>	<u>\$ 6,821</u>	<u>\$ 9,435,507</u>	<u>\$ 11,145,564</u>	<u>\$ 11,786,898</u>
\$ 4,060	\$ 60	\$ 177	\$ 99	\$	\$ 165,651	\$ 9,635
807	323				20,554	18,321
17,607	11,006				74,800	49,821
					4,912	23,570
				117,615	136,605	125,410
<u>22,474</u>	<u>11,389</u>	<u>177</u>	<u>99</u>	<u>117,615</u>	<u>402,522</u>	<u>226,757</u>
				9,317,892	9,317,892	8,546,135
					243,496	362,354
					500,693	580,934
					493,387	493,387
		22,859			22,859	32,108
					16,539	1,392,465
			1,500		2,462	3,338
			5,222		145,714	149,420
		<u>22,859</u>	<u>6,722</u>	<u>9,317,892</u>	<u>10,743,042</u>	<u>11,560,141</u>
<u>\$ 22,474</u>	<u>\$ 11,389</u>	<u>\$ 23,036</u>	<u>\$ 6,821</u>	<u>\$ 9,435,507</u>	<u>\$ 11,145,564</u>	<u>\$ 11,786,898</u>

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

Year Ended June 30, 2019

EXHIBIT C-1

	Special					
	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery	Loan Revolving	Community Development Block Grant
Revenues:						
Taxes	\$	\$	\$ 1,570,301	\$	\$	\$
Grants		3,525			19,846	674,528
State shared revenue			141,485			
Charges for services	337,247	34,690	247,950	123,652		30,301
Investment income:						
Interest and dividends					175,801	
Net increase (decrease) in fair value of investments						
Total Revenues	<u>337,247</u>	<u>38,215</u>	<u>1,959,736</u>	<u>123,652</u>	<u>195,647</u>	<u>704,829</u>
Expenditures:						
Current:						
Public safety		93,847				
Public works			2,039,977	508,861		
General support services	379,152				19,846	138,371
Capital outlay		68,226		73,242		566,458
Debt service:						
Principal					1,387,000	
Interest expense					164,727	
Total Expenditures	<u>379,152</u>	<u>162,073</u>	<u>2,039,977</u>	<u>582,103</u>	<u>1,571,573</u>	<u>704,829</u>
Revenue over (under) Expenditures	<u>(41,905)</u>	<u>(123,858)</u>	<u>(80,241)</u>	<u>(458,451)</u>	<u>(1,375,926)</u>	
Other financing sources (uses):						
Transfers in				495,772		
Transfers out						
Sale of capital assets		5,000				
	<u>5,000</u>			<u>495,772</u>		
Net change in fund balances	(41,905)	(118,858)	(80,241)	37,321	(1,375,926)	
Fund balances at beginning of year	<u>74,540</u>	<u>362,354</u>	<u>580,934</u>	<u>71,498</u>	<u>1,885,852</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 32,635</u>	<u>\$ 243,496</u>	<u>\$ 500,693</u>	<u>\$ 108,819</u>	<u>\$ 509,926</u>	<u>\$ 0</u>

Revenue Funds				Permanent Fund	Totals	
Home	Neighborhood Rehabilitation	Streetscape Maintenance	Beautification Commission	Cemetery Perpetual Care	June 30, 2019	June 30, 2018
\$	\$	\$	\$	\$	\$	\$
215,104	37,637				1,570,301	1,544,542
					950,640	983,280
					141,485	152,318
23,636		25,321	1,580	55,735	880,112	896,572
				285,772	461,573	290,915
				716,022	716,022	349,608
238,740	37,637	25,321	1,580	1,057,529	4,720,133	4,217,235
		34,570			93,847	29,844
27,949	946		4,878		2,583,408	2,468,972
210,791	36,691				571,142	535,741
					955,408	869,677
					1,387,000	112,000
					164,727	24,603
238,740	37,637	34,570	4,878		5,755,532	4,040,837
		(9,249)	(3,298)	1,057,529	(1,035,399)	176,398
			3,300		499,072	454,944
				(285,772)	(285,772)	(271,644)
					5,000	
			3,300	(285,772)	218,300	183,300
		(9,249)	2	771,757	(817,099)	359,698
		32,108	6,720	8,546,135	11,560,141	11,200,443
\$ 0	\$ 0	\$ 22,859	\$ 6,722	\$ 9,317,892	\$ 10,743,042	\$ 11,560,141

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT C-2

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
RENTAL CERTIFICATION:				
Revenues:				
Charges for services	\$ 388,824	\$ 388,824	\$ 337,247	\$ (51,577)
Expenditures:				
Current-General support services	388,824	408,824	379,152	29,672
Revenues over (under) Expenditures		(20,000)	(41,905)	(21,905)
Fund balance at beginning of year	74,540	74,540	74,540	
FUND BALANCE AT END OF YEAR	\$ 74,540	\$ 54,540	\$ 32,635	\$ (21,905)
LAW ENFORCEMENT:				
Revenues:				
Grants	\$	\$	\$ 3,525	\$ 3,525
Charges for services	50,245	50,245	34,690	(15,555)
Total Revenues	50,245	50,245	38,215	(12,030)
Expenditures:				
Current-Public safety	22,745	97,745	93,847	3,898
Capital outlay	107,500	192,500	68,226	124,274
Total Expenditures	130,245	290,245	162,073	128,172
Revenues over (under) Expenditures	(80,000)	(240,000)	(123,858)	116,142
Other financing sources (uses):				
Sale of capital assets			5,000	5,000
Net change in fund balances	(80,000)	(240,000)	(118,858)	121,142
Fund balance at beginning of year	362,354	362,354	362,354	
FUND BALANCE AT END OF YEAR	\$ 202,354	\$ (117,646)	\$ 243,496	\$ 121,142
RUBBISH AND GARBAGE COLLECTION:				
Revenues:				
Taxes	\$ 1,550,000	\$ 1,550,000	\$ 1,570,301	\$ 20,301
State shared revenue	110,000	110,000	141,485	31,485
Charges for services	245,000	245,000	247,950	2,950
Total Revenues	1,905,000	1,905,000	1,959,736	54,736
Expenditures:				
Current-Public Works	2,104,924	2,104,924	2,039,977	64,947
Revenues over (under) Expenditures	(199,924)	(199,924)	(80,241)	119,683
Fund balance at beginning of year	580,934	580,934	580,934	
FUND BALANCE AT END OF YEAR	\$ 381,010	\$ 381,010	\$ 500,693	\$ 119,683

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City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
CEMETERY:				
Revenues:				
Charges for services	\$ 130,000	\$ 130,000	\$ 123,652	\$ (6,348)
Total Revenues	<u>130,000</u>	<u>130,000</u>	<u>123,652</u>	<u>(6,348)</u>
Expenditures:				
Current:				
Public works	539,838	539,838	508,861	30,977
Capital outlay	72,000	102,000	73,242	28,758
Total Expenditures	<u>611,838</u>	<u>641,838</u>	<u>582,103</u>	<u>59,735</u>
Revenues over (under) Expenditures	(481,838)	(511,838)	(458,451)	53,387
Other financing sources (uses):				
Transfers in	480,000	480,000	495,772	15,772
Net change in fund balances	(1,838)	(31,838)	37,321	69,159
Fund balance at beginning of year	<u>71,498</u>	<u>71,498</u>	<u>71,498</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 69,660</u>	<u>\$ 39,660</u>	<u>\$ 108,819</u>	<u>\$ 69,159</u>
LOAN REVOLVING:				
Revenues:				
Grants	\$	\$	\$ 19,846	\$ 19,846
Interest income		215,000	175,801	(39,199)
Total Revenues	<u></u>	<u>215,000</u>	<u>195,647</u>	<u>(19,353)</u>
Expenditures:				
Current:				
General support services		20,000	19,846	154
Capital outlay	494,000	494,000		494,000
Debt Service:				
Principal		1,387,000	1,387,000	
Interest expense		200,000	164,727	35,273
Total Expenditures	<u>494,000</u>	<u>2,101,000</u>	<u>1,571,573</u>	<u>529,427</u>
Revenues over Expenditures	(494,000)	(1,886,000)	(1,375,926)	510,074
Other financing sources (uses):				
Transfers out				
Net change in fund balances	(494,000)	(1,886,000)	(1,375,926)	510,074
Fund balance at beginning of year	<u>1,885,852</u>	<u>1,885,852</u>	<u>1,885,852</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 1,391,852</u>	<u>\$ (148)</u>	<u>\$ 509,926</u>	<u>\$ 510,074</u>

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City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT:				
Revenues:				
Grants	\$ 1,679,129	\$ 1,679,129	\$ 674,528	\$ (1,004,601)
Charges for services			30,301	30,301
Total Revenues	<u>1,679,129</u>	<u>1,679,129</u>	<u>704,829</u>	<u>(974,300)</u>
Expenditures:				
Current:				
General support services	149,129	149,129	138,371	10,758
Capital outlay	1,530,000	1,530,000	566,458	963,542
Total Expenditures	<u>1,679,129</u>	<u>1,679,129</u>	<u>704,829</u>	<u>974,300</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
HOME:				
Revenues:				
Grants	\$ 274,805	\$ 274,805	\$ 215,104	\$ (59,701)
Charges for services			23,636	23,636
Total Revenues	<u>274,805</u>	<u>274,805</u>	<u>238,740</u>	<u>(36,065)</u>
Expenditures:				
Current:				
General support services	36,805	36,805	27,949	8,856
Capital outlay	238,000	238,000	210,791	27,209
Total Expenditures	<u>274,805</u>	<u>274,805</u>	<u>238,740</u>	<u>36,065</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NEIGHBORHOOD REHABILITATION:				
Revenues:				
Grants	\$	\$ 145,000	\$ 37,637	\$ (107,363)
Expenditures:				
Current:				
General support services		25,000	946	24,054
Capital outlay		120,000	36,691	83,309
Total Expenditures		<u>145,000</u>	<u>37,637</u>	<u>107,363</u>
Revenues over Expenditures				
Fund balance at beginning of year				
FUND BALANCE AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT C-2
(Continued)

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
STREETSCAPE MAINTENANCE:				
Revenues:				
Charges for services	\$ 25,175	\$ 25,175	\$ 25,321	\$ 146
Expenditures:				
Current:				
Public works	43,500	43,500	34,570	8,930
Capital outlay	6,500	6,500		6,500
Total Expenditures	50,000	50,000	34,570	15,430
Revenues over Expenditures	(24,825)	(24,825)	(9,249)	15,576
Fund balance at beginning of year	32,108	32,108	32,108	
FUND BALANCE AT END OF YEAR	\$ 7,283	\$ 7,283	\$ 22,859	\$ 15,576
BEAUTIFICATION COMMISSION:				
Revenues:				
Charges for services	\$ 2,500	\$ 4,500	\$ 1,580	\$ (2,920)
Expenditures:				
Current:				
General support services	7,300	13,300	4,878	8,422
Revenues over (under) Expenditures	(4,800)	(8,800)	(3,298)	5,502
Other financing sources (uses):				
Transfers in	3,300	3,300	3,300	
Net change in fund balances	(1,500)	(5,500)	2	5,502
Fund balance at beginning of year	6,720	6,720	6,720	
FUND BALANCE AT END OF YEAR	\$ 5,220	\$ 1,220	\$ 6,722	\$ 5,502

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FINANCIAL STATEMENTS

NONMAJOR ENTERPRISE FUNDS

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

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

McMorran Fund - The operations of the McMorran Arena and the McMorran Theater are accounted for in this fund.

Marina Fund - This fund accounts for the operation of the City’s marina and other activities associated with pleasure boating. The City has entered into a contract with an independent proprietor to operate the River Street Marina and the other City marina operations.

City of Port Huron

NONMAJOR ENTERPRISE FUNDS - COMBINING STATEMENT OF NET POSITION

June 30, 2019

EXHIBIT D

	Parking	McMorran	Marina
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 143,202	\$ 343,730	\$ 205,515
Accounts receivable (net of allowances for uncollectibles)		175	49,835
Inventories		26,366	
Prepaid expenses		18,875	120
Total Current Assets	143,202	389,146	255,470
Capital assets:			
Land	861,665	20,000	702,513
Land improvements	1,030,157	22,493	285,203
Buildings		8,144,553	176,947
Equipment	3,370	1,873,890	1,032,906
	1,895,192	10,060,936	2,197,569
Less accumulated depreciation	353,956	9,168,443	1,267,304
Total Capital Assets	1,541,236	892,493	930,265
Total Assets	1,684,438	1,281,639	1,185,735
DEFERRED OUTFLOWS OF RESOURCES		232,653	
LIABILITIES			
Current liabilities:			
Accounts payable	1,276	12,836	64,799
Accrued payroll	81	14,924	
Contracts payable		1,006	
Other liabilities		78,831	
Total Current Liabilities	1,357	107,597	64,799
Noncurrent liabilities:			
Net OPEB liability		1,062,624	
Net pension liability		1,458,283	
Total Noncurrent Liabilities		2,520,907	
Total Liabilities	1,357	2,628,504	64,799
DEFERRED INFLOWS OF RESOURCES		7,418	
NET POSITION			
Net investment in capital assets	1,541,236	892,493	930,265
Unrestricted (deficit)	141,845	(2,014,123)	190,671
Total Net Position	\$ 1,683,081	\$ (1,121,630)	\$ 1,120,936

Totals	
June 30, 2019	June 30, 2018
\$ 692,447	\$ 459,581
50,010	62,085
26,366	28,541
18,995	16,186
<u>787,818</u>	<u>566,393</u>
1,584,178	1,584,178
1,337,853	1,126,727
8,321,500	8,290,505
2,910,166	2,827,949
<u>14,153,697</u>	<u>13,829,359</u>
10,789,703	10,487,307
<u>3,363,994</u>	<u>3,342,052</u>
4,151,812	3,908,445
<u>232,653</u>	<u>98,819</u>
78,911	37,400
15,005	12,283
1,006	
78,831	167,795
<u>173,753</u>	<u>217,478</u>
1,062,624	963,009
1,458,283	1,402,212
<u>2,520,907</u>	<u>2,365,221</u>
2,694,660	2,582,699
<u>7,418</u>	<u>46,063</u>
3,363,994	3,342,052
<u>(1,681,607)</u>	<u>(1,963,550)</u>
<u>\$ 1,682,387</u>	<u>\$ 1,378,502</u>

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT D-1

	Parking	McMorran	Marina
Operating revenues:			
Charges for services	\$ 37,166	\$ 1,127,790	\$ 15,000
Rents			49,726
Total Operating Revenues	37,166	1,127,790	64,726
Operating expenses:			
Personal services	23,159	922,859	363
Supplies and materials	10,176	32,981	734
Contractual services	76,320	555,156	189,173
Depreciation	49,577	216,880	35,939
Total Operating Expenses	159,232	1,727,876	226,209
Operating Income (Loss)	(122,066)	(600,086)	(161,483)
Capital Contributions:			
Grants and contributions received	188,633	22,887	
Income (Loss) Before Transfers	66,567	(577,199)	(161,483)
Transfers in (out):			
Transfers in	90,000	676,000	210,000
Transfers out			
	90,000	676,000	210,000
Change in Net Position	156,567	98,801	48,517
Net position at beginning of year (as restated)	1,526,514	(1,220,431)	1,072,419
Restatement of net position			
NET POSITION AT END OF YEAR	\$ 1,683,081	\$ (1,121,630)	\$ 1,120,936

Totals	
June 30, 2019	June 30, 2018 (as restated)
\$ 1,179,956	\$ 1,171,635
49,726	53,830
<u>1,229,682</u>	<u>1,225,465</u>
946,381	1,448,438
43,891	60,936
820,649	998,711
302,396	284,943
<u>2,113,317</u>	<u>2,793,028</u>
<u>(883,635)</u>	<u>(1,567,563)</u>
211,520	52,912
<u>(672,115)</u>	<u>(1,514,651)</u>
976,000	711,954
<u>976,000</u>	<u>711,954</u>
303,885	(802,697)
1,378,502	2,938,715
	<u>(757,516)</u>
<u>\$ 1,682,387</u>	<u>\$ 1,378,502</u>

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT D-2

	Parking	McMorran	Marina
Cash flows from operating activities:			
Receipts from customers	\$ 37,166	\$ 1,046,906	\$ 68,721
Payments to suppliers for goods and services	(76,968)	(603,215)	(103,056)
Payments to employees for services	(23,158)	(936,931)	(363)
Payments connected with interfund services	(13,013)		(26,405)
Net cash provided by (used in) operating activities	(75,973)	(493,240)	(61,103)
Cash flows from noncapital financing activities:			
Transfers in	90,000	676,000	210,000
Net cash provided by (used in) noncapital financing activities	90,000	676,000	210,000
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(135,705)	
Capital contributions		22,887	
Net cash provided by (used in) capital and related financing activities		(112,818)	
Net increase (decrease) in cash and cash equivalents	14,027	69,942	148,897
Cash and cash equivalents at beginning of year	129,175	273,788	56,618
Cash and cash equivalents at end of year	\$ 143,202	\$ 343,730	\$ 205,515
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (122,066)	\$ (600,086)	\$ (161,483)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	49,577	216,880	35,939
Change in current assets and liabilities:			
Decrease (increase) in accounts receivables		8,080	3,995
Decrease (increase) in inventory		2,175	
Decrease (increase) in prepaid expenses		(2,775)	(34)
Decrease (increase) in deferred outflows of resources		(133,834)	
Increase (decrease) in accounts payable	(3,485)	(15,484)	60,480
Increase (decrease) in accrued payroll	1	2,721	
Increase (decrease) in contracts payable		1,006	
Increase (decrease) in other liabilities		(88,964)	
Increase (decrease) in net pension liability		56,071	
Increase (decrease) in net OPEB liability		99,615	
Increase (decrease) in deferred outflows of resources		(38,645)	
Total Adjustments	46,093	106,846	100,380
Net cash provided by (used in) operating activities	\$ (75,973)	\$ (493,240)	\$ (61,103)

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2019, infrastructure improvements with an estimated value of \$188,633 were constructed and subsequently donated to the Parking Fund and were funded by the Water Street DDA (a Component Unit).

Totals	
June 30, 2019	June 30, 2018
\$ 1,152,793	\$ 1,219,159
(783,239)	(1,035,282)
(960,452)	(798,348)
(39,418)	(36,580)
<u>(630,316)</u>	<u>(651,051)</u>
976,000	711,954
976,000	711,954
(135,705)	(249,123)
22,887	52,912
<u>(112,818)</u>	<u>(196,211)</u>
232,866	(135,308)
459,581	594,889
<u>\$ 692,447</u>	<u>\$ 459,581</u>
<u>\$ (883,635)</u>	<u>\$ (1,567,563)</u>
302,396	284,943
12,075	(10,644)
2,175	5,757
(2,809)	(636)
(133,834)	45,691
41,511	9,264
2,722	2,911
1,006	(26,600)
(88,964)	4,338
56,071	572,399
99,615	3
(38,645)	29,086
<u>253,319</u>	<u>916,512</u>
<u>\$ (630,316)</u>	<u>\$ (651,051)</u>

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FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

City of Port Huron

INTERNAL SERVICE FUNDS - COMBINING STATEMENT OF NET POSITION

June 30, 2019

EXHIBIT E

	Central Stores	Motor Vehicle	Data Processing
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,691	\$ 935,132	\$ 379,497
Accounts receivable			
Due from other governmental units			
Inventories	17,603	248,829	25,705
Prepaid items			32,874
Total Current Assets	<u>34,294</u>	<u>1,183,961</u>	<u>438,076</u>
Capital assets:			
Land improvements		1,912,111	
Machinery and equipment	45,152	412,703	851,976
Vehicles		8,976,107	
	<u>45,152</u>	<u>11,300,921</u>	<u>851,976</u>
Less accumulated depreciation	30,893	7,323,302	494,874
Total Capital Assets	<u>14,259</u>	<u>3,977,619</u>	<u>357,102</u>
Total Assets	<u>48,553</u>	<u>5,161,580</u>	<u>795,178</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>348,978</u>	<u>232,653</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,243	152,986	12,136
Accrued payroll		12,653	9,884
Accrued interest payable			
Current portion of long-term debt			
Claims and judgments payable (current portion)			
Compensated absences payable (current portion)			
Total Current Liabilities	<u>3,243</u>	<u>165,639</u>	<u>22,020</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 OPEB liability		1,593,928	1,062,624
Net pension liability		2,187,409	1,458,283
Total Noncurrent Liabilities		<u>3,781,337</u>	<u>2,520,907</u>
Total Liabilities	<u>3,243</u>	<u>3,946,976</u>	<u>2,542,927</u>
DEFERRED INFLOWS OF RESOURCES		<u>11,126</u>	<u>7,418</u>
NET POSITION			
Net investment in capital assets	14,259	3,977,619	357,102
Unrestricted (deficit)	31,051	(2,425,163)	(1,879,616)
Total Net Position	<u>\$ 45,310</u>	<u>\$ 1,552,456</u>	<u>\$ (1,522,514)</u>

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2019	June 30, 2018
\$ 390,531	\$ 5,356,583	\$ 7,078,434	\$ 7,052,749
	530,762	530,762	775,013
	107,537	107,537	105,663
		292,137	294,320
		32,874	25,061
390,531	5,994,882	8,041,744	8,252,806
		1,912,111	1,890,311
4,007,802		5,317,633	4,895,229
		8,976,107	7,802,468
4,007,802		16,205,851	14,588,008
1,593,449		9,442,518	8,410,547
2,414,353		6,763,333	6,177,461
2,804,884	5,994,882	14,805,077	14,430,267
		581,631	247,049
	2,713	171,078	32,357
	440,508	463,045	789,411
60,434		60,434	67,160
285,614		285,614	267,514
	929,208	929,208	897,429
	299,649	299,649	223,874
346,048	1,672,078	2,209,028	2,277,745
2,118,016		2,118,016	2,403,630
	48,906	48,906	46,321
	1,708,522	1,708,522	1,826,239
		2,656,552	2,407,523
		3,645,692	3,505,530
2,118,016	1,757,428	10,177,688	10,189,243
2,464,064	3,429,506	12,386,716	12,466,988
		18,544	115,158
10,723		4,359,703	3,506,317
330,097	2,565,376	(1,378,255)	(1,411,147)
\$ 340,820	\$ 2,565,376	\$ 2,981,448	\$ 2,095,170

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT E-1

	Central Stores	Motor Vehicle	Data Processing
Operating revenues:			
Charges for services	\$ 88,373	\$ 2,313,364	\$ 841,661
Operating expenses:			
Personal services	18,393	571,237	478,120
Supplies and materials	21,481	288,365	64,535
Contractual services	54,809	611,128	253,325
Depreciation	4,095	761,987	65,499
Total Operating Expenses	98,778	2,232,717	861,479
Operating Income (Loss)	(10,405)	80,647	(19,818)
Nonoperating revenues (expenses):			
Investment income			
Interest expense			
Gain on sale of property and equipment		25,268	
Total Nonoperating Revenues		25,268	
Income (Loss) Before Capital Contributions and Operating Transfers	(10,405)	105,915	(19,818)
Capital contributions:			
Grants and contributions received			
Income (Loss) Before Transfers	(10,405)	105,915	(19,818)
Transfers in (out):			
Transfer in			
Change in Net Position	(10,405)	105,915	(19,818)
Net position at beginning of year (as restated)	55,715	1,446,541	(1,502,696)
Restatement of net position			
NET POSITION AT END OF YEAR	\$ 45,310	\$ 1,552,456	\$ (1,522,514)

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2019	June 30, 2018
<u>\$ 368,500</u>	<u>\$ 14,237,479</u>	<u>\$ 17,849,377</u>	<u>\$ 16,576,765</u>
	13,019,044	14,086,794	13,144,984
	1,913	376,294	331,065
	598,265	1,517,527	1,430,969
<u>200,390</u>	<u></u>	<u>1,031,971</u>	<u>959,602</u>
<u>200,390</u>	<u>13,619,222</u>	<u>17,012,586</u>	<u>15,866,620</u>
<u>168,110</u>	<u>618,257</u>	<u>836,791</u>	<u>710,145</u>
	93,621	93,621	70,724
(69,402)		(69,402)	(76,969)
		25,268	45,203
<u>(69,402)</u>	<u>93,621</u>	<u>49,487</u>	<u>38,958</u>
98,708	711,878	886,278	749,103
<u>98,708</u>	<u>711,878</u>	<u>886,278</u>	<u>749,103</u>
<u>98,708</u>	<u>711,878</u>	<u>886,278</u>	<u>749,103</u>
242,112	1,853,498	2,095,170	4,633,796
			(3,287,729)
<u>\$ 340,820</u>	<u>\$ 2,565,376</u>	<u>\$ 2,981,448</u>	<u>\$ 2,095,170</u>

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT E-2

	Central Stores	Motor Vehicle	Data Processing
Cash flows operating activities:			
Receipts from customers	\$ 88,373	\$ 2,313,364	\$ 841,661
Payments to suppliers for goods and services	(62,252)	(587,757)	(244,119)
Payments to employees for services	(18,393)	(597,085)	(494,507)
Payments connected with interfund services	(11,395)	(164,872)	(78,347)
Net cash provided by (used in) operating activities	(3,667)	963,650	24,688
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(5,315)	(1,285,430)	(327,098)
Principal payment on long-term debt			
Interest paid			
Proceeds from sale of equipment		25,268	
Capital contributions			
Net cash provided by (used in) capital and related financial activities	(5,315)	(1,260,162)	(327,098)
Cash flows from investing activities:			
Investment income			
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(8,982)	(296,512)	(302,410)
Cash and cash equivalents at beginning of year	25,673	1,231,644	681,907
Cash and cash equivalents at end of year	\$ 16,691	\$ 935,132	\$ 379,497
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (10,405)	\$ 80,647	\$ (19,818)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,095	761,987	65,499
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable			
Decrease (increase) in due from other governmental units			
Decrease (increase) in inventories	208	6,216	(4,241)
Decrease (increase) in prepaid expenses			(7,813)
Decrease (increase) in deferred outflows of resources		(200,748)	(133,834)
Increase (decrease) in accounts payable	2,435	140,648	7,448
Increase (decrease) in accrued payroll		(636)	406
Increase (decrease) in claims and judgments payable			
Increase (decrease) in compensated absences payable			
Increase (decrease) in net pension liability		84,091	56,071
Increase (decrease) in net OPEB liability		149,414	99,615
Increase (decrease) in deferred inflows of resources		(57,969)	(38,645)
Total adjustments	6,738	883,003	44,506
Net cash provided by (used in) operating activities	\$ (3,667)	\$ 963,650	\$ 24,688

Energy Performance Services	Insurance and Fringe Benefit	Totals	
		June 30, 2019	June 30, 2018
\$ 368,500	\$ 14,479,856	\$ 18,091,754	\$ 16,648,638
	(600,178)	(1,494,306)	(1,365,111)
	(13,364,568)	(14,474,553)	(13,088,014)
		(254,614)	(244,843)
368,500	515,110	1,868,281	1,950,670
		(1,617,843)	(1,254,126)
(267,514)		(267,514)	(250,214)
(76,128)		(76,128)	(83,260)
		25,268	45,203
(343,642)		(1,936,217)	(1,542,397)
	93,621	93,621	70,724
	93,621	93,621	70,724
24,858	608,731	25,685	478,997
365,673	4,747,852	7,052,749	6,573,752
\$ 390,531	\$ 5,356,583	\$ 7,078,434	\$ 7,052,749
\$ 168,110	\$ 618,257	\$ 836,791	\$ 710,145
200,390		1,031,971	959,602
	244,251	244,251	68,714
	(1,874)	(1,874)	3,159
		2,183	(32,200)
		(7,813)	177,756
		(334,582)	249,234
	(11,810)	138,721	(608)
	(326,136)	(326,366)	83,893
	34,364	34,364	(252,319)
	(41,942)	(41,942)	(40,231)
		140,162	(36,854)
		249,029	8
		(96,614)	60,371
200,390	(103,147)	1,031,490	1,240,525
\$ 368,500	\$ 515,110	\$ 1,868,281	\$ 1,950,670

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FINANCIAL STATEMENTS

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity for others and therefore cannot be used to support the City's own programs. The Retiree Health Care Benefits Fund is a pension and other employee benefits trust fund. This type of fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans or other employee benefit plans. The Senior Citizens Fund is a private purpose trust fund. Private purpose trust funds are used to account for any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations or other governments. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

Retiree Health Care Benefits Fund – This fund accounts for resources accumulated to offset the future cost of medical benefits provided to retirees.

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

Agency Fund - This fund accounts for taxes collected for the City and other units of government.

City of Port Huron

**FIDUCIARY FUNDS -
STATEMENT OF NET POSITION**

June 30, 2019

EXHIBIT F

	Trust Funds			
	Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
ASSETS				
Cash and cash equivalents	\$	\$	\$ 24,395	\$ 24,365
Interest in pooled investments	19,085,997	17,936,296		
Total Assets	19,085,997	17,936,296	24,395	24,365
LIABILITIES				
Accounts payable				
NET POSITION				
Net position - restricted for OPEB and senior citizens	\$ 19,085,997	\$ 17,936,296	\$ 24,395	\$ 24,365

City of Port Huron

**FIDUCIARY FUNDS -
STATEMENT OF CHANGES IN NET POSITION**
Year Ended June 30, 2019

EXHIBIT F-1

	Trust Funds			
	Other Employee Benefits Retiree Health Care Benefits		Private Purpose Trust Fund Senior Citizens	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Additions:				
Investment income (loss)	\$ 570,510	\$ 1,296,615	\$ 30	\$ 45
Employer contributions	4,127,840	4,099,126		
Total Additions	4,698,350	5,395,741	30	45
Deductions:				
Benefit payments	3,513,225	3,218,912		
Administrative expense	35,424	38,539		
Supplies and materials				600
Total Deductions	3,548,649	3,257,451		600
Change in Net Position	1,149,701	2,138,290	30	(555)
Net position at beginning of year	17,936,296	15,798,006	24,365	24,920
NET POSITION AT END OF YEAR	\$ 19,085,997	\$ 17,936,296	\$ 24,395	\$ 24,365

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT F-2

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 5,879	\$ 32,215,255	\$ 32,217,878	\$ 3,256
LIABILITIES				
Due to other governmental units	\$ 3,658	\$ 18,209,409	\$ 18,210,182	\$ 2,885
Taxes collected in advance	2,221	371	2,221	371
TOTAL LIABILITIES	\$ 5,879	\$ 18,209,780	\$ 18,212,403	\$ 3,256

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, 2019

EXHIBIT G

	Special Revenue Funds				
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Totals
ASSETS					
Cash and cash equivalents	\$ 431,520	\$ 100,971	\$ 308,550	\$ 663,072	\$ 1,504,113
Receivables (net of allowances for uncollectibles)	4,439		310	2,493	7,242
Prepaid expenses	1,475				1,475
Total Assets	<u>\$ 437,434</u>	<u>\$ 100,971</u>	<u>\$ 308,860</u>	<u>\$ 665,565</u>	<u>\$ 1,512,830</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,971	\$ 99,530	\$	\$ 641,387	\$ 743,888
Accrued payroll	795				795
Unearned revenue	29,341				29,341
Total Liabilities	<u>33,107</u>	<u>99,530</u>		<u>641,387</u>	<u>774,024</u>
Fund balances:					
Committed:					
Subsequent year's expenditures	87,333		300,000		387,333
Unrestricted	316,994	1,441	8,860	24,178	351,473
Total Fund Balances	<u>404,327</u>	<u>1,441</u>	<u>308,860</u>	<u>24,178</u>	<u>738,806</u>
Total Liabilities and Fund Balances	<u>\$ 437,434</u>	<u>\$ 100,971</u>	<u>\$ 308,860</u>	<u>\$ 665,565</u>	<u>\$ 1,512,830</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, 2019

EXHIBIT G-1

	Special Revenue Funds				Totals
	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	
Revenues:					
Taxes	\$ 879,487	\$ 99,530	\$ 206,846	\$ 578,386	\$ 1,764,249
State shared revenue	18,668		202,851	9,204	230,723
Charges for services	136,417				136,417
Total Revenues	<u>1,034,572</u>	<u>99,530</u>	<u>409,697</u>	<u>587,590</u>	<u>2,131,389</u>
Expenditures:					
Current:					
Taxes disbursed - not captured					
General support services	261,488	99,530	116,743	553,341	1,031,102
Capital outlay	871,027				871,027
Total Expenditures	<u>1,132,515</u>	<u>99,530</u>	<u>116,743</u>	<u>553,341</u>	<u>1,902,129</u>
Revenues over (under)					
Expenditures	(97,943)		292,954	34,249	229,260
Other financing sources (uses):					
Transfers in -					
Primary government	325,152				325,152
Transfers out -					
Primary government	(373,049)			(27,084)	(400,133)
Net change in fund balances	(145,840)		292,954	7,165	154,279
Fund balances at beginning of year	<u>550,167</u>	<u>1,441</u>	<u>15,906</u>	<u>17,013</u>	<u>584,527</u>
FUND BALANCES AT END OF YEAR	<u>\$ 404,327</u>	<u>\$ 1,441</u>	<u>\$ 308,860</u>	<u>\$ 24,178</u>	<u>\$ 738,806</u>

City of Port Huron

DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2019

EXHIBIT G-2

				Special Revenue
		Harrington		Edison
	Operating	Hotel	Bank	Redevelopment
				Area
ASSETS				
Cash and cash equivalents	\$ 57,428	\$ 64,155	\$ 153,818	\$
Receivables	833		273	
Prepaid expenses	1,475			
Total Assets	<u>\$ 59,736</u>	<u>\$ 64,155</u>	<u>\$ 154,091</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,971	\$	\$	\$
Accrued payroll	795			
Unearned revenue	29,341			
Total Liabilities	<u>33,107</u>			
Fund balances:				
Committed:				
Subsequent year's expenditures	20,000	64,000		
Unrestricted	6,629	155	154,091	
Total Fund Balances	<u>26,629</u>	<u>64,155</u>	<u>154,091</u>	
Total Liabilities and Fund Balances	<u>\$ 59,736</u>	<u>\$ 64,155</u>	<u>\$ 154,091</u>	<u>\$ 0</u>

Funds

Mainstreet	Water Street	Totals
\$ 3,333	\$ 156,119	\$ 431,520
		4,439
		1,475
\$ 3,333	\$ 156,119	\$ 437,434
		\$ 2,971
		795
		29,341
		33,107
3,333		87,333
	156,119	316,994
3,333	156,119	404,327
\$ 3,333	\$ 156,119	\$ 437,434

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT G-3

	Operating	Harrington Hotel	Bank	Edison Redevelopment Area
Revenues:				
Taxes	\$ 73,425	\$	\$ 24,932	\$ 330,548
State shared revenue			2,440	1,891
Charges for services	136,417			
Total Revenues	<u>209,842</u>	<u></u>	<u>27,372</u>	<u>332,439</u>
Expenditures:				
Current:				
General support services	211,151		9,500	1,240
Capital outlay				
Total Expenditures	<u>211,151</u>	<u></u>	<u>9,500</u>	<u>1,240</u>
Revenues over (under)				
Expenditures	(1,309)		17,872	331,199
Other financing sources (uses):				
Transfers in -				
Primary government				
Transfers out -				
Primary government	<u>(41,850)</u>	<u></u>	<u></u>	<u>(331,199)</u>
Net change in fund balances	(43,159)		17,872	
Fund balances at beginning of year	<u>69,788</u>	<u>64,155</u>	<u>136,219</u>	<u></u>
FUND BALANCES AT END OF YEAR	<u>\$ 26,629</u>	<u>\$ 64,155</u>	<u>\$ 154,091</u>	<u>\$ 0</u>

Mainstreet	Water Street	Totals
\$ 108,176	\$ 342,406	\$ 879,487
	14,337	18,668
		136,417
<u>108,176</u>	<u>356,743</u>	<u>1,034,572</u>
31,537	8,060	261,488
500,000	371,027	871,027
<u>531,537</u>	<u>379,087</u>	<u>1,132,515</u>
(423,361)	(22,344)	(97,943)
325,152		325,152
		<u>(373,049)</u>
(98,209)	(22,344)	(145,840)
<u>101,542</u>	<u>178,463</u>	<u>550,167</u>
<u>\$ 3,333</u>	<u>\$ 156,119</u>	<u>\$ 404,327</u>

City of Port Huron

BROWNFIELD REDEVELOPMENT AUTHORITY - BALANCE SHEET SCHEDULE

June 30, 2019

EXHIBIT G-4

	Special Revenue Funds			
	Southside Redevelop- ment	Harker Street	Sperry's	Mainstreet
ASSETS				
Cash and cash equivalents	\$ 307,533	\$	\$ 206,189	\$ 18,463
Receivables	2,400			93
Total Assets	<u>\$ 309,933</u>	<u>\$ 0</u>	<u>\$ 206,189</u>	<u>\$ 18,556</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 304,784	\$	\$ 206,189	\$
Total Liabilities	<u>304,784</u>		<u>206,189</u>	
Fund balances:				
Committed:				
Subsequent year's expenditures				
Unrestricted	5,149			18,556
Total Fund Balances	<u>5,149</u>			<u>18,556</u>
Total Liabilities and Fund Balances	<u>\$ 309,933</u>	<u>\$ 0</u>	<u>\$ 206,189</u>	<u>\$ 18,556</u>

<u>Ben's 314</u>	<u>Water Street Marina</u>	<u>Totals</u>
\$ 473	\$ 130,414	\$ 663,072
		2,493
<u>\$ 473</u>	<u>\$ 130,414</u>	<u>\$ 665,565</u>

<u>\$</u>	<u>\$ 130,414</u>	<u>\$ 641,387</u>
	130,414	641,387

<u>473</u>		<u>24,178</u>
<u>473</u>		<u>24,178</u>
<u>\$ 473</u>	<u>\$ 130,414</u>	<u>\$ 665,565</u>

City of Port Huron

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

Year Ended June 30, 2019

EXHIBIT G-5

	Southside Redevelop- ment	Harker Street	Sperry's	Mainstreet
Revenues:				
Taxes	\$ 296,507	\$ 27,084	\$ 118,138	\$ 5,899
State shared revenue	9,204			
Total Revenue	<u>305,711</u>	<u>27,084</u>	<u>118,138</u>	<u>5,899</u>
Expenditures:				
Current:				
General support services	304,784		118,138	
Total Expenditures	<u>304,784</u>	<u></u>	<u>118,138</u>	<u></u>
Revenues over (under)				
Expenditures	927	27,084		5,899
Other financing sources (uses):				
Transfers out - primary government		(27,084)		
Net change in fund balances	927			5,899
Fund balances at beginning of year	4,222			12,657
FUND BALANCES AT END OF YEAR	<u>\$ 5,149</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,556</u>

<u>Ben's 314</u>	<u>Water Street Marina</u>	<u>Totals</u>
\$ 344	\$ 130,414	\$ 578,386
		9,204
<u>344</u>	<u>130,414</u>	<u>587,590</u>
5	130,414	553,341
<u>5</u>	<u>130,414</u>	<u>553,341</u>
339		34,249
		(27,084)
339		7,165
<u>134</u>		<u>17,013</u>
<u>\$ 473</u>	<u>\$ 0</u>	<u>\$ 24,178</u>

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STATISTICAL SECTION

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

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

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

- Taxable, Assessed and Equalized and Estimated Actual Valuation of Property
- 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

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Governmental Activities:				
Net investment in capital assets	\$ 50,020,197	\$ 48,571,987	\$ 47,589,593	\$ 48,854,512
Restricted	7,215,511	7,643,116	7,892,815	8,791,022
Unrestricted	17,827,132	16,251,270	14,873,855	13,008,811
Total Net Position	75,062,840	72,466,373	70,356,263	70,654,345
Business Type Activities:				
Net investment in capital assets	71,617,288	73,500,530	72,865,287	72,802,999
Restricted				
Unrestricted	23,753,143	23,328,114	24,700,743	23,584,458
Total Net Position	95,370,431	96,828,644	97,566,030	96,387,457
Total Primary Government:				
Net investment in capital assets	121,637,485	122,072,517	120,454,880	121,657,511
Restricted	7,215,511	7,643,116	7,892,815	8,791,023
Unrestricted (deficit)	41,580,275	39,579,384	39,574,598	36,593,268
TOTAL NET POSITION	\$ 170,433,271	\$ 169,295,017	\$ 167,922,293	\$ 167,041,802

<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$ 48,210,858	\$ 47,481,678	\$ 49,313,974	\$ 49,124,163	\$ 50,618,671	\$ 51,509,742
10,106,748	11,027,891	9,963,492	10,736,753	11,725,849	13,815,807
<u>12,744,008</u>	<u>(30,067,979)</u>	<u>(34,586,200)</u>	<u>(37,693,862)</u>	<u>(78,610,549)</u>	<u>(77,600,229)</u>
<u>71,061,614</u>	<u>28,441,590</u>	<u>24,691,266</u>	<u>22,167,054</u>	<u>(16,266,029)</u>	<u>(12,274,680)</u>
74,324,636	76,156,318	81,339,430	83,762,539	88,630,753	93,520,480
<u>18,533,611</u>	<u>6,407,057</u>	<u>1,786,858</u>	<u>870,702</u>	<u>(14,475,130)</u>	<u>(15,778,665)</u>
<u>92,858,247</u>	<u>82,563,375</u>	<u>83,126,288</u>	<u>84,633,241</u>	<u>74,155,623</u>	<u>77,741,815</u>
122,535,494	123,637,996	130,653,404	132,886,702	139,249,424	145,030,222
10,106,748	11,027,891	9,963,492	10,736,753	11,725,849	13,815,807
<u>31,277,619</u>	<u>(23,660,922)</u>	<u>(32,799,342)</u>	<u>(36,823,160)</u>	<u>(93,085,679)</u>	<u>(93,378,894)</u>
<u>\$ 163,919,861</u>	<u>\$ 111,004,965</u>	<u>\$ 107,817,554</u>	<u>\$ 106,800,295</u>	<u>\$ 57,889,594</u>	<u>\$ 65,467,135</u>

City of Port Huron

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013
Expenses:				
Governmental activities:				
General government	\$ 3,261,989	\$ 3,263,183	\$ 3,335,078	\$ 3,210,408
Public safety	13,649,257	13,780,456	13,163,254	13,374,286
Public works	9,494,516	10,484,294	9,530,837	8,722,765
Health and welfare	13,284	12,964	13,875	2,119
Community and economic development	2,932,936	2,722,309	2,530,839	2,098,021
Recreation, parks and culture	2,472,097	2,401,142	2,637,516	2,509,891
Total Governmental Activities Expenses	<u>31,824,079</u>	<u>32,664,348</u>	<u>31,211,399</u>	<u>29,917,490</u>
Business Type Activities:				
Water	6,300,395	6,217,770	6,121,010	6,816,156
Wastewater	12,760,248	12,662,562	13,172,270	14,028,061
Land purchase	229,475	470,322	555,416	233,141
Parking	116,941	133,305	104,312	100,072
Senior citizens	1,530			
McMorran				
Marina	234,805	185,932	156,283	187,639
Total Business-Type Activities Expenses	<u>19,643,394</u>	<u>19,669,891</u>	<u>20,109,291</u>	<u>21,365,069</u>
Total Primary Governmental Expenses	<u>51,467,473</u>	<u>52,334,239</u>	<u>51,320,690</u>	<u>51,282,559</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	1,853,228	1,896,985	1,889,219	2,031,756
Public safety	389,990	361,434	456,490	513,038
Public works	215,878	227,277	280,098	373,791
Community and economic development	509,833	482,336	617,037	495,167
Recreation, parks and culture	325,026	293,247	319,373	338,789
Operating grants and contributions:				
General government		4,660	32,532	33,233
Public safety	249,065	173,768	221,809	222,915
Public works	2,418,350	2,504,490	2,441,961	2,469,346
Community and economic development	2,080,752	1,883,243	1,753,969	1,349,786
Recreation, parks and culture		58,453	203,964	37,049
Capital grants and contributions:				
Public safety	114,319	61,177	76,808	802,424
Public works	5,983,171	424,116	646,931	1,792,497
Recreation, parks and culture	209,033	149,487	221,410	139,540
Total Governmental Activities				
Program Revenues	<u>14,348,645</u>	<u>8,520,673</u>	<u>9,161,601</u>	<u>10,599,331</u>

(Continued on next page)

Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019
\$ 3,090,941	\$ 3,406,255	\$ 3,754,388	\$ 3,707,038	\$ 3,653,823	\$ 3,471,212
13,389,126	14,845,689	15,574,118	16,694,564	16,001,002	14,755,885
8,880,522	9,322,369	9,849,087	9,403,801	9,533,767	9,340,327
1,661	2,063	1,056	749	684	1,077
2,809,208	1,944,973	3,156,293	3,452,377	2,423,498	2,266,590
2,781,203	3,060,253	2,952,371	2,820,060	2,891,793	2,929,717
<u>30,952,661</u>	<u>32,581,602</u>	<u>35,287,313</u>	<u>36,078,589</u>	<u>34,504,567</u>	<u>32,764,808</u>
7,156,211	6,962,269	7,067,753	7,228,070	7,481,214	6,608,839
14,414,801	13,292,051	13,726,582	13,721,641	14,181,754	13,260,458
920,613	253,718	739,554	695,283	309,476	741,821
128,795	114,255	144,040	159,446	194,716	159,232
				2,351,263	1,727,876
234,898	188,090	221,577	159,867	247,049	226,209
<u>22,855,318</u>	<u>20,810,383</u>	<u>21,899,506</u>	<u>21,964,307</u>	<u>24,765,472</u>	<u>22,724,435</u>
<u>53,807,979</u>	<u>53,391,985</u>	<u>57,186,819</u>	<u>58,042,896</u>	<u>59,270,039</u>	<u>55,489,243</u>
2,103,355	2,248,918	2,371,660	2,373,220	2,420,181	2,485,134
487,862	520,872	508,885	485,674	488,603	468,910
345,457	379,390	564,406	622,012	603,402	595,784
531,319	1,740,860	612,023	681,189	863,623	910,438
354,452	323,207	436,671	507,047	548,231	539,643
182,995	59,208	71,399	98,665	118,732	101,492
2,751,227	2,816,370	3,113,541	3,059,711	4,263,067	4,452,267
1,827,286	973,765	1,286,164	2,018,641	1,133,173	1,028,025
30,506	14,008	38,916	8,380	27,000	26,966
226,415	36,062	60,380	21,252	56,922	19,040
1,252,362	269,903	753,135	1,158,355	1,663,970	747,718
162,229	203,795	656,052	199,005	168,901	575,065
<u>10,255,465</u>	<u>9,586,358</u>	<u>10,473,232</u>	<u>11,233,151</u>	<u>12,355,805</u>	<u>11,950,482</u>

CHANGES IN NET POSITION

Last Ten Fiscal Years

	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013
Business-type activities:				
Charges for services:				
Water	\$ 5,831,281	\$ 6,226,214	\$ 6,587,975	\$ 6,999,418
Wastewater	9,038,255	9,602,732	9,160,568	10,340,457
Land purchase	175,296	226,545	234,578	233,396
Parking	62,077	59,223	53,129	43,313
Senior citizens		29,000	1,462	
McMorran				
Marina	33,358	44,341	35,822	36,279
Operating grants and contributions:				
Water				3,355
Wastewater			1,685	14,452
Land purchase	1,314,362	1,375,321	1,152,999	1,259,933
Parking			2,495	4,110
Senior citizens				
Marina	47,349	50,427	480	
Capital grants and contributions:				
Water	1,230,079	87,351	554,986	
Wastewater	2,946,983	1,738,287	1,071,298	45,856
Land purchase		69,058	852,358	22,877
Parking				
McMorran				
Total Business-Type Activities Prog. Rev.	20,679,040	19,508,499	19,709,835	19,003,446
Total Primary Government Prog. Rev.	35,027,685	28,029,172	28,871,436	29,602,777
Net (expense)/revenue:				
Governmental activities	(17,475,434)	(24,143,675)	(22,049,798)	(19,318,159)
Business-type activities	1,035,646	(161,392)	(399,456)	(2,361,623)
Total Primary Government Net Expense	(16,439,788)	(24,305,067)	(22,449,254)	(21,679,782)
General revenues and other changes in net position:				
Governmental activities:				
Property taxes	12,618,927	11,554,089	10,766,285	10,301,650
Income tax	5,654,697	5,781,024	5,818,786	5,868,284
Unrestricted state-shared revenues	3,446,988	3,447,475	3,123,392	3,235,216
Unrestricted investment income	1,081,237	1,050,535	887,990	798,929
Gain (loss) on sale of capital assets	32,877	354,928	1,600	108,482
Unrestricted cable fees and other income	338,075	352,181	341,635	348,680
Transfers	(2,150,000)	(993,024)	(1,000,000)	(1,045,000)
Total Governmental Activities	21,022,801	21,547,208	19,939,688	19,616,241
Business-type activities:				
Unrestricted investment income	283,431	272,892	242,754	138,622
Gain (loss) on sale of capital assets	71,046	353,689	(105,912)	(572)
Transfers	2,150,000	993,024	1,000,000	1,045,000
Total Business-Type Activities	2,504,477	1,619,605	1,136,842	1,183,050
Total Primary Government	23,527,278	23,166,813	21,076,530	20,799,291
Change in net position:				
Governmental activities	3,547,367	(2,596,467)	(2,110,110)	298,082
Business-type activities	3,540,123	1,458,213	737,386	(1,178,573)
TOTAL PRIMARY GOVERNMENT	\$ 7,087,490	\$ (1,138,254)	\$ (1,372,724)	\$ (880,491)

Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019
\$ 6,787,849	\$ 7,218,217	\$ 7,689,530	\$ 8,121,677	\$ 8,298,959	\$ 8,178,968
10,198,546	11,854,622	12,872,347	13,610,180	14,365,509	15,507,210
233,328	233,328	233,598	136,337	54	
44,491	44,178	45,258	36,538	38,157	37,166
				1,118,478	1,127,790
37,473	41,247	22,961	71,077	68,830	64,726
890,053	997,097	994,322	1,354,172	771,753	400,133
180,662	3,453	7,828			
308,622	4,771				
479,387	103,114			5,239	
		581,183	58,511		188,633
				52,912	22,887
19,160,411	20,500,027	22,447,027	23,388,492	24,719,891	25,527,513
29,415,876	30,086,385	32,920,259	34,621,643	37,075,696	37,477,995
(20,697,196)	(22,995,244)	(24,814,081)	(24,845,438)	(22,148,762)	(20,814,326)
(3,694,907)	(310,356)	547,521	1,424,185	(45,581)	2,803,078
(24,392,103)	(23,305,600)	(24,266,560)	(23,421,253)	(22,194,343)	(18,011,248)
9,824,683	9,607,615	9,552,236	9,262,088	9,685,014	12,143,052
5,934,153	6,431,121	6,366,498	6,669,875	6,489,338	6,615,692
3,336,089	3,414,887	3,915,367	4,616,341	4,717,779	4,795,078
1,066,266	403,634	792,532	738,955	813,973	1,542,420
600,091	141,526	60,477	542,952	57,687	31,553
343,183	357,291	376,647	371,015	356,299	343,880
			120,000	33,046	(666,000)
21,104,465	20,356,074	21,063,757	22,321,226	22,153,136	24,805,675
165,658	6,799	13,254	19,690	22,839	117,114
39	3,895	2,138	183,078	(129,256)	
			(120,000)	(33,046)	666,000
165,697	10,694	15,392	82,768	(139,463)	783,114
21,270,162	20,366,768	21,079,149	22,403,994	22,013,673	25,588,789
407,269	(2,639,170)	(3,750,324)	(2,524,212)	4,374	3,991,349
(3,529,210)	(299,662)	562,913	1,506,953	(185,044)	3,586,192
\$ (3,121,941)	\$ (2,938,832)	\$ (3,187,411)	\$ (1,017,259)	\$ (180,670)	\$ 7,577,541

City of Port Huron

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
General Fund:				
Nonspendable:				
Inventories	\$	\$	\$	\$
Prepaid items	88,752	180,319	46,922	83,382
Assigned:				
Subsequent year's expenditures	383,802		192,308	230,000
Unassigned	3,882,520	4,181,549	4,134,696	4,073,275
Total General Fund	<u>4,355,074</u>	<u>4,361,868</u>	<u>4,373,926</u>	<u>4,386,657</u>
All Other Governmental Funds:				
Nonspendable:				
Inventories	302,748	174,234	310,242	309,485
Endowments	5,204,861	5,653,910	6,062,783	6,456,502
Restricted:				
Streets	434,120	717,047	716,596	1,314,548
Law enforcement	435,329	376,082	373,797	397,749
Rubbish and garbage collection	1,141,201	792,445	620,892	494,168
Loan revolving				
Streetscape maintenance	95,164	103,632	118,747	128,055
Section 108				
Committed:				
Subsequent year's expenditures	1,427,265	1,864,333	2,069,103	1,016,482
Municipal streets	2,653,581	1,344,732		427,323
Nonmajor governmental funds	333,145	315,939	391,264	338,863
Total All Governmental Funds	<u>12,027,414</u>	<u>11,342,354</u>	<u>10,663,424</u>	<u>10,883,175</u>
TOTAL ALL GOVERNMENTAL FUNDS	<u><u>\$ 16,382,488</u></u>	<u><u>\$ 15,704,222</u></u>	<u><u>\$ 15,037,350</u></u>	<u><u>\$ 15,269,832</u></u>

<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$	\$	\$	\$	\$	\$
153,286	28,904	7,996 64,953	6,741 26,199	8,617 32,689	21,331
231,777					
4,093,692	4,462,630	4,617,524	4,681,423	4,687,612	4,728,907
<u>4,478,755</u>	<u>4,491,534</u>	<u>4,690,473</u>	<u>4,714,363</u>	<u>4,728,918</u>	<u>4,750,238</u>
153,035	334,701	237,762	260,512	272,473	270,116
7,158,692	7,288,382	7,711,530	8,130,493	8,546,135	9,317,892
2,269,102	1,900,650	556,957	912,539	1,438,458	2,950,825
413,286	407,830	404,428	332,294	362,354	243,496
414,428	265,198	423,026	560,831	580,934	500,693
	1,100,000	570,663	495,726	493,387	493,387
84,268	65,831	59,126	44,358	32,108	22,859
			1,509,106	1,392,465	16,539
1,593,901	1,482,941	1,613,077	1,030,057	295,471	723,108
		97,267	681,457	1,404,140	975,627
255,173	94,334	54,482	112,394	149,420	145,714
<u>12,341,885</u>	<u>12,939,867</u>	<u>11,728,318</u>	<u>14,069,767</u>	<u>14,967,345</u>	<u>15,660,256</u>
<u>\$ 16,820,640</u>	<u>\$ 17,431,401</u>	<u>\$ 16,418,791</u>	<u>\$ 18,784,130</u>	<u>\$ 19,696,263</u>	<u>\$ 20,410,494</u>

City of Port Huron

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013
Revenues:				
Taxes:				
Property taxes:				
General fund	\$ 8,604,072	\$ 7,899,429	\$ 7,344,599	\$ 7,065,936
Municipal street fund:				
Streets millage	1,475,145	1,341,699	1,245,819	1,200,680
BWATC millage	461,673	423,543	395,402	366,754
Rubbish and garbage collection fund	2,078,037	1,889,418	1,755,857	1,692,888
Total	12,618,927	11,554,089	10,741,677	10,326,258
Income taxes	5,654,697	5,781,024	5,818,786	5,868,284
Total Taxes	18,273,624	17,335,113	16,560,463	16,194,542
Licenses and permits	670,558	577,045	667,464	611,325
Grants	8,010,928	2,352,355	2,741,304	3,494,178
State shared revenues	5,823,202	5,864,511	5,815,483	5,864,284
Charges for services	1,255,276	1,255,850	1,445,591	1,569,942
Fines and forfeits	145,581	132,271	120,052	137,061
Investment income	941,222	889,675	746,695	698,765
Rents	331,041	343,812	354,064	356,301
Sale of property	4,993	342,487	1,600	71,162
Other income	3,900		392	1,571
Administrative charges	1,875,807	1,874,558	1,815,505	1,838,693
Total Revenues	37,336,132	30,967,677	30,268,613	30,837,824
Expenditures:				
Current:				
General government	3,161,209	3,263,408	3,318,936	3,046,428
Public safety	13,000,990	13,081,810	12,758,777	12,448,342
Public works	6,437,203	6,913,499	6,321,262	6,384,588
Senior citizens	13,284	12,964	13,875	2,119
Recreation, parks and culture	2,392,262	2,314,188	2,172,985	2,300,233
General support services	1,117,076	1,380,749	1,246,429	1,206,237
Capital outlay	8,812,547	3,686,301	4,023,221	4,172,395
Debt Service:				
Principal				
Interest expense				
Total Expenditures	34,934,571	30,652,919	29,855,485	29,560,342
Revenues over (under) Expenditures	2,401,561	314,758	413,128	1,277,482
Other financing sources (uses):				
Transfers in	1,119,678	2,193,627	1,860,759	1,501,786
Transfers out	(3,269,678)	(3,186,651)	(2,940,759)	(2,546,786)
	(2,150,000)	(993,024)	(1,080,000)	(1,045,000)
NET CHANGE IN FUND BALANCES	\$ 251,561	\$ (678,266)	\$ (666,872)	\$ 232,482
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	0.00%	0.00%	0.00%	0.00%

Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019
\$ 6,715,401	\$ 6,560,133	\$ 6,515,877	\$ 6,318,557	\$ 6,702,351	\$ 9,112,669
1,146,310	1,121,462	1,116,808	1,082,435	1,096,397	1,114,751
354,770	346,592	346,353	336,382	341,724	345,331
1,608,202	1,579,428	1,573,198	1,524,714	1,544,542	1,570,301
9,824,683	9,607,615	9,552,236	9,262,088	9,685,014	12,143,052
5,934,153	6,431,121	6,366,498	6,669,875	6,489,338	6,615,692
15,758,836	16,038,736	15,918,734	15,931,963	16,174,352	18,758,744
601,331	724,084	731,592	746,917	843,222	863,134
3,396,124	1,362,344	2,580,387	4,658,392	2,954,557	1,345,847
6,065,771	6,233,650	7,009,850	7,656,181	8,957,521	9,232,070
1,568,186	2,654,510	1,868,496	2,003,928	2,128,276	2,144,353
138,892	187,647	153,718	155,059	135,649	134,220
947,431	351,762	733,036	678,928	743,249	1,448,799
361,487	369,695	407,208	399,772	373,993	376,810
574,889	128,491	21,387	532,271	12,484	6,285
1,758	2,074	1,070	126,117	250	
1,939,739	2,077,499	2,148,828	2,195,648	2,276,890	2,324,364
31,354,444	30,130,492	31,574,306	35,085,176	34,600,443	36,634,626
2,998,897	3,006,830	3,096,888	3,277,553	3,438,237	3,695,507
12,670,195	12,827,107	12,792,670	14,077,352	14,474,260	15,406,842
6,718,411	6,806,099	6,916,435	6,725,184	6,831,167	6,973,546
1,661	2,063	1,056	749	684	1,077
2,570,282	2,418,991	2,459,874	2,418,171	2,645,096	3,015,628
1,266,312	1,086,723	1,130,956	1,192,059	1,330,802	1,325,737
3,577,878	3,071,918	6,189,033	4,683,488	4,864,507	3,284,331
				112,000	1,387,000
		4	10,281	24,603	164,727
29,803,636	29,219,731	32,586,916	32,384,837	33,721,356	35,254,395
1,550,808	910,761	(1,012,610)	2,700,339	879,087	1,380,231
1,067,437	2,313,010	2,825,678	2,379,010	2,121,506	1,258,616
(1,067,437)	(2,613,010)	(2,825,678)	(2,714,010)	(2,088,460)	(1,924,616)
	(300,000)		(335,000)	33,046	(666,000)
\$ 1,550,808	\$ 610,761	\$ (1,012,610)	\$ 2,365,339	\$ 912,133	\$ 714,231
0.00%	0.00%	0.00%	0.04%	0.47%	5.41%

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>
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
2017-2018	353,847,084	136,807,963	32,933,667	523,588,714	58,240,500	581,829,214
2018-2019	363,163,579	139,783,362	33,750,815	536,697,756	57,180,600	593,878,356
2019-2020	377,721,702	146,422,033	34,815,393	558,959,128	52,509,000	611,468,128

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>
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
2017-2018	406,846,100	149,716,400	34,737,000	591,299,500	58,240,500	649,540,000
2018-2019	419,556,100	157,264,800	34,918,800	611,739,700	57,180,600	668,920,300
2019-2020	457,051,000	176,953,800	40,117,200	674,122,000	52,509,000	726,631,000

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>
\$ 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%
2,732,336	10,857,700	5,512,421	19,102,457	600,931,671	44.89%
3,096,610	6,388,400	7,109,068	16,594,078	610,472,434	44.48%
3,052,606	5,082,200	6,991,270	15,126,076	626,594,204	42.13%

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>
\$ 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
3,103,700	10,857,700	5,770,800	19,732,200	669,272,200	1,338,544,400
3,421,700	6,388,400	7,540,000	17,350,100	686,270,400	1,372,540,800
3,722,100	5,082,200	8,129,200	16,933,500	743,564,500	1,487,129,000

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 \$593,878,356 and the abated taxable valuation of \$16,594,078 as of December 31, 2017 were used as the basis for determining the fiscal 2018-2019 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.

The total direct and overlapping tax rate applied to the tax base shown on this page is presented on the following page. Since each tax rate presented in the chart on the following page applies equally throughout the City, the weighted average tax rate is essentially equivalent to the direct and overlapping tax rate.

City of Port Huron

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

<u>Year</u>	<u>CITY</u>					<u>BWATC</u>
	<u>Operating</u>	<u>Public Safety/ Parks & Rec.</u>	<u>Streets</u>	<u>Rubbish and Garbage Collection</u>	<u>Total</u>	<u>Bus Operating</u>
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
2016-2017	11.2696		2.0000	2.8173	16.0869	.6214
2017-2018	11.2504		1.9966	2.8125	16.0595	.6203
2018-2019	11.2504	4.0000	1.9966	2.8125	20.0595	.6203

<u>Year</u>	<u>COUNTY</u>					<u>COLLEGE</u>
	<u>St. Clair County</u>	<u>Intermediate School</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Total</u>	<u>Operating and Debt</u>
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
2016-2017	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2017-2018	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2018-2019	8.2329	.1938	2.3113	.9245	11.6625	1.8891

<u>Year</u>	<u>SCHOOL</u>			<u>STATE</u>	<u>GRAND TOTAL</u>	
	<u>Operating</u>	<u>Debt</u>	<u>Total</u>	<u>School Operating</u>	<u>Homestead</u>	<u>Non- Homestead</u>
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
2016-2017	18.0000*	4.2400	22.2400	6.0000	40.4999	58.4999
2017-2018	18.0000*	4.2400	22.2400	6.0000	40.4714	58.4714
2018-2019	18.0000*	4.2400	22.2400	6.0000	44.4714	62.4714

Without local voter approval, the City of Port Huron's millage levies are limited to the amounts currently levied (11.2504 mills for operating, 3.0000 mills for public safety, 1.0000 mill for parks & recreation, 1.9966 mills for streets and 2.8125 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, 2022	Year 2019
May, 2023	Year 2020

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, 2019

Taxpayer	2019 Ad Valorem Taxable Valuation	2019 Industrial Facilities Taxable Value	2019 Total Taxable Valuation	Percent of Total Taxable Valuation	2019 Rank
SEMCO Energy Gas Company	\$ 17,295,585	\$	\$ 17,295,585	2.76%	1
DTE Energy (Detroit Edison)	13,287,799		13,287,799	2.12%	2
Lake Huron Medical Center	13,287,456		13,287,456	2.12%	3
Sperry's/City Flats	6,761,158		6,761,158	1.08%	4
Acheson Ventures/Acheson Foundation	6,574,711		6,574,711	1.05%	5
Premier	6,186,204		6,186,204	0.99%	6
Domtar (E.B. Eddy Paper)	3,956,315	954,400	4,910,715	0.78%	7
ALD Thermal	2,458,527	2,146,761	4,605,288	0.73%	8
Winkle Industrial	4,284,852		4,284,852	0.68%	9
Mueller Brass Company	3,463,865		3,463,865	0.55%	10
Rahf IV Northport Inc	3,331,072		3,331,072	0.53%	11
SMW Automotive	2,518,648	753,000	3,271,648	0.52%	12
Orthopedic Associates Campus	3,085,390		3,085,390	0.49%	13
Parkview Property Management, Inc.	2,966,520		2,966,520	0.47%	14
Asset Link	2,654,958		2,654,958	0.42%	15
Holiday Inn	2,431,335		2,431,335	0.39%	16
Earl Smith Distributing	1,418,322	927,584	2,345,906	0.37%	17
Blue Water View	2,291,758		2,291,758	0.37%	18
JB Real Estate/Hilton Double Tree (formerly Edison Inn)	2,166,861		2,166,861	0.35%	19
Pine Grove Plaza	1,981,666		1,981,666	0.32%	20
Acheson Industries					
H.P. Pelzer					
I.A.C. (formerly Lear Corporation)					
Royal Oak Boring					
JCIM (formerly Plastech and LDM)					
Cross Hueller Ex-Cell-O-Lamb					
First Michigan Bank (formerly Citizens First Savings Bank)					
Shawmut Mills					
Times Herald Company					
GMA Cover Corporation					
TOTAL	<u>\$ 102,403,002</u>	<u>\$ 4,781,745</u>	<u>\$ 107,184,747</u>	<u>17.09%</u>	

	2010 Total Taxable Valuation	Percent of Total Taxable Valuation	2010 Rank
\$	5,104,550	0.68%	10
	9,868,563	1.31%	6
	24,519,892	3.26%	1
	20,861,000	2.78%	2
	8,366,300	1.11%	8
	15,309,497	2.04%	3
	11,969,924	1.59%	4
	4,143,205	0.55%	14
	4,642,880	0.62%	13
	4,037,772	0.54%	16
	9,876,574	1.31%	5
	9,104,651	1.21%	7
	7,150,338	0.95%	9
	4,790,585	0.64%	11
	4,680,600	0.62%	12
	4,086,700	0.55%	15
	3,824,979	0.51%	17
	3,615,000	0.48%	18
	3,612,715	0.48%	19
	3,330,800	0.44%	20
\$	162,896,525	21.67%	

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>
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	8,696,644	8,196,863	94.25%	8,681,964	99.83%
2017-2018	8,811,650	8,319,252	94.41%	8,796,899	99.83%
2018-2019	11,175,686	10,568,584	94.57%	11,165,207	99.91%
2019-2020	11,437,781				

Amounts include Operating, Public Safety, Parks and Recreation, 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	Total Collections to Date	
	Amount	Percentage of Levy
\$ 29,857	\$10,806,802	99.82%
26,275	10,172,170	99.82%
45,145	9,463,899	99.94%
9,129	9,139,215	99.90%
1,746	8,937,978	99.90%
3,256	8,947,918	99.91%
1,642	8,683,606	99.85%
911	8,797,810	99.84%

City of Port Huron

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Outstanding Debt:				
Business-type Activities:				
Water Supply System Revenue Bonds	\$	\$ 6,910,464	\$ 6,910,464	\$ 6,788,564
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,621,165	7,971,726	7,312,287	6,617,848
Wastewater General Obligation Limited Tax Bonds	27,111,858	25,740,004	33,469,725	31,721,758
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	40,051,442	39,897,713	38,890,647	37,419,692
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	22,613,988	22,744,783	21,377,181	19,897,156
Water Meter Refunding Bonds (Limited Tax General Obligation)		4,947,968	4,743,461	4,557,189
Total Business-type Activities Debt	<u>98,398,453</u>	<u>108,212,658</u>	<u>112,703,765</u>	<u>107,002,207</u>
Governmental Activities:				
Energy Services Refunding Bonds (Limited Tax General Obligation) HUD Section 108		3,868,559	3,613,739	3,482,238
Total Outstanding Debt	<u>\$ 98,398,453</u>	<u>\$ 112,081,217</u>	<u>\$ 116,317,504</u>	<u>\$ 110,484,445</u>
Total Taxable Valuation	\$ 824,496,271	\$ 751,837,493	\$ 708,603,813	\$ 657,451,500
Ratio of Outstanding Debt to Taxable Value	11.93%	14.91%	16.42%	16.81%
Population	32,338	30,184	30,184	30,184
Per Capita Direct Outstanding Debt	\$ 3,042.81	\$ 3,713.26	\$ 3,853.61	\$ 3,660.37

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

<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
\$ 6,661,651	\$ 6,534,738	\$ 6,402,825	\$ 6,265,912	\$ 6,123,999	\$ 5,982,086
6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336
30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476
34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217
18,882,806	18,718,828	17,226,399	15,718,554	13,973,554	12,178,554
4,557,189	4,331,337	4,039,352	3,806,236	3,455,020	3,085,655
<u>101,462,395</u>	<u>96,711,664</u>	<u>88,276,450</u>	<u>80,030,011</u>	<u>70,965,242</u>	<u>61,657,324</u>
3,482,238	3,358,601	3,155,038	2,921,358	2,671,144	2,403,630
			1,499,000	1,387,000	
<u>\$ 104,944,633</u>	<u>\$ 100,070,265</u>	<u>\$ 91,431,488</u>	<u>\$ 84,450,369</u>	<u>\$ 75,023,386</u>	<u>\$ 64,060,954</u>
\$ 625,661,500	\$ 609,347,536	\$ 616,067,661	\$ 594,091,289	\$ 600,931,671	\$ 610,472,434
16.77%	16.42%	14.84%	14.22%	12.48%	10.49%
30,184	30,184	30,184	30,184	30,184	30,184
\$ 3,476.83	\$ 3,315.34	\$ 3,029.14	\$ 2,797.85	\$ 2,485.53	\$ 2,122.35

City of Port Huron

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2019

DIRECT BONDED DEBT:

Energy Services Refunding Bonds (Limited Tax General Obligation)	\$ 2,403,630
---------------------------------------------------------------------	--------------

Total Direct Bonded Debt	<u>2,403,630</u>
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OVERLAPPING BONDED DEBT:

10.66% of St. Clair County Community College debt	\$ 630,006	
9.82% of St. Clair County debt	4,710,948	
34.15% of Port Huron Area School District debt	<u>39,573,020</u>	
Overlapping Bonded Debt		<u>44,913,974</u>

DIRECT AND OVERLAPPING BONDED DEBT	<u>\$ 47,317,604</u>
------------------------------------	----------------------

	Per Capita Bonded Debt	Ratio of Bonded Debt to State Equalized Value
Direct Bonded Debt	\$ 79.63	0.32%
Direct and Overlapping Bonded Debt	\$1,567.64	6.36%

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, 2019

STATE EQUALIZED VALUATION AT DECEMBER 31, 2018

\$ 726,631,000

	Legal Margin			
	<u>Actual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Amount</u>	<u>Legal Debt Margin Totals</u>
General obligation debt	\$ 56,403,532			
Portion issued under order	(38,735,693)			
Balance	<u>\$ 17,667,839</u>	10%	<u>\$ 72,663,100</u>	<u>\$ 54,995,261</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 2,724,866</u>	<u>\$ 2,724,866</u>
Special assessment bonds	None	12%	<u>\$ 87,195,720</u>	<u>\$ 87,195,720</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 (\$726,631,000), 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, 2018 of \$611,468,128 will be used as a basis for determining the fiscal 2019-2020 operating taxes.

City of Port Huron

LEGAL DEBT MARGIN

Last Ten Fiscal Years

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Direct Bonded Debt:				
Water Supply System Revenue Bonds	\$	\$ 6,910,464	\$ 6,910,464	\$ 6,788,564
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,621,165	7,971,726	7,312,287	6,617,848
Wastewater General Obligation Limited Tax Bonds	27,111,858	25,740,004	33,469,725	31,721,758
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	40,051,442	39,897,713	38,890,647	37,419,692
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	22,613,988	22,744,783	21,377,181	19,897,156
Water Meter Refunding Bonds (Limited Tax General Obligation)				4,557,189
Energy Performance Services Bonds (Limited Tax General Obligation)				3,482,238
HUD Section 108 Loan				
Total Direct Bonded Debt	98,398,453	103,264,690	107,960,304	110,484,445
Less self-supporting revenue bonds:				
Water Supply System Revenue Bonds		6,910,464	6,910,464	6,788,564
Water Supply System Revenue Bonds (Limited Tax General Obligation)	8,621,165	7,971,726	7,312,287	6,617,848
Less portion issued under an order:				
Wastewater General Obligation Limited Tax Bonds	27,111,858	25,740,004	33,469,725	31,721,758
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	40,051,442	39,897,713	38,890,647	37,419,692
Total Excluded	75,784,465	80,519,907	86,583,123	82,547,862
Net debt applicable to limit	22,613,988	22,744,783	21,377,181	27,936,583
Debt limit	76,156,460	70,561,980	64,376,320	60,766,520
Legal debt margin	\$ 53,542,472	\$ 47,817,197	\$ 42,999,139	\$ 32,829,937
Total net debt applicable to the limit as a percentage of debt limit	29.69%	32.23%	33.21%	45.97%

June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
\$ 6,661,651	\$ 6,534,738	\$ 6,402,825	\$ 6,265,912	\$ 6,123,999	\$ 5,982,086
6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336
30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476
34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217
18,882,806	18,718,828	17,226,399	15,718,554	13,973,554	12,178,554
4,557,189	4,331,337	4,039,352	3,806,236	3,455,020	3,085,655
3,482,238	3,358,601	3,155,038	2,921,358	2,671,144	2,403,630
			1,499,000	1,387,000	
<u>104,944,633</u>	<u>100,070,265</u>	<u>91,431,488</u>	<u>84,450,369</u>	<u>75,023,386</u>	<u>64,060,954</u>
6,661,651	6,534,738	6,402,825	6,265,912	6,123,999	5,982,086
6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336
30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476
34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217
<u>78,022,400</u>	<u>73,661,499</u>	<u>67,010,699</u>	<u>60,505,221</u>	<u>53,536,668</u>	<u>46,393,115</u>
26,922,233	26,408,766	24,420,789	23,945,148	21,486,718	17,667,839
<u>60,152,920</u>	<u>61,521,970</u>	<u>62,630,490</u>	<u>64,954,000</u>	<u>66,892,030</u>	<u>72,663,100</u>
<u>\$ 33,230,687</u>	<u>\$ 35,113,204</u>	<u>\$ 38,209,701</u>	<u>\$ 41,008,852</u>	<u>\$ 45,405,312</u>	<u>\$ 54,995,261</u>
44.76%	42.93%	38.99%	36.87%	32.12%	24.31%

City of Port Huron

REVENUE BOND COVERAGE

Last Ten Fiscal Years

WATER SUPPLY SYSTEM

Fiscal Year	Gross Revenue	Expenses and Operating Transfers	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2016-2017	8,128,963	3,913,817	4,215,146	1,015,474	479,317	1,494,791	2.82
2017-2018	8,308,738	4,248,309	4,060,429	1,045,474	438,407	1,483,881	2.74
2018-2019	8,241,601	3,456,184	4,785,417	1,090,474	395,609	1,486,083	3.22

Gross revenues includes operating and nonoperating revenues.

City of Port Huron

WATER AND WASTEWATER – CURRENT RATES IN EFFECT

June 30, 2019

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

<u>Water</u>	<u>Wastewater</u>
\$ <u>15.81</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	\$ 46.18
3/4"	16.77	69.27
1"	27.95	115.45
1-1/2"	55.90	230.90
2"	89.44	369.44
3"	195.65	808.15
4"	335.40	1,385.40
6"	698.75	2,886.25
8"	1,006.20	4,156.20
10"	1,621.10	6,696.10
12"	2,403.70	9,928.70
16"	3,354.00	13,854.00
20"	5,031.00	20,781.00
24"	7,546.50	31,171.50

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

City of Port Huron

WATER AND WASTEWATER - HISTORY OF RESIDENTIAL UTILITY RATES

June 30, 2019

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, 2019	\$15.81	\$11.18	\$39.30	\$46.18
July 1, 2018	15.50	11.18	39.30	41.60
July 1, 2017	15.20	11.18	39.30	37.14
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

COMPARABLE MONTHLY BILLING

<u>Effective Date</u>	<u>Monthly Billing</u>	<u>Percent Change</u>
July 1, 2019	\$94.12	5.36%
July 1, 2018	89.33	5.50%
July 1, 2017	84.67	5.39%
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%

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, 2019 was 494 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, 2019

WATER USAGE

<u>Customer</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Fort Gratiot Township	57,776,553	21.6%
Port Huron Township	54,069,479	20.2%
Kimball Township	27,862,000	10.4%
Domtar	7,292,500	2.7%
Dunn Paper	6,964,400	2.6%
Mueller Brass	5,170,400	1.9%
McLaren Port Huron Hospital	3,861,100	1.5%
Port Huron Housing Commission (Various Sites)	1,614,200	0.6%
Lake Huron Medical Center	1,308,700	0.5%
Auto Anodics	1,300,300	0.5%
Estimate for all others	<u>100,468,971</u>	<u>37.5%</u>
Total	<u>267,688,603</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	\$1,420,686	17.4%	\$ 976,155	6.3%
Fort Gratiot Township	1,410,295	17.2%	930,563	6.0%
Kimball Township	694,463	8.5%	384,671	2.5%
Domtar	140,872	1.7%	390,179	2.5%
Dunn Paper	118,681	1.5%	313,637	2.0%
Mueller Brass	108,986	1.3%	310,525	2.0%
McLaren Port Huron Hospital	84,398	1.0%	243,095	1.6%
Port Huron Housing Commission (Various Sites)	71,104	0.9%	234,913	1.5%
Lake Huron Medical Center	36,652	0.4%	112,334	0.7%
Auto Anodics	22,502	0.3%	59,838	0.4%
Estimate for all others	<u>4,070,329</u>	<u>49.8%</u>	<u>11,551,300</u>	<u>74.5%</u>
Total	<u>\$8,178,968</u>	<u>100.0%</u>	<u>\$ 15,507,210</u>	<u>100.0%</u>

The Township usage and revenues are as of June 30, 2019. The other Major customer data is for the twelve months ended March 31, 2019. Volume of water used is shown in metered cubic feet.

The City of Port Huron had 11,946 water customers and 11,375 wastewater customers as of March 31, 2019.

City of Port Huron

WATER USAGE BY CUSTOMER TYPE

June 30, 2019

<u>Customer Type</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Residential	60,725,822	22.7%
Multi-Units	12,554,004	4.7%
Commercial	15,901,244	5.9%
Industrial	26,130,331	9.8%
Institutional	8,384,993	3.1%
Governmental	4,284,177	1.6%
Wholesale	<u>139,708,032</u>	<u>52.2%</u>
Total	<u>267,688,603</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, 2019. All other usage types are as of March 31, 2019. Volume of water used is shown in metered cubic feet.

City of Port Huron

DEMOGRAPHIC AND ECONOMIC STATISTICS

<u>Area:</u>	8.00 square miles (5,120 acres)			
<u>Form of Government:</u>	Council-Manager (Since April 7, 1941)			
<u>Present Charter:</u>	Adopted November 2, 2010 - effective January 1, 2011 (Previous Charter adopted April 7, 1969, effective April 18, 1969)			
<u>Fiscal Year Begins:</u>	July 1			
<u>City Employees:</u>	245 regular budgeted, 244 regular filled, 26 part-time filled, 242 seasonal positions			
<u>Fire Protection:</u>	3 stations, 36 fire fighting personnel, 2-way radio equipment			
<u>Police Protection:</u>	1 station, 55 police officers, 2-way radio equipment			
<u>Streets:</u>	141.535 miles improved 1.83 miles unimproved			
<u>Population:</u>	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
<u>Unemployment:</u>	Source:	June 30, 2010		20.7%
	State of Michigan	2011		17.8%
		2012		15.6%
		2013		15.3%
		2014		13.3%
		2015		9.7%
		2016		8.7%
		2017		5.3%
		2018		6.2%
		2019		6.6%

Statistical Information From the U.S. Census Bureau:

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

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

City of Port Huron

PRINCIPAL EMPLOYERS

June 30, 2019

<u>Firm Name</u>	<u>Product/Service</u>	<u>2019 Approximate Number of Employees</u>	<u>2019 Rank</u>
McLaren Port Huron (formerly Port Huron Hospital)	Health care services	1,441	1
*Port Huron Area School District	Public education	649	2
U.S. Farathane Corp.	Automotive supplier	419	3
*St. Clair County	Public government	395	4
Lake Huron Medical Center (formerly St. Joseph Mercy Port Huron)	Health care services	393	5
HP Pelzer	Automotive supplier	377	6
*Aludyne (formerly Chassix/SMW Automotive)	Automotive supplier	366	7
Mueller Brass	Copper and brass tubing	281	8
City of Port Huron	Public government	248	9
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	242	10
AT&T	Telephone service (call center)		
J.C.I.M. (formerly Plastech Engineered Products)	Automotive supplies/plastics		

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

Source: City of Port Huron Finance Department obtained information from the Michigan Economic Development Corporation and through direct inquiries of employers in 2019. The information pertaining to 2010 was obtained from the Michigan Economic Development Corporation 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>2010 Approximate Number of Employees</u>	<u>2010 Rank</u>
1,375	1
609	3
300	7
680	2
400	4
302	6
251	9
234	10
324	5
285	8

City of Port Huron

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
General government:				
City manager	2.00	2.00	2.00	2.00
City clerk/elections	3.00	3.00	3.00	3.00
Finance/purchasing	6.80	6.80	6.80	6.00
Income tax	3.00	3.00	3.00	3.00
Assessing	4.00	3.00	2.00	2.00
City treasurer/water office	4.20	4.20	4.20	4.00
Data processing	5.00	4.00	4.00	4.00
Human Resources	3.00	2.00	2.50	2.50
Health and safety/marinas				
Public safety:				
Police	60.00	57.00	57.00	57.50
Fire	44.70	42.70	42.00	42.50
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	5.10	5.10	5.00
Code Enforcement				
Streets	16.04	14.70	16.36	15.485
Refuse collection/disposal	0.125	0.125	0.125	0.125
Motor vehicle pool	8.875	7.875	7.375	6.25
Water filtration plant	10.75	9.75	9.75	9.75
Utilities - water distribution	6.175	5.925	5.925	5.925
Water meter	5.25	4.50	4.50	3.50
Water reclamation facility	22.235	22.235	20.075	21.075
Utilities - sewer collection	10.65	9.99	9.99	9.09
Community and economic development	9.00	10.00	10.00	10.00
Recreation, parks and culture:				
Recreation	3.90	4.00	5.00	4.70
Cemetery	2.35	2.10	2.10	2.25
Parking	0.50			
Parks and forestry	9.55	9.20	8.40	8.55
McMorran				
Downtown Development Authority				
	<u>251.00</u>	<u>238.00</u>	<u>236.00</u>	<u>233.00</u>

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

Source: City of Port Huron Human Resources Department

<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
2.00	1.00	1.00	1.00	1.00	1.30
3.00	3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	6.05	6.00
3.00	3.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	3.00	3.00	3.00
5.00	6.00	6.00	6.00	8.00	6.00
4.00	4.00	4.00	4.00	4.00	4.00
2.50	2.50	2.50	2.50	3.00	3.00
57.50	59.50	56.50	58.50	58.00	64.00
42.50	40.50	35.50	35.50	37.00	36.40
1.80	1.80	1.80	1.20	1.20	1.20
3.00	3.00	3.00	3.00	3.00	3.00
4.00	4.00	4.00	4.00	4.00	4.00
		3.00	2.00	2.10	1.40
15.485	16.235	15.485	16.425	16.025	15.15
0.125	0.250	0.125	0.125	0.125	0.125
6.10	6.225	6.10	6.10	6.05	6.625
9.75	9.75	9.75	9.95	9.55	10.80
6.00	6.00	5.875	5.875	5.750	5.80
2.50	2.50	2.50	2.50	2.00	1.50
21.075	21.075	20.20	23.00	20.10	22.05
9.165	9.165	9.165	8.825	8.00	8.75
12.00	10.00	8.00	8.00	7.90	8.60
4.65	4.65	4.65	4.50	4.55	5.00
3.15	3.15	2.65	2.80	2.85	2.85
8.70	8.70	9.20	9.50	8.90	9.75
		4.00	4.70	5.35	6.70
				0.50	1.00
<u>235.00</u>	<u>234.00</u>	<u>229.00</u>	<u>235.00</u>	<u>234.00</u>	<u>244.00</u>

City of Port Huron

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Election data:				
Registered voters - November	20,815	20,956	20,875	21,106
Voters (at the polls or absentee) - November	3,601	6,940	3,681	10,631
Percent voting	17.3%	33.1%	17.6%	50.4%
Police:				
Physical arrests*	1,948	1,895	2,168	2,644
Traffic violations*	4,255	4,574	4,617	4,691
Police reports*	6,348	6,378	6,518	7,329
Calls for service*	31,493	29,398	31,805	34,874
Fire:				
Fire runs*	355	129	156	145
Emergency medical runs*	2,600	2,849	2,979	3,112
Other*	873	1,183	1,154	1,124
Public works:				
Miles of streets resurfaced	0.84	2.86	0	0
Miles of streets reconstructed	4.22	0.56	8.43	5.28
Water:				
Accounts:				
City - regular	12,930	12,676	12,676	12,716
Port Huron Township	3,350	3,350	3,350	3,350
Fort Gratiot - regular	136	135	135	135
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)	6,000,000	6,800,000	6,100,000	6,248,000
Sewer:				
Equivalent connected population (based on flows)	55,556	55,556	55,556	55,556
Average daily sewer treatment (gallons per day)	10,000,000	12,000,000	10,700,000	9,960,000
Building construction:				
Residential:				
New construction permits	2	1	2	1
Estimated value	\$ 140,000	\$ 150,000	\$ 337,355	\$ 118,420
Alterations/additions/demo permits	522	600	556	524
Estimated value	\$ 4,753,320	\$ 3,702,970	\$ 2,953,210	\$ 3,601,635
Commercial:				
New construction permits	1	0	0	1
Estimated value	\$ 4,144,000	\$ 0	\$ 0	\$ 1,500,000
Alterations/additions/demo permits	80	111	41	74
Estimated value	\$ 9,063,735	\$ 2,508,795	\$ 8,793,179	\$ 7,203,607

*All information as of December 31st

Source: City of Port Huron

June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
20,898	21,138	21,025	21,479	21,206	21,323
3,331	6,898		11,026		9,474
15.9%	32.6%		51.3%		44.4%
2,460	2,363	1,905	2,069	1,708	1,574
5,334	5,313	4,482	5,367	4,370	5,021
7,268	7,270	6,246	5,399	4,872	5,262
32,586	33,363	32,385	30,647	28,482	30,289
123	118	121	118	125	111
2,867	2,910	1,804	1,805	2,513	2,489
1,053	995	910	951	1,032	948
0	1.79	1.37	0	0.52	0.15
1.00	2.43	1.39	1.32	0.96	0.98
12,716	12,588	12,349	12,049	12,049	12,049
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
5,788,000	5,300,000	5,200,000	5,400,000	5,400,000	5,500,000
55,556	55,556	55,556	55,556	55,556	55,556
9,010,000	8,890,000	9,530,000	9,400,000	9,400,000	10,203,333
4	6	3	6	6	5
\$ 1,262,470	\$ 1,090,000	\$ 320,000	\$ 455,000	\$ 342,900	\$ 6,572,625
468	460	514	526	475	575
\$ 3,453,068	\$ 5,142,902	\$ 3,004,653	\$ 3,415,293	\$ 3,562,333	\$ 4,869,304
2	3	7	4	59	8
\$ 8,500,000	\$ 10,213,000	\$ 8,976,400	\$ 7,671,698	\$ 5,787,264	\$ 3,288,000
67	92	82	82	4	91
\$ 6,049,106	\$ 10,307,545	\$ 6,853,182	\$ 9,506,303	\$ 33,085,758	\$ 27,916,719

City of Port Huron

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Police:				
Stations	1	1	1	1
Fire:				
Stations	3	3	3	3
Fire fighting apparatus	6	6	6	5
Rescue boat	1	1	1	1
Heavy rescue truck	1	1	1	1
Hazmat trailer	1	1	1	1
Special response trailer	1	1	1	1
Marina:				
Seasonal boat wells	55	55	55	66
Transcient boat wells	76	76	76	65
Public works:				
Streets (miles):				
Major streets	43.410	43.410	43.330	43.210
Local streets	91.230	91.230	90.750	90.750
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	32	32	32
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)	10	10	10	10
Acreage	94	94	94	94
Community center	1	1	1	1
Parking:				
Metered lots	3	3	3	3
Spaces - metered lots	218	227	226	226
Unmetered lots	10	10	10	10
Spaces - unmetered lots	770	770	770	770
Seasonal attended lot - spaces	460	460	460	460
Permit only spaces in metered/unmetered lots	121	121	98	98
Seasonal unattended lots - spaces	73	73	72	72
ADA market spaced in City lots	46	46	56	56
Street meters - spaces	370	370	209	209
Street meters - government zone	261	261	487	487
Water:				
Watermains (miles)	169.0	171.0	171.0	171.1
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)	1,421	1,424	1,432	1,453
Fire hudrants (private)	128	128	128	128
Sewer:				
Miles of sanitary, storm and a combination of sanitary and storm sewers	244.0	244.0	244.0	245.0
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

Source: City of Port Huron

<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
1	1	1	1	1	1
3	3	3	3	3	3
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
66	66	66	66	66	66
65	65	65	65	65	65
43.210	43.210	43.000	43.000	43.000	42.840
90.750	90.750	90.750	90.750	90.750	90.480
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
		1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	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
223	223	223	223	223	223
10	10	10	10	10	10
770	770	727	704	704	704
460	460	460	533	533	533
98	118	118	118	118	118
72	72	72			
58	58	54	54	54	54
209	209	209	203	203	203
487	487	487	487	487	487
171.0	171.0	171.0	169.4	169.5	169.5
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
1,457	1,452	1,452	1,471	1,471	1,476
127	127	127	127	127	130
244.0	244.0	244.0	245.0	245.0	245.0
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, 2019

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

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Merchant Area (CSO)	\$	\$ 677,188	\$ 2,050,456	\$ 2,727,644
Military Rail Overpass	83,044			83,044
East Hancock Area	684,601	156,131	24,488	865,220
Hancock Street – 10 th to Gratiot	442,671	227,035	375,408	1,045,114 ****
Michigan/Merchant Bike Trail	257,252			257,252 ****
Harker Street	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 th Street (CSO)	551,018	195,111	475,475	1,221,604 *
Stone Street – Hollis to Holland	630,246	242,847	85,676	958,769 ****
Riverside Drive – Part 2	369,063			369,063 ****
Mason Area	573,606	251,139	347,205	1,171,950
Southside Bike Path	308,212			308,212 ****
Riverside Drive – Part 3	352,250	165,246	18,367	535,863 ****
St. Clair Street	106,515	157,461	48,422	312,398
Pine Grove Sidewalk and Bike Path	205,753			205,753 ****
Belmar Place	135,069		22,003	157,072
Water Street – 10 th to Taylor	1,607,337	555,968	214,447	2,377,752 ****
LaSalle Area	559,358	115,643	104,018	779,019
24 th Street/Dove Street Intersection	150,445	23,484		173,929 ****
Riverside Drive – Sanborn to Pine Grove	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 th Avenue – Garfield to Holland	876,400		61,140	937,540 ****
19 th 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 th Street – City Portion	30,235	188,009	125,742	343,986
Indian Creek 3 (CSO)	476,343	1,206,370	4,432,330	6,115,043
Oak Crest Redevelopment	79,442	111,270	94,662	285,374 *
Reid – 16 th to Electric	460,028	109,595		569,623
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	383,997	90,033	138,133	612,163 ****
10 th Street	1,595,729			1,595,729
7 th and 9 th Street Area (CSO)		2,392,492	5,248,332	7,640,824
State Street – Relocation	740,462	131,582	26,931	898,975 ****
River Street – Glenwood to Stone	732,172	173,782	134,551	1,040,505
Gratiot – State to Holland	682,105		105,136	787,241 ****
21 st Street Area Part 1 (CSO)	609,735	4,550,451	7,554,023	12,714,209 ****
Stone – McPherson to State	535,141	206,004	168,771	909,916 ****
21 st Street Area – Part 2 (CSO)	1,119,833	3,106,362	4,455,691	8,681,886 **

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS
COMPLETED PROJECTS**
June 30, 2019

	<u>Streets and Other Funds</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>	
10 th Avenue – River to Pine Grove (CSO)	\$	\$ 650,354	\$ 4,982,100	\$ 5,632,454	***
Gratiot Avenue – Keewahdin to Krafft	1,987,038	110,076	117,855	2,214,969	****
16 th Street – Gordon to Wells	298,483			298,483	****
Peavey Area (CSO)		1,376,731	3,244,327	4,621,058	*
Union Street – 6 th to 10 th	413,716			413,716	
16 th Avenue Area Part 1 (CSO)	77,723	2,027,412	4,608,957	6,714,092	
16 th Avenue Area Part 2 (CSO)		1,888,338	4,191,588	6,079,926	***
16 th Avenue Area Part 3 (CSO)	72,482	1,312,404	3,292,370	4,677,256	***
24 th Street – Dove to Electric (CSO)	434,536	482,003	1,188,329	2,104,868	****
Florida Area	690,912	201,817	44,393	937,122	
Vanness Area (CSO)		2,028,023	4,092,717	6,120,740	*
Military Electric Area (CSO)	302,197	1,849,918	1,555,646	3,707,761	
Scott Avenue – Poplar to 10 th	201,014	98,816		299,830	****
Military – Reid to Black River	56,212	2,214,469	424,002	2,694,683	
Rural Area (CSO)	213,626	2,177,856	4,898,545	7,290,027	***
17 th Street – Water to 16 th	215,656			215,656	
4 th Street Area (CSO)	312,545	1,805,000	5,710,819	7,828,364	
11 th Avenue Area (CSO)		2,020,933	6,113,020	8,133,953	*
Palmer Court Area (CSO)		873,326	3,161,520	4,034,846	
Stone Street – Glenwood to Lincoln	161,999	339,315	232,969	734,283	****
Stone Street – Washington to Pine Grove	194,313	76,312	120,254	390,879	
Nern Area (CSO)		2,011,968	4,170,218	6,182,186	****
Traffic Signal Project	1,252,891			1,252,891	****
Dove Street – 24 th to 28 th	485,029			485,029	****
Woodstock Area Part 1	734,235	501,230	235,022	1,470,487	
Woodstock Area Part 2	517,600	444,290	163,133	1,125,023	
Woodstock Area Part 3	151,581	458,735	454,862	1,065,178	
Woodstock Area Part IV and V	399,792	524,707	572,024	1,496,523	
Dove Street – 16 th to 24 th	858,623	313,724		1,172,347	****
Holland Avenue – Stone to Gratiot	374,910			374,910	****
Holland Avenue – Pine Grove to Stone	1,270,102	432,382	490,854	2,193,338	****
McNeil Creek – Jones Place			546,966	546,966	
Erie Area South (CSO)	177,465	1,218,107	2,037,049	3,432,621	
Erie Area North (CSO)		2,158,868	4,316,850	6,475,718	****
Sanborn Street – 12 th to Appomattox	170,773	19,956	24,813	215,542	
Sanborn Street – 10 th to Appomattox	484,485	166,510	254,639	905,634	****
Sanborn – 10 th 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	546,259	156,996	189,206	892,461	****
Sewer Lining			191,054	191,054	
10 th Street – Electric to Lapeer	116,606			116,606	
Stone Street – Pine Grove to McPherson	303,389	65,251	10,745	379,385	****
Washington – 10 th to Stone	248,896	240,397	108,455	597,748	
Riverview – 15 th to 19 th	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	
Roselawn Court Area	860,024	113,894		973,918	
20 th Street – Beard to Dove	674,629			674,629	
South Blvd – 31 st to Electric	522,616	203,886		726,502	

(Continued on next page)

City of Port Huron

**PUBLIC WORKS PROJECTS
COMPLETED PROJECTS**

June 30, 2019

	Streets and <u>Other Funds</u>	Water <u>Fund</u>	Wastewater <u>Fund</u>	<u>Total</u>
North Blvd. – 32 nd to Electric	\$ 587,014	\$ 245,748	\$	\$ 832,762
10 th Ave – Garfield to Stone	305,971			305,971
Prospect – TE Parkway to Pine Grove	66,915			66,915
Michigan – Prospect to PG Park Drive	42,458			42,458
TE Parkway – Prospect to Edison Shores	89,582			89,582
Michigan – Beers to Glenwood	133,841	216,938	58,770	409,549 **
Beers – Michigan to Merchant	134,949	218,781	59,274	413,004 **
Pleasant – Prospect to Sedgwick	198,039	52,048	10,838	260,925
Lakeview Area	433,009	113,803	23,698	570,510
Vanderburgh – 10 th to Military	251,456	59,023	92,671	403,150
Moak – Avondale to Electric	281,893	72,031	54,448	408,372
10 th Street Bridge	1,938,944			1,938,944
Pine Street – Military to 7 th	182,394			182,394
Military Street – Utility Rehabilitation		191,251	240,037	431,288
Industrial Park Concrete	1,191,092	24,491	92,007	1,307,590 **
Beard Area – Industrial Park (CSO)		870,807	6,295,322	7,166,129 **
16 th Street Pump Station (CSO)			1,490,651	1,490,651 **
10 th Street Pump Station (CSO)			950,245	950,245 **
12 th Avenue/River Street (CSO)	41,889	920,104	2,501,404	3,463,397 **
Thomas Street Pump Station			1,427,602	1,427,602 **
Wall Street	188,205	47,430	26,506	262,141 **
Quay Street Riverwalk	257,801			257,801 **
Indian Creek Pump Station (CSO)			1,308,259	1,308,259 **
Indian Creek 1 (CSO)	10,867	601,898	3,012,164	3,624,929 **
River Centre – Site Work	1,868,363	187,944	321,461	2,377,768 **
River Centre – Seawall	716,124			716,124 **
Military Street Streetscape	568,950			568,950 ****
Renaissance South III	222,901	73,135	140,775	436,811
10 th Street Bridge	6,906,053			6,906,053
7 th Street Bridge	14,425,153			14,425,153
Solids Handling – WWTP			10,384,121	10,384,121
Wastewater Treatment Plant – 2011 Bonds			4,910,967	4,910,967
Total public works projects	<u>\$ 71,345,065</u>	<u>\$ 62,178,140</u>	<u>\$ 144,383,949</u>	<u>\$ 277,907,154</u>

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

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

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

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

City of Port Huron

**PUBLIC WORKS PROJECTS
CURRENT YEAR PROJECTS**
Year Ended June 30, 2019

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, 2019 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 2018-2019 year are as follows:

	Streets and Other Funds	Water Fund	Wastewater Fund	Total
Quay/Michigan Reconstruction	\$ 1,324,122	\$ 381,384	\$ 127,189	\$ 1,832,695
River Street – Glenwood to East of Stone	1,952	463	359	2,774
13 th Street – Lapeer to Water	148,073			148,073
Monticello – Garfield to Brandywine	352			352
Roselawn Court Area	307,012	40,658		347,670
McMorran Blvd – Huron to Merchant	28,596			28,596
Pleasant – Prospect to Sedgwick	393	103	21	517
Lakeview Area	893	235	49	1,177
Vanderburgh – 10 th to Military	13,481	3,164	4,969	21,614
Moak – Avondale to Electric	12,881	3,292	2,488	18,661
10 th Street Bridge	122,590			122,590
Pine St – Military to 10 th	182,259			182,259
Blue Water Bridge Area CSO			115,469	115,469
Total public works projects	<u>\$ 2,142,604</u>	<u>\$ 429,299</u>	<u>\$ 250,544</u>	<u>\$ 2,822,447</u>

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

Total public works projects above	\$ 2,142,604	\$ 429,299	\$ 250,544
Wastewater Treatment Plant			738,361
Water Treatment Plant		491,794	
Other capital additions		17,720	464,101
Change in contracts payable		124,263	(121,489)
Projects recorded in or funded by other funds:			
Tax Increment Authority	(682,394)		
Capital Outlay (Exhibit A-4 – Major and Local Streets Funds)	<u>\$ 1,460,210</u>		
Acquisition and construction of capital Assets (Exhibit A-10)		<u>\$ 1,063,076</u>	<u>\$ 1,331,517</u>

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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 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, 2019 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 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City'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.

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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

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 & Moreau, PLLC

November 25, 2019



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

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 the City's major federal program for the year ended June 30, 2019. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2019.

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

Report on Internal Control Over Compliance

Management of the City 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'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Plante & Moreau, PLLC

November 25, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

<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 Housing and Urban Development: Community Development Block Grants/Entitlement Grants Program:		
Program year 2015	14.218	B-15-MC-26-0038
Program year 2016	14.218	B-16-MC-26-0038
Program year 2017	14.218	B-17-MC-26-0038
Program year 2018	14.218	B-18-MC-26-0038
Total CDBG - Entitlement Grants Cluster		
U.S. Department of Housing and Urban Development: Home Investment Partnership Program:		
Program year 2016	14.239	M-16-MC-260217
Program year 2017	14.239	M-17-MC-260217
Program year 2018	14.239	M-18-MC-260217
Total		
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 – 2015	97.067	EMW-2015-SS-00033
Operation Stonegarden – 2016	97.067	EMW-2016-SS-00010
Operation Stonegarden - 2017	97.067	EMW-2017-SS-00013-501
Homeland Security Grant Program - 2017 - VIT	97.067	EMW-2017-SS-00059
Total Homeland Security		
Total U.S. Department of Homeland Security		

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<u>Award Amount</u>	<u>Amount Provided to Subrecipients</u>	<u>Federal Expenditures</u>
\$ 691,188	\$	\$ 15,515
708,717		197,972
709,453		381,710
782,981		79,331
		<u>674,528</u>
191,826		4,639
183,807		45,222
278,832	<u>55,766</u>	<u>165,243</u>
	55,766	215,104
	<u>55,766</u>	<u>889,632</u>
1,798		1,798
1,138		1,138
1,050		1,050
230		230
	<u>0</u>	<u>4,216</u>
	<u>0</u>	<u>4,216</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2019

<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 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 - 2017	16.738	2017-DJ-BX-0952
Edward Byrne Memorial Justice Assistance Grant Program - 2018	16.738	2018-DJ-BX-0807
Total Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice-Office of Community Oriented Policing Services Stop School Violence Prevention Program	16.710	2018-SV-WX-0032
Total U.S. Department of Justice		
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	20.600	PT-18-31
State and Community Highway Safety – OWI	20.600	PT-19-09
State and Community Highway Safety - Seat Belt	20.600	PT-19-09
State and Community Highway Safety	20.616	N/A
Total Highway Safety Cluster		
Total U.S. Department of Transportation		
Total federal awards		

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

<u>Award Amount</u>	<u>Amount Provided to Subrecipients</u>	<u>Federal Expenditures</u>
\$ 5,200	<u>\$</u>	<u>\$ 5,200</u>
30,017	11,605	11,605
33,805	<u></u>	<u>19,040</u>
	11,605	30,645
24,941	<u></u>	<u>5,974</u>
	<u>11,605</u>	<u>41,819</u>
2,639		2,639
5,607		5,607
1,416		1,416
253		253
	<u>0</u>	<u>9,915</u>
	<u>0</u>	<u>9,915</u>
	<u>\$ 67,371</u>	<u>\$ 945,582</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

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, 2019. 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 the City of Port Huron, Michigan, it is not intended to and does not present the financial position, changes in net position or cash flows of the 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 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 (if any) 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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 ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.218	Community Development Block Grant Entitlement Grants Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	

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