

FINANCIAL STATEMENTS
CITY OF HOUGHTON, MICHIGAN
June 30, 2019

CONTENTS

	Page
Independent Auditor's Report	5
Management's Discussion and Analysis	7
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Proprietary Funds:	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
Fiduciary Fund Types:	
Statement of Net Position	26
Statement of Changes in Net Position	27
Discretely Presented Component Units:	
Statement of Net Position	28
Statement of Activities	29
Notes to Financial Statements	30
<u>Required Supplementary Information</u>	57
MERS Pension Plan - Schedule of Contributions	58
MERS Pension Plan - Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	59
Schedule of Changes in the Total OPEB Liability and Related Ratios	60
OBEB Plan Schedule of Contributions	61
General Fund - Budgetary Comparison Schedule	62
Major Street and Trunkline Maintenance Fund - Budgetary Comparison Schedule	63
Local Street Fund - Budgetary Comparison Schedule	64
Revolving Fund - Budgetary Comparison Schedule	65
Note to Required Supplementary Information - Budgetary Information	66
<u>Additional Information</u>	67
<u>Financial Statements of Individual Funds</u>	68
Governmental Funds:	
General Fund:	
Balance Sheets	69
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
Special Revenue Funds:	
Combining Balance Sheets	71
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	72
Major Street and Trunkline Maintenance Fund:	
Balance Sheets	73
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	74
Local Street Fund:	
Balance Sheets	75
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76
Revolving Fund:	
Balance Sheets	77
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
Capital Projects Fund - Public Improvement Fund:	
Balance Sheets	79
Analyses of Changes in Fund Balance	80

CONTENTS (CONTINUED)

Additional Information (continued)

Financial Statements of Individual Funds (continued)

Proprietary Fund Types:

Water Supply Fund:

Statements of Net Position	81
Statements of Revenues, Expenses, and Changes in Net Position	82
Statements of Cash Flows	83

Sewage Disposal System Fund:

Statements of Net Position	84
Statements of Revenues, Expenses, and Changes in Net Position	85
Statements of Cash Flows	86

Parking System Fund:

Statements of Net Position	87
Statements of Revenues, Expenses, and Changes in Net Position	88
Statements of Cash Flows	89

Transit Fund:

Statements of Net Position	90
Statements of Revenues, Expenses, and Changes in Net Position	91
Statements of Cash Flows	92

Equipment Fund:

Statements of Net Position	93
Statements of Revenues, Expenses, and Changes in Net Position	94
Statements of Cash Flows	95

Fiduciary Fund Types:

Employee Retirement Fund:

Statements of Net Position	96
Statements of Revenues, Expenses, and Changes in Net Position	97

Employee Benefit Fund:

Statements of Net Position	98
Statements of Revenues, Expenses, and Changes in Net Position	99
Statements of Cash Flows	100

Agency Fund - Tax Collection Fund

Statements of Changes in Assets and Liabilities	101
---	-----

Discretely Presented Component Units

Downtown Development Authority:

General Fund:

Balance Sheets	103
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	104

Tax Increment Finance Authority:

Combined Balance Sheets	105
Combined Statements of Revenues, Expenditures, and Changes in Fund Balance	106

General Fund:

Balance Sheets	107
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108

Debt Service Funds:

Combining Balance Sheets	109
Combining Statements of Revenues, Expenditures, and Fund Equity	110
Statements of General Long-Term Debt	111

CONTENTS (CONTINUED)

<u>Other Financial Information</u>	112
General Fund -	
Statements of Revenues, Expenditures, and Fund Balance	113
Major Street and Trunkline Maintenance Fund -	
Schedules of Expenditures and Reimbursements for State Trunkline Maintenance	115
Transit Fund:	
Schedule of Operating Revenues	116
Schedule of Operating Expenses	117
Schedule of Non-Operating Revenues and Expenses	118
Local Revenues	119
Federal and State Awards	120
Expenditures of Federal and State Awards	121
Operating and Contract Expenses	122
Schedule of Net Eligible Cost Computations of General Operations	123
Schedule of Net Eligible Cost Computations of General Operations	124
Nonurban Operating Expenses	125
Nonurban Regular Service Expense Report	126
Nonurban Regular Service Nonfinancial Report	127
Nonurban Regular Service Revenue Report	128
Independent Auditor's 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	129
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	131
Expenditures of Federal Awards	133
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	134
Notes to Schedule of Expenditures of Federal Awards	135
Schedule of Findings and Questioned Costs	136
Auditors Communication of Significant Matters with those Charged with Governance	138
Summary of Audit Differences - All Funds	139

JOSEPH M. DAAVETTILA
CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 19, 2019

City Council
City of Houghton
Houghton, MI 49931

Independent Auditor's Report

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 Houghton, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Houghton'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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 judgement, 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, and each fund of the City of Houghton, Michigan, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 57 through 64 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 who 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.

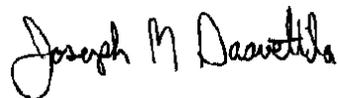
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Houghton Michigan's basic financial statements. The other supplemental information, as identified in the table of contents; and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information 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 other supplemental information 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 prior year comparative information has been derived from the City's 2018 financial statements and, in our report dated December 13, 2018, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each fund.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the City of Houghton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 Houghton's internal control over financial reporting and compliance.



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2019
(Unaudited)

Our discussion and analysis of the City of Houghton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2019. Please read this report in conjunction with the City's financial statements which begin on Page 15.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (on pages 16-17) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on Page 18. For governmental activities these statements tell how these activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's individual funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on Page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net position - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

1. Governmental Activities - Most of the City's basic services are reported here including police, fire, general administration, streets, parks and neighborhoods. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities.
2. Business-type Activities - The City charges a fee to customers to help cover all or most of the cost of certain services provided. The City's water, sewer, transit and parking systems are reported here.
3. Component Units - The City includes two separate legal entities in its report - The Downtown Development Authority and the Tax Increment Finance Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on Page 12. The Fund Financial Statements begin on Page 18 and provide detailed information about the most significant funds, not the City as a whole. Some Funds are required to be established by state law and by bond covenants; however, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds, government and proprietary, use different accounting approaches:

1. Governmental Funds - Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at the end of the year which are available for spending. These funds are reported using the accounting method called modified accrual accounting which measures cash and other financial assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.
2. Proprietary Funds - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position on Pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the year ending June 30, 2019 the net position changed as follows:

Table 1
City of Houghton's Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4,241,992	\$ 2,611,503	\$ 2,881,807	\$ 2,728,010
Capital assets	<u>11,998,527</u>	<u>11,300,473</u>	<u>16,066,021</u>	<u>16,274,987</u>
Total assets	<u>\$16,240,519</u>	<u>\$13,911,976</u>	<u>\$18,947,828</u>	<u>\$19,002,997</u>
Deferred outflows of resources	<u>\$ 610,899</u>	<u>\$ 372,509</u>	<u>\$ 226,265</u>	<u>\$ 122,006</u>
Long-term liabilities	\$ 3,669,907	\$ 2,813,553	\$ 9,913,000	\$10,156,000
Other liabilities	<u>2,271,346</u>	<u>1,809,471</u>	<u>1,075,074</u>	<u>830,774</u>
Total liabilities	<u>\$ 5,941,253</u>	<u>\$ 4,623,024</u>	<u>\$10,988,074</u>	<u>\$10,986,774</u>
Deferred inflows of resources	<u>\$ 191,735</u>	<u>\$ 247,568</u>	<u>\$ 69,718</u>	<u>\$ 90,851</u>
Net position:				
Invested in capital assets, net of related debt	\$ 8,183,155	\$ 8,524,897	\$ 5,910,021	\$ 5,861,987
Restricted	-	-	763,579	811,328
Unrestricted	<u>2,535,275</u>	<u>888,996</u>	<u>1,442,701</u>	<u>1,374,063</u>
Total net position	<u>\$10,718,430</u>	<u>\$ 9,413,893</u>	<u>\$ 8,116,301</u>	<u>\$ 8,047,378</u>

Total Primary
Government

<u>2019</u>	<u>2018</u>
\$ 7,123,799	\$ 5,339,513
<u>28,064,548</u>	<u>27,575,460</u>
<u>\$35,188,347</u>	<u>\$32,914,973</u>
\$ 837,164	\$ 494,515
\$13,582,907	\$12,969,553
<u>3,346,420</u>	<u>1,640,245</u>
<u>\$16,929,327</u>	<u>\$15,609,798</u>
\$ 261,453	\$ 338,419
\$14,093,176	\$14,386,884
763,579	811,328
<u>3,977,976</u>	<u>2,263,059</u>
<u>\$18,834,731</u>	<u>\$17,461,271</u>

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues and Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. The result is a net (expense) revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues, or if it is self-financing, through fees and grants.

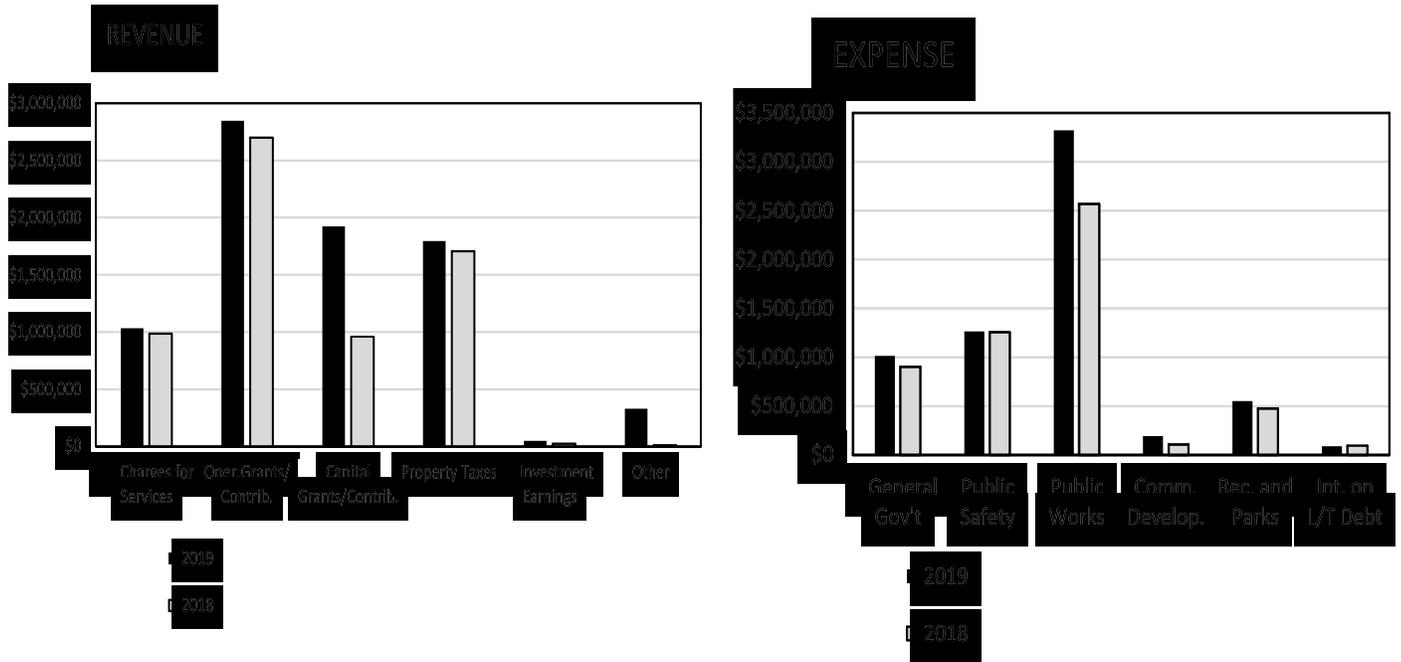
Table 2
City of Houghton's Changes in Net Position
Governmental Business-Type
Activities Activities

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,033,732	\$ 957,073	\$3,266,253	\$3,191,161
Operating grants and contributions	2,846,944	2,698,960	346,914	318,321
Capital grants and contributions	1,922,692	960,030	-	117,453
General revenues:				
Property taxes	1,795,434	1,707,945	-	-
Investment earnings	47,964	24,371	39,019	19,198
Gain (loss) on sale of assets	225,446	2,550	-	-
Miscellaneous	<u>103,133</u>	<u>6,687</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 7,975,345</u>	<u>\$6,357,616</u>	<u>\$3,652,186</u>	<u>\$3,646,133</u>
Expenses:				
General government	\$ 1,014,969	\$ 895,280	\$ -	\$ -
Public safety	1,263,206	1,226,241	-	-
Public works	3,320,815	2,508,810	-	-
Community development	191,846	105,110	-	-
Recreation and parks	550,299	474,913	-	-
Interest on long-term debt	89,173	96,015	-	-
Water	-	-	1,028,978	1,265,923
Sewer	-	-	1,887,025	1,999,822
Parking	-	-	314,978	440,329
Transit	<u>-</u>	<u>-</u>	<u>644,232</u>	<u>591,917</u>
Total expenses	<u>\$ 6,430,308</u>	<u>\$5,336,369</u>	<u>\$3,875,213</u>	<u>\$4,297,991</u>
Increase (decrease) in net position before transfers	\$ 1,545,037	\$1,021,247	(\$ 223,027)	(\$ 651,858)
Transfers	(240,500)	(141,400)	291,950	209,000
Increase in net position	<u>\$ 1,304,537</u>	<u>\$ 879,847</u>	<u>\$ 68,923</u>	<u>(\$ 442,858)</u>
Net position, beginning of year	<u>\$ 9,413,893</u>	<u>\$8,534,046</u>	<u>\$8,047,378</u>	<u>\$8,490,236</u>
Net position, end of year	<u>\$10,718,430</u>	<u>\$9,413,893</u>	<u>\$8,116,301</u>	<u>\$8,047,378</u>

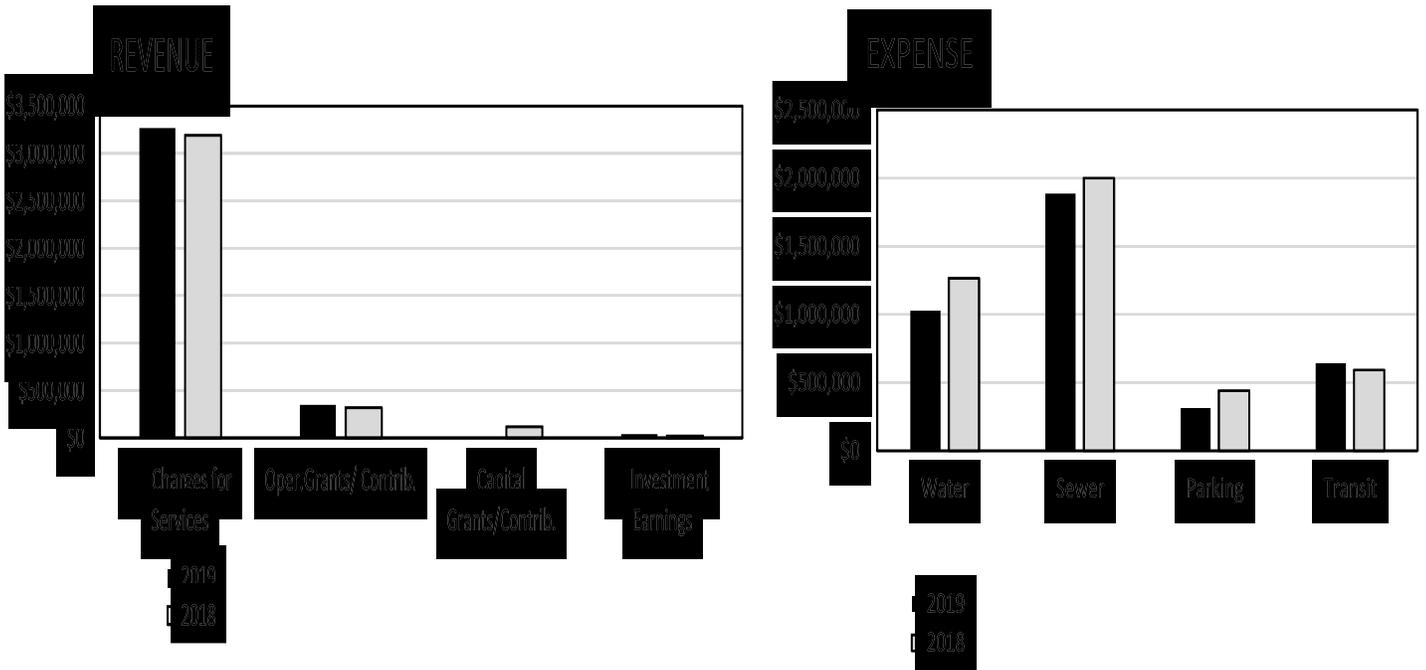
Total Primary
Government

2019	2018
\$ 4,299,985	\$ 4,148,234
3,193,858	3,017,281
1,922,692	1,077,483
1,795,434	1,707,945
86,983	43,569
225,446	2,550
103,133	6,687
<u>\$11,627,531</u>	<u>\$10,003,749</u>
\$ 1,014,969	\$ 895,280
1,263,206	1,256,241
3,320,815	2,508,810
191,846	105,110
550,299	474,913
89,173	96,015
1,028,978	1,265,923
1,887,025	1,999,822
314,978	440,329
644,232	591,917
<u>\$10,305,521</u>	<u>\$ 9,634,360</u>
\$ 1,322,010	\$ 369,389
<u>51,450</u>	<u>67,600</u>
<u>\$ 1,373,460</u>	<u>\$ 436,989</u>
<u>\$17,461,271</u>	<u>\$17,024,282</u>
<u><u>\$18,834,731</u></u>	<u><u>\$17,461,271</u></u>

Governmental Activities Comparison FY 2019 - FY 2018



Business-type Activities Comparison FY 2019 - FY 2018



Overview of Governmental Activities (General Fund, Major Street, Local Street, Revolving Fund and Public Improvement Fund)

The City's total primary government net position increased 7.9% in FY 2019. In general both revenues and expenses increased, but expenses to a lesser degree. The details of the changes are discussed below.

The City's governmental activities net position increased 14% in FY 2019. Overall revenue was up 25% with two major sources of income. The City sold a 10 acre parcel of land to a large retailer who plans to build in the coming years and capital projects done through the Public Improvement Fund were paid for by grants.

Expenses increased correspondingly with the large public works expense associated with the City's efforts to repair and rebuild the City's infrastructure damaged by the flooding.

Total property tax revenue was up 5%. About half of that amount was due to inflation and the other half was from continued strong real estate sales and new construction.

Governmental activities expenses increased 20%. Public safety was up slightly with wage increases. Public works expense was up 32% with significant effort made post-flood by the City's public works department. The City again increased spending on parks and recreation (+16%) in continuing repairs at Kestner Park and Dee Stadium and the new skatepark at East Houghton Park.

It is worthy of note that the current year does not reflect the addition of the more recent GASB rules (expenses) to the audit. Now that the new GASB standards have been in place for two years the audit information reflects changes in position without a significant difference between a year prior to the new rules and the first year the rules went into effect.

Business-Type Activities (Water, Sewer, Parking and Transit)

The City's business-type activities net position increased by less than 1% with revenues up and expenses down. The net position before adjustments still decreased based on the need for financial support of the Parking Fund and Transit Fund, both of which routinely have expenses exceeding revenue. This support is generally expected as both are services to the community.

Regular fluctuations in parking fines and transit ridership continue, but their net effect on revenue was minimal. Water and sewer revenue were both down with residential use relatively steady, but MTU use was down by about 13%. Both water and sewer expenses were down as the public works department had to forgo many projects in favor of flood-related response which took priority over many utility-related projects.

CITY FUNDS

General Fund

Overall revenue increased by over 83% from 2018. While tax revenue did increase 5%, the bulk of the increase was due to the necessary accounting of reimbursements received and future revenues for flood repair work conducted during the 2019 FY.

- The City obtained a \$1.3 MM state infrastructure bank loan to offset the cost of flood response. This loan will be paid back with proceeds from FEMA and MDOT grants; both of which have only partially been received as of the end of the FY.
- The FEMA and MDOT funded flood repair work throughout the City was accounted for as grants at the time the work was done, though not all of the funds were received in FY 2019 these grants also totaled almost \$1.3MM.

Overall home and business property tax values have increased. The yearly sales study shows that the property/home sales market in Houghton is still strong and property values continue to increase.

Overall expenditures increased by 24%. The bulk of those expenditures were in flood response and repair activities that occurred throughout the first and second quarters as well as the "pass through" MEDC acquisition grant mentioned above.

General government and public safety expenses increased due to wages. Public works expenses increased by more than 85% as the bulk of the flood response and repair work was done to that infrastructure and a significant part was performed by the City's public works department. Community development and recreation and parks spending increased with more work done at Dee Stadium (locker rooms), the skatepark, and continued work within the parks.

Major Street Fund

State Act 51 money was up 6.7% over the previous year with funding amounts from the State increasing to all communities. PA 207 of 2018 also was a new source of income in the fund. Street preservation work was not performed until later in the fiscal year as work in the fall of 2018 concentrated on flood recovery work. Snow removal income and expense, a large portion of that being reimbursement, were down slightly overall from the previous year. A portion of the permanent FHWA-funded (MDOT) flood repair work was done this FY in Major Street. Overall revenue and expense were both higher with special MDOT trunkline highway work performed as a pass through contract between MDOT and Houghton which is typical each year, but those projects are typically not known of until after the initial budget is approved.

Over all, the fund balance at the end-of-year increased as considerable effort throughout the City was expended on flood related work other than major Street, and an effort was made to curtail expenses early in the year to conserve funds for repairs and/or matching funds for funded repair projects. Those funds will still be used to cover needed matching funds for the remaining larger flood repair projects.

Local Street Fund

The State Act 51 was increased 15% from last year with the State's increase in the Act 51 formula distribution to local units. Overall spending in Local Street was generally on par with the previous year as the extent of the snowfall meant additional work was needed on the local streets. However, as in the past, this expense is variable with the severity and duration of the winter. State snow grant funds provide additional funds with heavier snowfall.

Revolving Loan Fund

Fund balance did decrease this year with a revolving loan made to a local business startup. Revenue from loan repayments was higher with the new borrower making their regular payments.

Public Improvement Fund

This fund saw extensive use again to hold and disburse grant funds and City matching funds for grant-funded projects and specific City projects that may be funded from more than one fund. Most notable this year was work to construct sidewalks on Upland Avenue and Fairview Street; the Houghton skatepark; and the replacement of the bathrooms in the locker rooms at Dee Stadium. A list of these projects is on page 80.

Water Fund

Overall residential water sales were statistically unchanged, but MTU sales fell 13% from the previous year causing a net 4% decrease in sales. This decrease is attributed to further water-saving measures undertaken by MTU Facilities Department. Source expense was down from the previous year when extensive maintenance was done on the filters. System maintenance costs were up slightly with some more intensive system repairs. No major capital projects were done as the department of public works' efforts were mostly aimed at flood recovery. The net position decreased by 2%, but revenues continue to cover operating expenses.

Sewer Fund

Sewer charges increased 6% over the previous year. While residential sales varied little from last year, the MTU charges, directly related to water use, were down 13%. The increase can be attributed to Portage Township's flow from their Dodgeville-Hurontown system which experienced heavy spring flows and thus increased "sales" by the City. The Sewer Fund did not perform any major capital projects as, again, flood-related work took precedence and the one major capital project was postponed until the following FY.

The Portage Lake Water and Sewage Authority disposal cost increased by 5.7%. With the significant additional Portage Township flows from the spring of 2019, Houghton's percentage did increase. Additionally, it was reported that Hancock found and corrected a major infiltration source in their system. Continued maintenance on the sewer system will need to be done to lower or maintain our percentage, though as it is directly related to percentage of overall flow there is always the potential that the other major contributor, Hancock, may find ways to decrease its overall flow.

Overall the net position increased by 2%.

Parking Fund

Parking system revenue was down about 0.5% with more passes sold, but a decline in fines and towing fees; which would be a logical outcome of more passes. Overall expenses decreased even with major repair work done to two of the smaller decks as much of the funds were transfers from other funds. Winter snow removal costs down slightly from the previous year. The net position increased by 1.6% this year.

Transit Fund

Operating revenue was down about 2.5% this year. Changes in ridership, especially for contracted regular subsidized services, had the largest effect. Operating expenses were up by 10.5%. Non-operating (State) revenue was up as well, but not to the same degree as expenses. The overall net position decreased about 14% from last year.

Equipment Fund

Operating revenue was up just 2%. However, there was an increased use of equipment related to flood response and recovery as opposed to regular maintenance and snow removal operations over the winter. Operating expenses decreased by about 8% with the fleet insurance premiums not being billed due until the new fiscal year. The net position increased by just over 19% due to the compounding of small increases in operating and non-operating revenues and reduced operating expenses.

Employee Benefit Fund

Operating revenue was up 4.6% from the previous year with an increase in overtime due to flood recovery efforts early in the year. Expenses were also up with hospitalization insurance expense increasing by 8% and payroll tax by 14.6%. Retirement of long-term employees necessitated the budget payout of accrued sick and vacation time as well as an expected increase in workmen's compensation insurance rounded out the change in operating expense. Employees received a 4.5% raise which included a one-time adjustment to compensate for a required employee contribution toward the retirement system. Overall the net position decreased by 23% as the employee benefit rate was decreased again to reduce the cash balance in the fund.

General Fund Budgetary Highlights

Revenue: Revenue from real property taxes grew by 3.2% and personal property taxes grew by 6%. Sales and use tax revenue was up 3.7%. Most expected revenues were realized. Charges for services were up with increased revenue at Dee Stadium (up 10%), the RV park (up 15%), and in other miscellaneous charges. Sanitation (trash collection) revenue was relatively unchanged.

The General Fund revenue increase of 83% can be attributed to "the flood". The decision was made to book all flood-related expenses to a single general ledger account in the General Fund in order to efficiently account for and track those expenses. While in the early days and weeks after the event it was unknown whether or not financial assistance would be forthcoming, timely response was absolutely necessary to protect lives and property; repair damaged critical infrastructure; and restore a semblance of normalcy to our community. That response would mean labor, material, and equipment costs outside of the scope of normal operations. Once the event was declared a State and National disaster, both FEMA and Federal Highway Administration (FHWA) became involved. The documentation of the response, recovery, and rebuilding costs was then used to recover expenses as well as dedicate funds to future repairs.

In anticipation of FEMA and FHWA grant funds the City obtained a State Infrastructure Bank (SIB) loan of \$1,300,000 to replace the cash that was expended on flood response at the beginning of the FY, knowing that those FEMA/FHWA funds would not be received until the claims were able to be processed.

The General Fund received reimbursement income from most of the initial response activities with more funds expected as documentation makes its way through the FEMA and FHWA systems. In addition future reimbursements of expenses and future grants for major repairs are booked as income in the General Fund.

Also, the City sold a 10 acre parcel of land west of Sharon Avenue for \$200,000 which was booked as revenue.

The audit shows a considerable fund balance, end of year, but a significant portion of that balance must be considered spent as it will be used to repay the SIB loan.

Expenses - General Fund:

- a. Overall expenses increased by 24%
- b. The Father's Day flood event response was accounted for in the General Fund to track those expenses in under a common general ledger location. While these funds are expected to be reimbursed over time not all of the expenses have been incurred as future projects' income (by audit) will be spent once the construction season returns.
- c. Public safety spending increased with more expenses for the reimbursable task force work, but overall Police Department spending was down. Fire department expenses were relatively unchanged.
- d. Dee stadium spending was increased with work done to improve the facility, though the labor costs were lower than last year.
- e. Park maintenance spending was up relatively unchanged with continued park improvements.
- f. Street lighting electrical costs were slightly higher. The Portage Cove street lighting project was begun this year.
- g. Other recreational spending was up with additional funds put into parks, docks, and beach.
- h. The Transit contribution remained the same as last year.

Capital Asset and Debt Administration

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
CAPITAL ASSETS				
Land	\$ 655,759	\$ 655,759	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	2,378,988	2,447,224	92,605	99,441
Improvements	1,330,467	1,389,840	46,797	48,656
Equipment	2,095,028	1,975,854	406,339	347,444
Infrastructure	<u>5,538,285</u>	<u>4,831,796</u>	<u>14,578,967</u>	<u>14,838,133</u>
Total	<u>\$11,998,527</u>	<u>\$11,300,473</u>	<u>\$16,066,021</u>	<u>\$16,274,987</u>
DEBT				
General Obligation Bonds	\$ 1,978,000	\$ 2,074,000	\$ -	\$ -
Revenue Bonds	-	-	10,156,000	10,413,000
General Loan Contracts	1,300,000	-	-	-
Installment Purchase Contracts	104,372	155,288	-	-
Limited Tax Investment Notes	<u>433,000</u>	<u>475,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,815,372</u>	<u>\$ 2,704,288</u>	<u>\$10,156,000</u>	<u>\$10,413,000</u>

Overall Capital Assets increased by 6.5%. Governmental Activities assets increased in Equipment and Infrastructure while Business-Type Activities decreased with infrastructure depreciation.

The debt on General Obligation Bonds and Water/Sewer Revenue Bonds decreased with the pay down of existing bonds. Additional debt was incurred with the SIB loan, but the repayment of funds are intended to be from FEMA reimbursements when received. Overall debt increased by 6.5%.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for money it receives. If you have any questions about this report or need financial information, contact the City Clerk at 616 Shelden Avenue, Houghton, Michigan 49931

Total Primary
Government

<u>2019</u>	<u>2018</u>
\$ 655,759	\$ 655,759
941,313	941,313
2,471,593	2,546,665
1,377,264	1,438,496
2,501,367	2,323,298
<u>20,117,252</u>	<u>19,669,929</u>
<u>\$28,064,548</u>	<u>\$27,575,460</u>
\$ 1,978,000	\$ 2,074,000
10,516,000	10,413,000
1,300,000	-
104,372	155,288
<u>433,000</u>	<u>475,000</u>
<u>\$13,971,372</u>	<u>\$13,117,288</u>

CITY OF HOUGHTON, MICHIGAN
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 June 30, 2019

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Cash	\$ 2,893,162	\$ 1,473,629	\$ 4,366,791	\$ 382,708
Accounts receivable	163,558	240,399	403,957	2,382
Taxes receivable	12,289	-	12,289	-
Due from other governmental units	1,225,516	84,896	1,310,412	-
Due from component unit	-	-	-	26,411
Internal balances	(219,364)	219,364	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	863,519	863,519	-
Long-term loans	161,277	-	161,277	-
Capital assets - net	<u>11,998,527</u>	<u>16,066,021</u>	<u>28,064,548</u>	<u>6,244,813</u>
TOTAL ASSETS	<u>\$ 16,240,519</u>	<u>\$18,947,828</u>	<u>\$35,188,347</u>	<u>\$6,656,314</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	<u>\$ 610,899</u>	<u>\$ 226,265</u>	<u>\$ 837,164</u>	<u>\$ 36,991</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 252,509	\$ 140,945	\$ 393,454	\$ 14,122
Accrued expenses	61,062	120,290	181,352	1,525
Due to other governmental units	235	43,764	43,764	-
Due to component unit	26,411	-	26,411	-
Noncurrent liabilities:				
Due within one year	430,287	243,000	673,287	-
Due in more than one year	3,669,907	9,913,000	13,582,907	-
Net pension liability	824,187	257,711	1,081,898	44,531
Total OPEB liability	<u>676,655</u>	<u>269,364</u>	<u>946,019</u>	<u>45,774</u>
TOTAL LIABILITIES	<u>\$ 5,941,253</u>	<u>\$10,988,074</u>	<u>\$16,929,327</u>	<u>\$ 105,952</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pension	<u>\$ 191,735</u>	<u>\$ 69,718</u>	<u>\$ 261,453</u>	<u>\$ 12,849</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	\$ 8,183,155	\$ 5,910,021	\$14,093,176	\$6,244,813
Restricted for debt service	-	763,579	763,579	-
Unrestricted	<u>2,535,275</u>	<u>1,442,701</u>	<u>3,977,976</u>	<u>329,691</u>
TOTAL NET POSITION	<u>\$ 10,718,430</u>	<u>\$ 8,116,301</u>	<u>\$18,834,731</u>	<u>\$6,574,504</u>

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

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 1,014,969	\$ 403,462	\$ 1,004,311	\$ 19,000
Public safety	1,263,206	123,093	1,955	-
Public works	3,320,815	329,949	1,840,678	1,903,692
Community development	191,846	-	-	-
Recreation and parks	550,299	177,228	-	-
Interest on long-term debt	89,173	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6,430,308</u>	<u>\$1,033,732</u>	<u>\$ 2,846,944</u>	<u>\$ 1,922,692</u>
Business-type activities:				
Water	\$ 1,028,978	\$ 995,390	\$ -	\$ -
Sewer	1,887,025	1,958,230	-	-
Parking	314,978	194,819	-	-
Transit	644,232	117,814	346,914	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,875,213</u>	<u>\$3,266,253</u>	<u>\$ 346,914</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$10,305,521</u>	<u>\$4,299,985</u>	<u>\$ 3,193,858</u>	<u>\$ 1,922,692</u>
Component Units:				
DDA	\$ 122,209	\$ -	\$ -	\$ 6,752
TIFA	438,621	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 560,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,752</u>

General revenues:
Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item - Gain (loss) on sale of assets
Transfers
Total general revenues, special items and transfers
Change in net position
Net position at July 1, 2018
Net position at June 30, 2019

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 411,804	\$ -	\$ 411,804	
(1,138,158)	-	(1,138,158)	
753,504	-	753,504	
(191,846)	-	(191,846)	
(373,071)	-	(373,071)	
(89,173)	-	(89,173)	
<u>(\$ 626,940)</u>	<u>\$ -</u>	<u>(\$ 626,940)</u>	
\$ -	(\$ 33,588)	(\$ 33,588)	
-	71,205	(71,205)	
-	(120,159)	(120,159)	
<u>-</u>	<u>(179,504)</u>	<u>(179,504)</u>	
<u>\$ -</u>	<u>(\$ 262,046)</u>	<u>(\$ 262,046)</u>	
<u>(\$ 626,940)</u>	<u>(\$ 262,046)</u>	<u>(\$ 888,986)</u>	
\$ -	\$ -	\$ -	(\$ 115,437)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(438,621)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 554,058)</u>
\$ 1,795,434	\$ -	\$ 1,795,434	\$ 896,340
47,964	39,019	86,983	9,813
103,133	-	103,133	1,659
225,446	-	225,446	-
<u>(240,500)</u>	<u>291,950</u>	<u>51,450</u>	<u>(51,450)</u>
<u>\$ 1,931,477</u>	<u>\$ 330,969</u>	<u>\$ 2,262,446</u>	<u>\$ 856,362</u>
<u>\$ 1,304,537</u>	<u>\$ 68,923</u>	<u>\$ 1,373,460</u>	<u>\$ 302,334</u>
<u>\$ 9,413,893</u>	<u>\$8,047,378</u>	<u>\$17,461,271</u>	<u>\$6,272,220</u>
<u>\$10,718,430</u>	<u>\$8,116,301</u>	<u>\$18,834,731</u>	<u>\$6,574,504</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 967,877	\$ 704,126	\$ 166,729
Accounts receivable	163,598	-	-
Taxes receivable	12,289	-	-
Inventories	5,554	-	-
Due from other funds	8,096	-	14,391
Due from other governmental units	942,827	154,535	128,114
Long-term loan	-	-	-
TOTAL ASSETS	<u>\$2,100,241</u>	<u>\$ 858,661</u>	<u>\$ 309,234</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 116,414	\$ 45,694	\$ 5,891
Accrued expenses	32,326	1,635	4,670
Due to other governmental units	-	235	-
Due to other funds	55,610	22,547	7,598
TOTAL LIABILITIES	<u>\$ 204,350</u>	<u>\$ 70,111</u>	<u>\$ 18,159</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes and other	\$ 9,955	\$ -	\$ -
<u>FUND BALANCES</u>			
Assigned for inventory	\$ 5,554	\$ -	\$ -
Unassigned, reported in:			
General fund	1,880,382	-	-
Special revenue funds	-	788,550	291,075
Capital project fund	-	-	-
TOTAL FUND BALANCES	<u>\$1,885,936</u>	<u>\$ 788,550</u>	<u>\$ 291,075</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$2,100,241</u>	<u>\$ 858,661</u>	<u>\$ 309,234</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 219,864	\$ 94,668	\$2,153,264
-	-	163,598
-	-	12,289
-	-	5,554
-	-	22,487
-	-	1,225,476
<u>161,277</u>	<u>-</u>	<u>161,277</u>
<u>\$ 381,141</u>	<u>\$ 94,668</u>	<u>\$3,743,945</u>

\$ -	\$ 9,802	\$ 177,801
-	-	38,631
-	-	235
<u>-</u>	<u>-</u>	<u>85,755</u>
<u>\$ -</u>	<u>\$ 9,802</u>	<u>\$ 302,422</u>
<u>\$ 161,277</u>	<u>\$ -</u>	<u>\$ 171,232</u>

\$ -	\$ -	\$ 5,554
-	-	1,880,382
219,864	-	1,299,489
<u>-</u>	<u>84,866</u>	<u>84,866</u>
<u>\$ 219,864</u>	<u>\$ 84,866</u>	<u>\$3,270,291</u>
<u>\$ 381,141</u>	<u>\$ 94,668</u>	<u>\$3,743,945</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance - total governmental funds	\$ 3,270,291
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	10,111,991
Deferred outflow of resources - related to pension	580,977
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	171,232
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,930,936
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(16,523)
Net pension liability	(779,747)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(3,716,194)
Deferred inflow of resources - related to pension	(182,206)
Other post-employment benefit plan	(<u>652,347</u>)
Net position of governmental activities	<u>\$10,718,430</u>

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

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,638,708	\$ -	\$ 157,386
License and permits	1,985	-	-
State and federal grants	2,284,324	1,439,089	401,589
Charges for services	877,023	-	-
Loan proceeds	1,300,000	-	-
Interest and rents	15,643	10,996	6,017
Other revenue	<u>364,206</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$6,481,889</u>	<u>\$1,450,085</u>	<u>\$ 564,992</u>
EXPENDITURES:			
General government	\$ 794,228	\$ 12,606	\$ 9,152
Public safety	1,199,983	-	-
Public works	1,639,622	1,142,009	555,594
Recreation and parks	529,914	-	-
Loans and contingencies	-	-	-
Other expenditures	102,519	-	-
Capital outlay	65,256	-	-
Debt service:			
Principal	125,916	-	36,000
Interest and other charges	<u>62,605</u>	<u>-</u>	<u>15,373</u>
TOTAL EXPENDITURES	<u>\$4,520,043</u>	<u>\$1,154,615</u>	<u>\$ 616,119</u>
Excess (deficiency) of revenues over expenditures	<u>\$1,961,846</u>	<u>\$ 295,470</u>	<u>(\$ 51,127)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,700	\$ -	\$ 76,373
Transfers out	<u>(547,676)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 541,976)</u>	<u>\$ -</u>	<u>\$ 76,373</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$1,419,870</u>	<u>\$ 295,470</u>	<u>\$ 25,246</u>
Fund balances, beginning of year	<u>\$ 466,066</u>	<u>\$ 493,080</u>	<u>\$ 265,829</u>
Fund balances, end of year	<u>\$1,885,936</u>	<u>\$ 788,550</u>	<u>\$ 291,075</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$1,796,094
-	-	1,985
-	562,634	4,687,636
-	-	877,023
-	-	1,300,000
5,567	1,671	39,894
<u>29,164</u>	<u>58,651</u>	<u>452,021</u>
<u>\$ 34,731</u>	<u>\$ 622,956</u>	<u>\$9,154,653</u>
\$ 600	\$ -	\$ 816,586
-	-	1,199,983
-	-	3,337,225
-	-	529,914
98,000	-	98,000
-	-	102,519
-	849,149	914,405
-	-	161,916
<u>-</u>	<u>-</u>	<u>77,978</u>
<u>\$ 98,600</u>	<u>\$ 849,149</u>	<u>\$7,238,526</u>
<u>(\$ 63,869)</u>	<u>(\$ 226,193)</u>	<u>\$1,916,127</u>
\$ -	\$ 247,500	\$ 329,573
<u>-</u>	<u>-</u>	<u>(547,676)</u>
<u>\$ -</u>	<u>\$ 247,500</u>	<u>(\$ 218,103)</u>
<u>(\$ 63,869)</u>	<u>\$ 21,307</u>	<u>\$1,698,024</u>
<u>\$ 283,733</u>	<u>\$ 63,559</u>	<u>\$1,572,267</u>
<u>\$ 219,864</u>	<u>\$ 84,866</u>	<u>\$3,270,291</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2019

Net change in fund balances - total governmental funds		\$ 1,698,024
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		914,405
Pension liability not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year. The net change from beginning to end of year does not affect the Governmental Funds Statement of Revenues, Expenditures and Changes in fund Balance.		(134,656)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$273,545.		(658,732)
Loan proceeds are recorded in the governmental funds but not in the statement of activities.		(1,300,000)
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.		162,027
Repayments of revolving loan fund loan principal, in the amount of \$26,165 are recorded as revenue in the governmental funds. Issuance of revolving fund loans in the amount of \$98,000 is recorded as an expenditure in the governmental funds. These amounts are not recorded in the statement of activities.		68,835
Some property taxes will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.		(660)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.		(201)
Changes in accrued compensated absences are not recognized in governmental funds.		(13,641)
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net amount allocated to business-type and component units activities and depreciation expense.		
Change in net position	\$ 347,692	
Net of amount allocated to business-type and component unit activities	(51,990)	
Depreciation expense	273,545	569,247
Change in net position of governmental activities		<u>\$1,304,537</u>

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

CITY OF HOUGHTON, MICHIGAN

 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 298,888	\$ 886,213	\$ 87,289	\$ 201,239
Accounts receivable	76,066	132,640	-	31,693
Due from other funds	-	67,676	46,500	-
Due from other governmental units	-	77,576	-	7,320
TOTAL CURRENT ASSETS	<u>\$ 374,954</u>	<u>\$ 1,164,105</u>	<u>\$ 133,789</u>	<u>\$ 240,252</u>
<u>NONCURRENT ASSETS</u>				
Restricted assets	\$ 513,653	\$ 349,866	\$ -	\$ -
Capital assets:				
Property and equipment	13,990,201	10,089,499	6,208,848	1,581,314
Less accumulated depreciation	(6,420,013)	(5,168,246)	(3,885,080)	(1,271,815)
Investment in Portage Lake Water and Sewer Authority	-	941,313	-	-
TOTAL NONCURRENT ASSETS	<u>\$ 8,083,841</u>	<u>\$ 6,212,432</u>	<u>\$ 2,323,768</u>	<u>\$ 309,499</u>
TOTAL ASSETS	<u>\$ 8,458,795</u>	<u>\$ 7,376,537</u>	<u>\$ 2,457,557</u>	<u>\$ 549,751</u>
Deferred outflows of resources - related to pensions	\$ 48,858	\$ 64,614	\$ 22,745	\$ 90,048
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 12,304	\$ 7,592	\$ 114,449	\$ 6,600
Accrued wages and benefits	4,405	8,837	954	6,153
Accrued expenses	63,252	36,689	-	-
Due to other funds	81,257	8,604	224	1,037
Due to other governmental units	-	-	-	43,764
Current maturities on long-term debt	191,000	52,000	-	-
TOTAL CURRENT LIABILITIES	<u>\$ 352,218</u>	<u>\$ 113,722</u>	<u>\$ 115,627</u>	<u>\$ 57,554</u>
<u>NONCURRENT LIABILITIES</u>				
Bonds payable	\$ 6,976,000	\$ 3,180,000	\$ -	\$ -
Less current maturities	191,000	52,000	-	-
Net pension liability	60,333	72,287	26,399	98,692
OPEB liability	50,882	84,075	26,638	107,769
TOTAL NONCURRENT LIABILITIES	<u>\$ 6,896,215</u>	<u>\$ 3,284,362</u>	<u>\$ 53,037</u>	<u>\$ 206,461</u>
TOTAL LIABILITIES	<u>\$ 7,248,433</u>	<u>\$ 3,398,084</u>	<u>\$ 168,664</u>	<u>\$ 264,015</u>
Deferred inflows of resources - related to pensions	\$ 14,740	\$ 21,122	\$ 6,723	\$ 27,133
<u>NET POSITION</u>				
Invested in capital assets - net of related debt	\$ 594,188	\$ 2,682,566	\$ 2,323,768	\$ 309,499
Restricted for debt service	450,401	313,178	-	-
Unrestricted	199,871	1,026,201	(18,853)	39,152
TOTAL NET POSITION	<u>\$ 1,244,480</u>	<u>\$ 4,021,945</u>	<u>\$ 2,035,650</u>	<u>\$ 348,651</u>

Reconciliation to government-wide statement of net position:

Adjustment to reflect the consolidation of Internal Service Fund's activities
related to enterprise funds.

Net position of business-type activities.

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

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$ 1,473,629	\$ 739,899
240,399	-
114,176	40,214
89,896	-
<u>\$ 1,913,100</u>	<u>\$ 780,113</u>
\$ 863,519	\$ -
31,869,862	5,216,623
(16,745,154)	(3,330,087)
<u>941,313</u>	<u>-</u>
<u>\$16,929,540</u>	<u>\$ 1,886,536</u>
<u>\$18,842,640</u>	<u>\$ 2,666,649</u>
<u>\$ 226,265</u>	<u>\$ 29,922</u>
\$ 140,945	\$ 74,708
20,349	1,508
99,941	4,400
91,122	-
43,764	-
<u>243,000</u>	<u>27,000</u>
<u>\$ 639,121</u>	<u>\$ 107,616</u>
\$10,156,000	\$ 384,000
243,000	27,000
257,711	44,440
<u>269,364</u>	<u>24,308</u>
<u>\$10,440,075</u>	<u>\$ 425,748</u>
<u>\$11,079,196</u>	<u>\$ 533,364</u>
<u>\$ 69,718</u>	<u>\$ 9,529</u>
\$ 5,910,021	\$ 1,502,536
763,579	-
<u>1,246,391</u>	<u>651,142</u>
<u>\$ 7,919,991</u>	<u>\$ 2,153,678</u>
<u>196,310</u>	
<u>\$ 8,116,301</u>	

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Year ended June 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$ 974,361	\$1,958,819	\$ -	\$ -
Parking revenues	-	-	194,819	-
Transit fares	-	-	-	117,814
Rents and other revenues	<u>21,029</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$ 995,390</u>	<u>\$1,958,819</u>	<u>\$ 194,819</u>	<u>\$117,814</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 565,608	\$1,629,661	\$ 241,961	\$530,351
Depreciation	<u>272,991</u>	<u>181,045</u>	<u>95,589</u>	<u>80,043</u>
TOTAL OPERATING EXPENSES	<u>\$ 838,599</u>	<u>\$1,810,706</u>	<u>\$ 337,550</u>	<u>\$610,394</u>
OPERATING INCOME (LOSS)	<u>\$ 156,791</u>	<u>\$ 147,524</u>	<u>(\$ 142,731)</u>	<u>(\$492,580)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 11,557	\$ 21,912	\$ 1,887	\$ 3,663
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,914</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 11,557</u>	<u>\$ 21,912</u>	<u>\$ 1,887</u>	<u>\$350,577</u>
Non-operating expenses:				
Interest	\$ 199,725	\$ 87,564	\$ -	\$ -
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,100</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 199,725</u>	<u>\$ 87,564</u>	<u>\$ -</u>	<u>\$ 40,100</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(\$ 31,377)</u>	<u>\$ 81,872</u>	<u>(\$ 140,844)</u>	<u>(\$182,103)</u>
Capital contributions	-	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>177,950</u>	<u>114,000</u>
CHANGE IN NET POSITION	<u>(\$ 31,377)</u>	<u>\$ 81,872</u>	<u>\$ 37,106</u>	<u>(\$ 68,103)</u>
Net position - beginning of year	<u>\$1,275,857</u>	<u>\$3,940,073</u>	<u>\$2,267,809</u>	<u>\$416,754</u>
Net position - end of year	<u>\$1,244,480</u>	<u>\$4,021,945</u>	<u>\$2,304,915</u>	<u>\$348,651</u>

Amounts reported for business-type activities in the statement of activities are different because:

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net position of business-type activities.

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

<u>Totals</u>	<u>Governmental Activities- Internal Service Fund</u>
\$2,932,591	\$ -
194,819	-
117,814	-
<u>21,029</u>	<u>1,234,349</u>
<u>\$3,266,253</u>	<u>\$ 1,234,349</u>
\$2,967,581	\$ 632,237
<u>629,668</u>	<u>273,545</u>
<u>\$3,597,249</u>	<u>\$ 905,782</u>
(\$ 330,996)	<u>\$ 328,567</u>
\$ 39,019	\$ 8,070
-	25,446
<u>346,914</u>	<u>-</u>
<u>\$ 385,933</u>	<u>\$ 33,516</u>
\$ 287,289	\$ 10,994
<u>40,100</u>	<u>-</u>
<u>\$ 327,389</u>	<u>\$ 10,994</u>
(\$ 272,452)	\$ 351,089
-	19,000
<u>291,950</u>	<u>(22,397)</u>
\$ 19,498	<u>\$ 347,692</u>
	<u>\$ 1,805,986</u>
	<u>\$ 2,153,678</u>
<u>49,424</u>	
<u>\$ 68,922</u>	

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2019

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	\$ 985,446	\$1,979,978	\$194,680
Payments to suppliers	(362,678)	(1,273,272)	(139,137)
Payments to employees	(211,057)	(310,574)	(101,757)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 411,711</u>	<u>\$ 396,132</u>	<u>(\$ 46,075)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ -	(\$ 44,165)	(\$ 21,500)
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	(395)	6,503	224
Increase (decrease) in due to other governmental units	-	-	-
Transfers (to) from other funds and component units	30,169	-	177,950
Proceeds from grants	-	-	-
Insurance and other refunds	-	-	-
Specialized services grants paid	-	-	-
Net cash provided (used) by noncapital financing activities	<u>\$ 29,774</u>	<u>(\$ 37,662)</u>	<u>\$156,674</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ -	\$ -
Transfers from other funds	-	-	-
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	-	(151,437)	-
Reduction of long-term debt	(207,000)	(50,000)	-
(Increase) decrease in restricted assets	(49,986)	100,505	-
Interest paid on long-term debt	(201,920)	(88,138)	-
Net cash provided (used) by capital and related financing activities	<u>(\$ 458,906)</u>	<u>(\$ 189,070)</u>	<u>\$ -</u>

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

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 92,706	\$3,252,810	\$ 1,291,963
(140,209)	(1,915,296)	(639,757)
(369,586)	(992,974)	(98,024)
-	-	5,246
<u>(\$ 417,089)</u>	<u>\$ 344,679</u>	<u>\$ 559,428</u>
\$ -	(\$ 65,665)	\$ -
17,394	17,394	-
(2,456)	3,876	-
(12,098)	(12,098)	-
114,000	322,119	(60,700)
346,914	346,914	-
430	430	-
<u>(40,100)</u>	<u>(40,100)</u>	<u>-</u>
<u>\$ 424,084</u>	<u>\$ 572,870</u>	<u>(\$ 60,700)</u>
\$ -	\$ -	\$ 19,000
-	-	38,303
-	-	25,446
-	(310,006)	(442,380)
-	(257,000)	(27,000)
-	50,519	-
<u>-</u>	<u>(290,058)</u>	<u>(11,303)</u>
<u>\$ -</u>	<u>(\$ 806,545)</u>	<u>(\$ 397,934)</u>

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year ended June 30, 2019

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
	Cash flows from investing activities - Interest received	\$ 11,557	\$ 21,912
Net increase (decrease) in cash and cash equivalents	(\$ 5,864)	\$ 191,132	(\$ 46,083)
Cash - beginning of year	<u>304,752</u>	<u>694,901</u>	<u>133,372</u>
Cash - end of year	<u>\$ 298,888</u>	<u>\$ 886,213</u>	<u>\$ 87,289</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 156,791	\$ 147,524	(\$ 142,844)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	272,991	181,045	95,589
Changes in assets and liabilities:			
Receivables	(9,944)	5,870	-
Due from other funds and component units	-	-	-
Accounts and other payables	(8,743)	6,624	(2,438)
Accrued expenses	(3,442)	5,400	667
Due to other governmental units	-	38,109	-
Net pension liability	2,965	9,966	2,265
Net OPEB liability	<u>1,093</u>	<u>1,594</u>	<u>573</u>
Net cash provided by operating activities	<u>\$ 411,711</u>	<u>\$ 396,132</u>	<u>(\$ 46,075)</u>

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

<u>Transit Fund</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 3,233	\$ 38,589	\$ 8,070
\$ 10,228	\$ 149,593	\$ 108,864
<u>191,011</u>	<u>1,324,036</u>	<u>631,035</u>
<u>\$ 201,239</u>	<u>\$1,473,629</u>	<u>\$ 739,899</u>
(\$ 492,580)	(\$ 330,996)	\$ 328,567
80,043	629,668	273,545
(25,108)	(29,182)	575
-	-	62,285
(173)	(4,730)	(101,899)
1,567	4,192	818
-	38,109	-
16,969	32,165	(5,064)
<u>2,193</u>	<u>5 453</u>	<u>601</u>
<u>(\$ 417,089)</u>	<u>\$ 344,679</u>	<u>\$ 559,428</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET POSITION
June 30, 2019

	<u>Pension Trust Fund</u>		<u>Agency Fund</u>
	Employee Retirement Fund	Employee Benefit Fund	Tax Collection Fund
<u>ASSETS</u>			
Cash	\$ -	\$ 806,550	\$ -
Accounts receivable	-	-	-
Investments - at fair value	1,472,780	-	-
Prepaid expenses	-	48,223	-
Loans to retirement plan participants	<u>47,724</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$1,520,504</u>	<u>\$ 854,773</u>	<u>\$ -</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 1,432	\$ -
Accumulated employee sick leave	-	74,365	-
Accumulated employee vacation	<u>-</u>	<u>174,948</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 250,745</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	\$1,520,504	\$ -	\$ -
Restricted for employee benefits	<u>-</u>	<u>604,028</u>	<u>-</u>
TOTAL NET POSITION	<u>\$1,520,504</u>	<u>\$ 604,028</u>	<u>\$ -</u>

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

CITY OF HOUGHTON, MICHIGAN
 FIDUCIARY FUND TYPES
 STATEMENT OF CHANGES IN NET POSITION
 Year ended June 30, 2019

	<u>Pension Trust Fund</u>	<u>Employee Benefit Fund</u>
	<u>Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 61,396	\$ -
Investment income (loss)	97,129	-
Charges for services	-	1,530,333
Other revenue	-	<u>12,947</u>
TOTAL OPERATING REVENUES	<u>\$ 158,525</u>	<u>\$1,543,280</u>
Operating expenses:		
Administration fees	\$ 11,997	\$ -
Plan distributions	20,000	-
Payroll taxes - employer share	-	171,877
Hospitalization insurance	-	705,842
Sick pay	-	33,073
Vacation pay	-	174,842
Holiday pay	-	75,487
Funeral leave	-	3,580
Longevity pay	-	9,265
Workers' compensation insurance	-	43,903
Unemployment insurance	-	338
Retirement contributions	-	294,221
Life insurance	-	32,751
Disability insurance	-	11,356
Safety	-	16,093
Uniforms	-	20,978
Other	-	<u>5,305</u>
TOTAL OPERATING EXPENSES	<u>\$ 31,997</u>	<u>\$1,598,911</u>
OPERATING INCOME (LOSS)	\$ 126,528	(\$ 55,631)
Net position, beginning of year	<u>1,393,976</u>	<u>846,848</u>
Net position, end of year	<u>\$1,520,504</u>	<u>\$ 791,217</u>

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

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET POSITION
June 30, 2019

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 268,774	\$ 113,934	\$ 382,708
Due from primary government	6,891	19,520	26,411
Property taxes receivable	-	2,382	2,382
Capital assets-net	<u>703,827</u>	<u>5,540,986</u>	<u>6,244,813</u>
TOTAL ASSETS	<u>\$ 979,492</u>	<u>\$5,676,822</u>	<u>\$6,656,314</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pension	<u>\$ 7,996</u>	<u>\$ 28,995</u>	<u>\$ 36,991</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 7,182	\$ 6,940	\$ 14,122
Accrued expenses	477	1,048	1,525
Noncurrent liabilities:			
Net pension liability	8,352	36,179	44,531
Total OPEB liability	<u>12,553</u>	<u>33,221</u>	<u>45,774</u>
TOTAL LIABILITIES	<u>\$ 28,564</u>	<u>\$ 77,388</u>	<u>\$ 105,952</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pension	<u>\$ 2,942</u>	<u>\$ 9,907</u>	<u>\$ 12,849</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 703,827	\$5,540,986	\$6,244,813
Unrestricted	<u>252,155</u>	<u>77,536</u>	<u>329,691</u>
TOTAL NET POSITION	<u>\$ 955,982</u>	<u>\$5,618,522</u>	<u>\$6,574,504</u>

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

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS - STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Downtown Development Authority:				
General government	\$ 20,483	\$ -	\$ -	\$ -
Parks and recreation	36,571	-	-	-
Public works	<u>65,155</u>	<u>-</u>	<u>-</u>	<u>6,752</u>
TOTAL DOWNTOWN DEVELOPMENT AUTHORITY	<u>\$ 122,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,752</u>
Tax Increment Finance Authority:				
General government	\$ 165,560	\$ -	\$ -	\$ -
Public safety	120,000	-	-	-
Public works	<u>153,061</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAX INCREMENT FINANCE AUTHORITY	<u>\$ 438,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Transfers

Change in net position
Net position, beginning of year
Net position, end of year

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

Net (Expenses) Revenues
and Changes in Net Assets

<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
(\$ 20,483)	\$ -	(\$ 20,483)
(36,571)	-	(36,571)
<u>(58,403)</u>	<u>-</u>	<u>(58,403)</u>
 (\$ 115,457)	 \$ -	 (\$ 115,457)
 \$ -	(\$ 165,560)	(\$ 165,560)
-	(120,000)	(120,000)
<u>-</u>	<u>(153,061)</u>	<u>(153,061)</u>
 \$ -	(\$ 438,621)	(\$ 438,621)
 \$ 194,682	\$ 701,658	\$ 896,340
4,904	4,909	9,813
1,659	-	1,659
<u>(51,450)</u>	<u>-</u>	<u>(51,450)</u>
<u>\$ 149,795</u>	<u>\$ 706,567</u>	<u>\$ 856,362</u>
<u>\$ 34,338</u>	<u>\$ 267,946</u>	<u>\$ 302,334</u>
<u>\$ 921,644</u>	<u>\$ 5,350,576</u>	<u>\$6,272,220</u>
<u>\$ 955,982</u>	<u>\$ 5,618,522</u>	<u>\$6,574,504</u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2019

NOTE A - DESCRIPTION OF CITY OPERATIONS

The City was organized on June 8, 1970 and covers an area of approximately 2,944 acres. The City operates under a Council-Manager form of government with an elected council of seven members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton:

REPORTING ENTITY

The City of Houghton is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

BLENDED COMPONENT UNITS

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. It is reported as part of the City and blended into the appropriate fund types and account groups.

BUILDING AUTHORITY

The Building Authority of the City of Houghton is governed by a five member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the government-wide statement of net position under governmental activities and component units.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the financial statements. 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.

The Downtown Development Authority and the Tax Increment Finance Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority and the Tax Increment Finance Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

The Houghton Housing Commission is a component unit of the City of Houghton. It is governed by a five member board appointed by the City Manager. It is audited separately.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Financial information for the Houghton Housing Commission as of December 31, 2018, is as follows:

Assets:	
Current assets	\$ 407,018
Net capital assets	<u>3,153,530</u>
Total Assets	<u>\$3,560,548</u>
Liabilities:	
Current liabilities	\$ 84,561
Other	<u>10,368</u>
Total Liabilities	<u>\$ 94,929</u>
Net Assets:	
Net investment in capital assets	\$3,153,530
Restricted	-
Unrestricted net assets	<u>312,089</u>
Total Net Assets	<u>\$3,465,619</u>
Operating Revenues:	
Tenant revenue	\$ 288,118
Program grants - subsidies	74,244
Other	<u>418,572</u>
Total Operating Revenues	<u>\$ 780,934</u>
Operating Expenses:	
General operations	\$ 704,004
Depreciation	<u>196,822</u>
Total Operating Expenses	<u>\$ 900,826</u>
Operating Income (Loss)	(<u>\$ 119,892</u>)
Nonoperating Revenues (Expenses)	(<u>\$ 4,565</u>)
(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(<u>\$ 124,457</u>)
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital grant contributions	<u>46,178</u>
Change in Net Position	(<u>\$ 78,279</u>)
Net Position, Beginning of Period	<u>3,543,898</u>
Net Position, End of Period	<u>\$3,465,619</u>

Complete financial information can be obtained by contacting Heritage Manor, Houghton, Michigan 49931.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

On January 24, 1964, Portage Lake Water and Sewer Authority entered into a contract with the City of Houghton and the City of Hancock. The contract calls for the acquisition, improvements, enlargements, extension, operation and maintenance of a sewage disposal system. The cost of operations and improvements are divided between the City of Houghton and the City of Hancock on a pro rata basis based upon the percentage use of the plant by each city as measured by the material flow from the pumping station. The Authority is not considered a component unit of either city. The City's investment in the Authority is included in the Sewage Disposal System Fund's financial statements using the cost method of accounting.

Audited financial information for the joint venture as of June 30, 2019:

Total Assets	<u>\$12,130,125</u>
Liabilities:	
Current liabilities	\$ 1,208,366
Non-current liabilities	<u>1,862,051</u>
	<u>\$ 3,070,417</u>
Net Position:	
Net investment in capital assets	\$ 7,533,645
Unrestricted	<u>1,526,063</u>
Total net position	<u>\$ 9,059,708</u>
Total revenues	\$ 2,138,639
Total expenditures	<u>1,751,688</u>
Change in net assets	\$ 386,951
Net assets, beginning of the year	<u>8,672,757</u>
Net assets, end of year	<u>\$ 9,059,708</u>

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 non-fiduciary 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 not properly included among program revenues are reported instead as general revenue.

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. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

General Obligation Debt Retirement Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include the Tax Collection Fund, an Agency Fund; the Employee Retirement Fund, a Pension Fund; and the Employee Benefit Fund, an Expendable Trust Fund. The Employee Retirement Fund is accounted for in essentially the same manner as proprietary fund since capital maintenance is critical. Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and don't involve measurement of results of operations.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned, including unbilled water and sewer services which are accrued, 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.

The Governmental Fund Types and Expendable Trust Funds use a current financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and inter-governmental revenues.

Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in business located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the summer levy is July 31, the winter levy due date is December 1. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2018 was \$15.00 on each 1,000.00 of tax valuation.

Proprietary fund types, Internal Service and Pension Trust Funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

GRANTING OF CREDIT

The General Fund grants credit to the State of Michigan and various local units of government and individuals in the Upper Peninsula of Michigan. The City also extends Credit to its Enterprise Fund customers on a routine basis. In addition, the City has loaned monies to various individuals and corporations explained in Note D below.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

BANK DEPOSITS AND INVESTMENTS (CONTINUED)

market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 139.91.

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, 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 government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

IMPAIRMENT OF LONG-LIVED ASSETS

Management reviews long-lived assets held and used by the City for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

DEFINED BENEFIT PENSION PLAN

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 Municipal Employees' Retirement System of Michigan (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. Deferred outflows of resources are recognized for pension related items which are expenses in the plan years in which it applies.

In addition to liabilities, the statements of net position 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Deferred inflows of resources are recognized for pension related items which are revenue in the plan years in which it applies.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

City employees earn vacation leave, which generally cannot be accumulated. Unused sick leave may be accumulated to a specific maximum amount. In accordance with generally accepted accounting principles an accrual for compensated absences is reflected in the fiduciary fund types financial statements. The amount of current year compensated absences for the City is budgeted annually as an expense in the Employee Benefit Fund. The liability is split between the current and the long-term portion. The current portion is recorded in the Employee Benefit Fund. The long-term portion is recorded in the Government-Wide Statement of Net Assets.

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

The liability recorded in the Statement of Net Assets for other post-employment benefits payable is based on an actuarially determined amount less amounts paid in the current year for active members receiving the post-employment benefits. For purposes of measuring the Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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 reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of Houghton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation, repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies 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 subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy as required by Act 196 PA 1997 has been adopted by the Council. The City's deposits and investments are in accordance with statutory authority. At June 30, 2019, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 2,893,162	\$1,473,629	\$ 806,550	\$5,173,341	\$ 382,708
Investments	-	-	1,472,780	1,472,780	-
Restricted assets	-	863,519	-	863,519	-
Total	<u>\$ 2,893,162</u>	<u>\$2,337,148</u>	<u>\$2,279,330</u>	<u>\$7,509,640</u>	<u>\$ 382,708</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

<u>Deposits</u>	<u>Bank Balances</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Unit</u>	
Insured or collateralized	\$ 5,685,435	\$ 319,712	\$ 6,005,147
Uninsured	-	-	-
Total Deposits	<u>\$ 5,685,435</u>	<u>\$ 319,712</u>	<u>\$ 6,005,147</u>

At year end, the carrying amount of cash was \$5,173,341 and \$382,708 for the primary government and component units respectively. Deposits totaling \$863,519 are included with Restricted Assets. Included with Cash was petty cash of \$801. The total carrying amount of deposits in these accounts is \$6,036,860 and \$382,708 for the primary government and component units respectively.

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name).

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Nonrisk-Categorized					
Investments				<u>\$1,472,780</u>	<u>\$1,472,780</u>
Total investments				<u>\$1,472,780</u>	<u>\$1,472,780</u>

Bonds and secured mortgages, stocks, mutual funds, and annuities are held in the Employee Retirement Fund.

NOTE D - RECEIVABLES

Receivables as of June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 12,289	\$ -	\$ -	\$ -
Accounts	163,598	-	76,066	132,640
Long-term loans	-	161,277	-	-
Intergovernmental	<u>942,827</u>	<u>282,649</u>	<u>-</u>	<u>77,576</u>
Total receivables	<u>\$1,118,714</u>	<u>\$ 443,926</u>	<u>\$ 76,066</u>	<u>\$ 210,216</u>

	<u>Transit Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 12,289
Accounts	31,693	-	403,997
Long-term loans	-	47,724	209,001
Intergovernmental	<u>35,093</u>	<u>-</u>	<u>1,338,145</u>
Total receivables	<u>\$ 66,786</u>	<u>\$ 47,724</u>	<u>\$1,963,432</u>

Governmental funds report deferred inflows of revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of revenue are as follows:

Delinquent property taxes	\$ 9,955
Long-term loans receivable	<u>161,277</u>
Total	<u>\$ 171,232</u>

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$161,277 consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

These long-term receivables are offset by a like amount recorded as deferred revenue in the fund financial statements.

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

- a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the statement of net position at June 30, 2019. The amount receivable (owed) and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Due from (to) State</u>
2009-10	(\$ 7,174)
2010-11	(4,922)
2015-16	2,114
2016-17	(17,484)
2017-18	(16,771)
2018-19	<u>2,335</u>
	<u>(\$ 43,764)</u>

These amounts will be treated as adjustments to future State Assistance Payments.

- b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the statement of net position at June 30, 2019. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable (Payable)</u>
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	8
2006-07	(3,223)
2007-08	2,663
2009-10	(9,825)
2010-11	(493)
2011-12	(443)
2012-13	(88)
2013-14	462
2014-15	(263)
2015-16	1,056
2016-17	(158)
2017-18	(587)
2018-19	<u>25,370</u>
	<u>\$ 7,320</u>

- c. The amount of the 2018-19 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	<u>State Operating Assistance</u>	<u>Federal Section 5311 Funds</u>
Maximum allowable per computation	\$ 166,324	\$ 74,353
2017-18 receipts	158,081	<u>46,342</u>
Amount receivable (payable)	<u>\$ 8,243</u>	<u>\$ 28,011</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>
Governmental activities:		
Capital assets not being depreciated - land	\$ 655,759	\$ -
Capital assets being depreciated:		
Buildings	\$ 3,873,975	\$ -
Improvements	4,588,404	38,252
Equipment	5,946,478	469,384
Infrastructure	<u>7,598,143</u>	<u>849,149</u>
Total capital assets being depreciated	<u>\$22,007,000</u>	<u>\$1,356,785</u>
Less accumulated depreciation for:		
Buildings	(\$ 1,426,751)	(\$ 68,236)
Improvements	(3,198,564)	(97,625)
Equipment	(3,970,624)	(350,210)
Infrastructure	<u>(2,766,347)</u>	<u>(142,660)</u>
Total accumulated depreciation	<u>(\$11,362,286)</u>	<u>(\$ 658,731)</u>
Total capital assets, being depreciated, net	<u>\$10,644,714</u>	<u>(\$ 698,054)</u>
Governmental activities capital assets, net	<u>\$11,300,473</u>	<u>(\$ 698,054)</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 276,443	\$ -
Improvements	74,334	-
Equipment	1,757,223	151,438
Infrastructure	<u>29,341,155</u>	<u>269,265</u>
Total capital assets being depreciated	<u>\$31,449,155</u>	<u>\$ 420,703</u>
Less accumulated depreciation for:		
Buildings	(\$ 177,002)	(\$ 6,836)
Improvements	(25,678)	(1,859)
Equipment	(1,409,779)	(92,543)
Infrastructure	<u>(14,503,022)</u>	<u>(528,431)</u>
Total accumulated depreciation	<u>(\$16,115,481)</u>	<u>(\$ 629,669)</u>
Total capital assets being depreciated, net	<u>\$15,333,674</u>	<u>(\$ 208,966)</u>
Business-type activities capital assets, net	<u>\$16,274,987</u>	<u>(\$ 208,966)</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>7,954,376</u>	<u>297,545</u>
Total capital assets being depreciated	<u>\$ 8,589,946</u>	<u>\$ 297,545</u>
Less accumulated depreciation for:		
Buildings	(\$ 268,230)	(\$ 12,712)
Infrastructure	<u>(2,251,593)</u>	<u>(162,254)</u>
Total accumulated depreciation	<u>(\$ 2,519,823)</u>	<u>(\$ 174,966)</u>
Total capital assets being depreciated, net	<u>\$ 6,070,123</u>	<u>\$ 122,579</u>
Component unit activities capital assets, net	<u>\$ 6,122,234</u>	<u>\$ 122,579</u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	\$ 655,759
\$ -	\$ 3,873,975
-	4,626,656
-	6,309,037
-	<u>8,447,292</u>
\$ -	<u>\$23,256,960</u>
\$ -	(\$ 1,494,987)
-	(3,296,189)
-	(4,214,009)
-	<u>(2,909,007)</u>
\$ -	<u>(\$11,914,192)</u>
\$ -	<u>\$11,342,768</u>
\$ -	<u>\$11,998,527</u>
\$ -	<u>\$ 941,313</u>
\$ -	\$ 276,443
-	74,334
-	1,908,661
-	<u>29,610,420</u>
\$ -	<u>\$31,869,858</u>
\$ -	(\$ 183,838)
-	(27,537)
-	(1,502,322)
-	<u>(15,031,453)</u>
\$ -	<u>(\$16,745,150)</u>
\$ -	<u>\$15,124,708</u>
\$ -	<u>\$16,066,021</u>
\$ -	<u>\$ 52,111</u>
\$ -	\$ 635,570
-	<u>8,251,921</u>
\$ -	<u>\$ 8,887,491</u>
\$ -	(\$ 280,942)
-	<u>(2,413,847)</u>
\$ -	<u>(\$ 2,694,789)</u>
\$ -	<u>\$ 6,192,702</u>
\$ -	<u>\$ 6,244,813</u>

NOTE E - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government and administration	\$ 113,912
Public works	365,530
Public safety	158,905
Recreation and parks	<u>20,385</u>
Total depreciation expense - Governmental activities	<u>\$ 658,732</u>
Business-type activities:	
Water	\$ 272,991
Sewer	181,045
Parking	95,589
Transit	<u>80,043</u>
Total depreciation expense - Business-type activities	<u>\$ 629,668</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2019 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 585	Water	\$ 436
		Sewer	<u>149</u>
	SUBTOTAL		SUBTOTAL
	<u>\$ 585</u>		<u>\$ 585</u>
Local Street	<u>\$ 14,931</u>	Major Street	<u>\$ 14,931</u>
Sewer Disposal	<u>\$ 67,676</u>	Water	<u>\$ 67,676</u>
Parking	<u>\$ 46,500</u>	General	<u>\$ 46,500</u>
Equipment	\$ 40,214	General	\$ 9,110
		Major Street	8,156
		Local Street	7,598
		Water	5,634
		Sewer	8,455
		Transit	1,037
		Parking	<u>224</u>
	SUBTOTAL		SUBTOTAL
	<u>\$ 40,214</u>		<u>\$ 40,214</u>
	TOTALS		TOTALS
	<u>\$ 169,906</u>		<u>\$ 169,906</u>

Short-term amounts owed between funds are classified as "Due to/from other funds". As of June 30, 2019 there were no receivables or payables between the primary government and component units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	<u>Governmental</u>	<u>Business-</u> <u>Type</u>
At June 30, 2019 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2019 through August 13, 2052, with interest at 2.125% per annum.	\$ -	\$ 3,721,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2019 through August 1, 2052 with interest at 2.75% per annum.	-	3,180,000
Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2019 through October 1, 2035 with interest ranging from 2.0% to 4.0%	1,455,000	3,255,000
Michigan Transportation Fund General Obligation Bonds dated July 25, 2016, mature annually on June 1, 2020 through June 1, 2031, with interest at 2.75% per annum.	<u>523,000</u>	<u>-</u>
Total bonds payable	<u>\$ 1,978,000</u>	<u>\$ 7,156,000</u>

INSTALLMENT NOTES

2006 Rural Development Service Installment note, matures annually on July 1, 2019 through July 1, 2021 with interest at 4.25% per annum.	\$ 49,000	\$ -
2016 Rural Development Service Installment note, matures annually on February 1, 2020 through February 1, 2031 with interest at 2.75% per annum.	384,000	-
2018 Michigan Department of Transportation General Loan contract, matures annually of December 21, 2019 through December 21, 2023 with zero interest.	<u>1,300,000</u>	<u>-</u>
Total installment notes	<u>\$ 1,733,000</u>	<u>\$ -</u>

INSTALLMENT PURCHASE CONTRACTS

Building improvement installment contract with monthly payments of \$4,749.57 including interest beginning December 30, 2006 through May 30, 2021 with interest at 4.60% per annum, financed through Honeywell Global Finance, LLC.	<u>\$ 104,372</u>	<u>\$ -</u>
---	-------------------	-------------

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

The long-term portion of employee compensated absences, totaling \$284,822 are paid through the Employee Benefits Fund, are reported as governmental activity in the Government-wide Statement of Net Position.

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2019, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 458,309	\$ 82,920	\$ 243,000	\$ 286,082
2021	458,063	76,028	271,000	279,169
2022	415,000	70,304	280,000	271,735
2023	401,000	65,973	289,000	264,054
2024	403,000	61,921	298,000	256,124
2025	150,000	57,698	307,000	247,866
2026	151,000	53,274	316,000	239,190
2027	158,000	48,384	325,000	229,473
2028	166,000	42,942	339,000	218,680
2029	168,000	37,312	354,000	207,389
2030	175,000	31,530	363,000	195,672
2031	182,000	25,494	378,000	183,558
2032	100,000	19,200	398,000	170,827
2033	100,000	15,200	412,000	157,470
2034-2053	<u>330,000</u>	<u>20,200</u>	<u>5,583,000</u>	<u>1,399,108</u>
	<u>\$ 3,815,372</u>	<u>\$ 708,380</u>	<u>\$10,156,000</u>	<u>\$4,606,397</u>

The individual long-term debt and other general long-term obligations of the City of Houghton and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>06-30-18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-19</u>
<u>PROPRIETARY ACTIVITIES</u>				
REVENUE BONDS				
Water Supply and Sewage Disposal System Bonds (1980)	\$ 17,000	\$ -	\$ 17,000	\$ -
Construction Bonds (2012)	3,791,000	-	70,000	3,721,000
Junior Lien Sewage Disposal System Construction Bonds (2012)	3,230,000	-	50,000	3,180,000
2013 Refunding Bonds	<u>3,375,000</u>	<u>-</u>	<u>120,000</u>	<u>3,255,000</u>
	<u>\$10,413,000</u>	<u>\$ -</u>	<u>\$ 257,000</u>	<u>\$10,156,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES

GENERAL OBLIGATION BONDS

2016 Michigan Transportation Fund Bonds	\$ 559,000	\$ -	\$ 36,000	\$ 523,000
---	------------	------	-----------	------------

GENERAL LOAN CONTRACTS	-	1,300,000	-	1,300,000
------------------------	---	-----------	---	-----------

INSTALLMENT PURCHASE CONTRACTS

Building Improvements	155,288	-	50,916	104,372
-----------------------	---------	---	--------	---------

INSTALLMENT NOTES

2006 Rural Development Loan	64,000	-	15,000	49,000
-----------------------------	--------	---	--------	--------

2016 Rural Development Loan	411,000	-	27,000	384,000
-----------------------------	---------	---	--------	---------

LIMITED TAX GENERAL OBLIGATION BONDS

2013 Refunding Bonds	<u>1,515,000</u>	<u>-</u>	<u>60,000</u>	<u>1,455,000</u>
----------------------	------------------	----------	---------------	------------------

	\$ 2,704,288	\$ 1,300,000	\$ 188,916	\$ 3,815,372
--	--------------	--------------	------------	--------------

Accrued compensated absences payable

	488,100	-	(46,035)	534,135
--	---------	---	-----------	---------

Less current portion, included in Employee Benefit Fund

	<u>216,920</u>	<u>-</u>	<u>(32,393)</u>	<u>249,313</u>
--	----------------	----------	------------------	----------------

	<u>\$ 2,975,468</u>	<u>\$ 1,300,000</u>	<u>\$ 175,274</u>	<u>\$ 4,100,194</u>
--	---------------------	---------------------	-------------------	---------------------

TAX INCREMENT FINANCE AUTHORITY

LIMITED TAX DEVELOPMENT BONDS

1999 Tax Increment Bond	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ -</u>
-------------------------	------------------	-------------	------------------	-------------

	<u>\$13,443,468</u>	<u>\$ 1,300,000</u>	<u>\$ 487,274</u>	<u>\$14,256,194</u>
--	---------------------	---------------------	-------------------	---------------------

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2012 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND - WATER

Water and Sewage system Junior Lien Revenue Bond (\$4,148,000 authorized and \$3,721,000 outstanding), dated August 13, 2012, mature annually on August 1, 2019 through August 1, 2052 with an interest rate of 2.125% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

Due Year Ended <u>June 30</u>	August 1		February 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2020	\$ 71,000	\$ 39,886	\$ 39,886	\$ 150,772
2021	73,000	39,132	39,132	151,264
2022	75,000	38,356	38,356	151,712
2023	77,000	37,559	37,560	152,119
2024	79,000	36,741	36,741	152,482
2025	81,000	35,902	35,902	152,804
2026	83,000	35,041	35,041	153,082
2027	85,000	34,159	34,159	153,318
2028	87,000	33,256	33,256	153,512
2029	89,000	32,332	32,332	153,664
2030	91,000	31,386	31,386	153,772
2031	94,000	30,419	30,419	154,838
2032	96,000	29,421	29,421	154,842
2033	98,000	28,401	28,401	154,802
2034	101,000	27,359	27,359	155,718
2035	103,000	26,286	26,286	155,572
2036	106,000	25,192	25,192	156,384
2037	109,000	24,066	24,066	157,132
2038	111,000	22,908	22,908	156,816
2039	114,000	21,728	21,728	157,456
2040	117,000	20,517	20,517	158,034
2041	120,000	19,274	19,274	158,548
2042	123,000	17,999	17,999	158,998
2043	126,000	16,692	16,692	159,384
2044	129,000	15,353	15,353	159,706
2045	132,000	13,983	13,983	159,966
2046	136,000	12,580	12,580	161,160
2047	139,000	11,135	11,135	161,270
2048	143,000	9,658	9,658	162,316
2049	146,000	8,139	8,139	162,278
2050	150,000	6,588	6,588	163,176
2051	153,000	4,994	4,994	162,988
2052	157,000	3,368	3,368	163,736
2053	127,000	1,700	1,700	130,400
	<u>\$3,721,000</u>	<u>\$791,510</u>	<u>\$ 791,511</u>	<u>\$5,304,021</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2012 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND - SEWER

Water and Sewage system Junior Lien Revenue Bonds (\$3,478,000 authorized and \$3,180,000 outstanding), dated August 13, 2012, mature annually on August 1, 2019 through August 1, 2052 with an interest rate of 2.75% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

Due Year Ended <u>June 30</u>	August 1 <u>Principal</u>	Interest	February 1 <u>Interest</u>	<u>Total</u>
2020	\$ 52,000	\$ 44,027	\$ 44,028	\$ 140,055
2021	53,000	43,313	43,312	139,625
2022	55,000	42,584	42,584	140,168
2023	57,000	41,827	41,828	140,655
2024	59,000	41,044	41,043	141,087
2025	61,000	40,232	40,232	141,464
2026	63,000	39,394	39,394	141,788
2027	65,000	38,527	38,528	142,055
2028	67,000	37,634	37,634	142,268
2029	70,000	36,713	36,712	143,425
2030	72,000	35,750	35,750	143,500
2031	74,000	34,760	34,760	143,520
2032	77,000	33,742	33,743	144,485
2033	79,000	32,684	32,684	144,368
2034	82,000	31,598	31,597	145,195
2035	85,000	30,470	30,470	145,940
2036	88,000	29,301	29,301	146,602
2037	91,000	28,091	28,091	147,182
2038	94,000	26,840	26,840	147,680
2039	97,000	25,547	25,548	148,095
2040	100,000	24,214	24,214	148,428
2041	104,000	22,839	22,839	149,678
2042	107,000	21,409	21,409	149,818
2043	111,000	19,938	19,937	150,875
2044	115,000	18,411	18,411	151,822
2045	118,000	16,830	16,830	151,660
2046	122,000	15,207	15,208	152,415
2047	127,000	13,530	13,530	154,060
2048	131,000	11,784	11,784	154,568
2049	135,000	9,983	9,982	154,965
2050	140,000	8,126	8,126	156,252
2051	145,000	6,201	6,201	157,402
2052	149,000	4,207	4,208	157,415
2053	135,000	2,159	2,159	139,318
	<u>\$3,180,000</u>	<u>\$ 908,916</u>	<u>\$ 908,917</u>	<u>\$4,997,833</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2013 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

Limited Tax General Obligation Refunding Bonds, Series 2013 (\$5,640,000 authorized and \$4,710,000 outstanding), dated June 20, 2013, mature annually on October 1, 2019 through October 1, 2035 with interest rates ranging from 2.00% to 4.00% per annum.

Due Year Ended <u>June 30</u>	October 1		April 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2020	\$ 185,000	\$ 86,790	\$ 84,015	\$ 355,805
2021	210,000	84,015	80,865	374,880
2022	220,000	80,865	77,565	378,430
2023	225,000	77,565	74,190	376,755
2024	230,000	74,190	70,740	374,930
2025	240,000	70,740	67,020	377,760
2026	245,000	67,020	63,100	375,120
2027	255,000	63,100	58,000	376,100
2028	270,000	58,000	52,600	380,600
2029	280,000	52,600	47,000	379,600
2030	290,000	47,000	41,200	378,200
2031	305,000	41,200	35,100	381,300
2032	325,000	35,100	28,600	388,700
2033	335,000	28,600	21,900	385,500
2034	350,000	21,900	14,900	386,800
2035	365,000	14,900	7,600	387,500
2036	380,000	7,600	-	387,600
	<u>\$4,710,000</u>	<u>\$ 911,185</u>	<u>\$ 824,395</u>	<u>\$6,445,580</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

2016 MICHIGAN TRANSPORTATION FUND BONDS

2016 Michigan Transportation Fund Bonds, (\$628,000 authorized and \$523,000 outstanding), dated July 25, 2016, mature annually on June 1, 2020 through June 1, 2031 with an interest rate of 2.75% per annum.

Due Year Ended <u>June 30</u>	December 1	June 1		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 7,191	\$ 37,000	\$ 7,191	\$ 51,382
2021	6,683	38,000	6,683	51,366
2022	6,160	39,000	6,160	51,320
2023	5,624	41,000	5,624	52,248
2024	5,060	42,000	5,060	52,120
2025	4,482	43,000	4,482	51,964
2026	3,891	44,000	3,891	51,782
2027	3,286	45,000	3,286	51,572
2028	2,668	47,000	2,668	52,336
2029	2,021	48,000	2,021	52,042
2030	1,361	49,000	1,361	51,722
2031	688	50,000	688	51,376
	<u>\$ 49,115</u>	<u>\$ 523,000</u>	<u>\$ 49,115</u>	<u>\$ 621,230</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$49,000 outstanding) matures annually on July 1, 2019 through July 1, 2021 with interest at the rate of 4.25% per annum.

Year Ended <u>June 30</u>	July 1		January 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2020	\$ 16,000	\$ 1,041	\$ 701	\$ 17,742
2021	16,000	701	361	17,062
2022	17,000	361	-	17,361
	<u>\$ 49,000</u>	<u>\$ 2,103</u>	<u>\$ 1,062</u>	<u>\$ 52,165</u>

2016 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$462,000 originally received and \$384,000 outstanding) matures annually on February 1, 2020 through February 1, 2031 with interest at the rate of 2.75% per annum.

Year Ended <u>June 30</u>	February 1		August 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2020	\$ 27,000	\$ 5,280	\$ 5,280	\$ 37,560
2021	28,000	4,909	4,909	37,818
2022	29,000	4,524	4,524	38,048
2023	30,000	4,125	4,125	38,250
2024	31,000	3,713	3,713	38,426
2025	32,000	3,286	3,286	38,572
2026	32,000	2,846	2,846	37,692
2027	33,000	2,406	2,406	37,812
2028	34,000	1,953	1,953	37,906
2029	35,000	1,485	1,485	37,970
2030	36,000	1,004	1,004	38,008
2031	37,000	509	509	38,018
	<u>\$ 384,000</u>	<u>\$ 36,040</u>	<u>\$ 36,040</u>	<u>\$ 456,080</u>

2018 Michigan Department of Transportation General Loan Contract

General loan contract (\$1,300,000 originally received and outstanding) matures annually on December 21, 2019 through December 21, 2023 with zero interest.

Year Ended <u>June 30</u>	December 21 <u>Principal</u>
2020	\$ 260,000
2021	260,000
2022	260,000
2023	260,000
2024	260,000
	<u>\$ 1,300,000</u>

NOTE H - RISK MANAGEMENT

RISKS OF LOSS

The City is exposed to various risks of loss related to property, loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, workers' compensation claims, claims relating to general liability, excess liability, auto liability, truck line liability, errors and omissions and physical damage to equipment, buildings and contents.

The City's building and personal property coverage has a limit of \$9,848,994 (ninety percent coinsurance), with a \$1,000 deductible. Flood and earthquake insurance each has \$50,000 self-insured retention. The limit of insurance for crime is \$5,000 with a \$250 deductible. General liability coverage is limited to \$1,000,000 each occurrence with a \$3,000,000 general aggregate limit. Business auto coverage has a \$1,000,000 limit with a \$1,000 deductible. Commercial umbrella coverage is limited to \$4,000,000.

SHARE OF LOSSES

The City's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The City estimates that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE I - PENSION - MONEY PURCHASE PLAN

The City provided pension benefits through April of 2010 for all of its full-time employees through a money purchase plan. In a money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The agreement requires that the City contribute an amount equal to 15.054% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) were fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before the three years of service are used to reduce the City's current period contribution requirement.

In April of 2010, the City gave its employees the option to have their retirement benefits paid into the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. All qualified new employees will be covered by this plan.

The City's total payroll in fiscal year ending June 30, 201- was \$2,486,281. The City's contributions to the money purchase plan were calculated using the base salary amount of \$409,306. The City made the required contribution of \$61,396.

Money purchase plan participants may borrow up to 50% of the amount vested in their plan. Loans must be paid back through payroll check deductions. The length of the loan can vary from one to five years and the interest rate is set by the Pension Board. Interest is currently set at 9.5%. Loans for up to twenty years can be made for the purchase of a new home or to refinance their current home mortgage. The interest rate on these loans is currently set at 7.75%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN

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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

PLAN DESCRIPTION

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

BENEFITS PROVIDED

01 - All Full Time Employees: Open Division

	<u>2018 Valuation</u>	<u>2017 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	5 years	5 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced)	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	1.87%	1.20%
Act 88:	Yes (Adopted 3/8/2010)	Yes (Adopted 3/8/2010)

EMPLOYEES COVERED BY BENEFIT TERMS

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>28</u> <u>35</u>

CONTRIBUTIONS

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 cost of benefits earned by employees 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. Employer contributions as of the valuation date December 31, 2018 were 15.06% for Division 01 - All Full Time Employees. As of July 1, 2018 the plan participant contribution rate was 1.75%.

NET PENSION LIABILITY

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

NET PENSION LIABILITY (continued)

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

DISCOUNT RATE

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

CHANGES IN NET PENSION LIABILITY

Calculating the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 12/31/17	\$ 4,655,690	\$ 4,117,817	\$ 780,727
Changes for the year			
Service cost	185,438	-	185,438
Interest on total pension liability	375,579	-	375,579
Changes in benefits	(5,846)	-	(5,846)
Difference between expected and actual experience	35,604	-	35,604
Changes in assumptions	-	-	-
Employer contributions	-	242,064	(242,064)
Employee contributions	-	14,261	(14,261)
Net investment income	-	(170,050)	170,050
Benefit payments, including employee refunds	(107,347)	(107,347)	-
Administrative expense	-	(8,186)	8,186
Other changes	2	-	2
Net changes	\$ 483,430	(\$ 29,258)	\$ 512,688
Balances as of 12/31/18	\$ 5,139,120	\$ 4,088,559	\$ 1,050,561

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY

The following presents how the Net Pension Liability of the employer would change in response to a change in discount rate that is 1 percentage point lower(7%) or 1% higher (9%) than the current rate.

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net Pension Liability 12/31/18		\$ 1,050,561	
Change in net pension			
Liability as of 12/31/17	\$ 665,466		(\$ 614,550)
Calculated Net Pension Liability	<u>\$ 1,786,517</u>	<u>\$ 1,050,561</u>	<u>(\$ 436,011)</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2019 the employer recognized pension expense of \$347,535. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences in experience	\$ 166,513	\$ 112,615
Differences in assumptions	94,880	-
Excess (deficit) investment returns	465,658	158,742
Contribution subsequent to the measurement date*	<u>128,247</u>	<u>-</u>
Total	<u>\$ 855,298</u>	<u>\$ 271,357</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2020.

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

Year ended June 30, 2019	\$133,492
2020	71,920
2021	93,780
2022	132,121
2023	21,720
Thereafter	<u>2,663</u>
Total	<u>\$455,696</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Houghton Other Post-Employment Benefit Plan is a single-employer plan administered by the City and can be amended at its discretion. The plan provides a defined benefit to eligible retirees and their spouses. At June 30, 2018, membership of the plan consisted of 27 active plan members, and 7 retirees and beneficiaries receiving benefits. This benefit covers employees that were employed full-time by the City as of March 15, 2015. It discontinues for employees hired on or after March 16, 2015.

FUNDING POLICY

The City has the authority to establish the funding policy for the plan, and to amend the obligations of both the City and members. Active members are not obligated to make contributions to the plan at this time. The actuarial valuation is reported triennially. As of June 30, 2016, the organization had not yet made contributions to the Trust that were in excess of the benefit payments due in the current year. Determination of the annual required contribution using the alternative measurement method and the unfunded actuarial accrued liability amortization is as follows:

Normal cost component	
Normal cost	\$ 27,570
Interest	<u>1,103</u>
Total normal cost	<u>\$ 28,673</u>
Amortization component	
Actuarial accrued liability	\$1,039,987
Less - assets	<u>-</u>
Unfunded actuarial accrued liability	\$1,039,987
Divided by present value factor	<u>26.1695</u>
Amortization payment	\$ 39,740
Interest	<u>1,590</u>
Total amortization payment	<u>\$ 41,330</u>
Annual required contribution	<u><u>\$ 70,003</u></u>

ANNUAL OPEB COST AND NET OPEB OBLIGATION

PLAN DESCRIPTION

The City of Houghton Other Postemployment Benefit Plan (Plan) is a single-employer plan established and administered by the City and can be amended at its discretion. No assets are accumulated in a trust that meets criteria in paragraph 4 of GASB Statement 75.

BENEFITS PROVIDED

The Plan provides a defined benefit to eligible retirees and their spouses. This benefit covers full-time employees who were hired prior to July 1, 2015. The Plan is closed to new entrants as employees hired on July 1, 2015 or later are not covered. Eligibility for benefits is achieved by at age 62 or when age plus service time is at least 80 years. Eligible participants who retired prior to July 1, 2002 are entitled to receive \$230 per month for themselves and also for their spouse. Eligible participants who retired on or after July 1, 2002 are entitled to a \$200 per month benefit. The benefit continues for a surviving spouse.

SUMMARY OF PLAN PARTICIPANTS

As of June 30, 2019, Plan membership consisted of the following:

Inactive participants currently receiving benefits	19
Active participants	<u>20</u>
Total participants	<u><u>39</u></u>

CONTRIBUTIONS

The Plan was established and is being funded under the authority of the City Council and under agreements with the unions representing various classes of employees. The Plan's funding policy is to pay expected plan benefits from general operating funds on a "pay-as-you-go" basis. Active participants do not make contributions to prefund the Plan. There are no long term contracts for contributions to the Plan. The Plan has no legally required reserves.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

TOTAL OPEB LIABILITY

The City's Total OPEB Liability of \$991,793 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Changes in Net OPEB Liability:

		<u>Total OPEB Liability</u>
	Balance at July 1, 2018	\$ 971,955
	Changes during the year:	
	Service Cost	19,000
	Interest	29,029
	Changes in Experience	(3,978)
	Changes in Assumptions	22,428
	Benefit Payments	<u>(46,641)</u>
	Net changes	<u>19,838</u>
	Balance at June 30, 2019	<u>\$ 991,793</u>
		<u>Total OPEB Liability</u>
	Inactive participants receiving benefits	\$ 585,498
	Active participants	<u>406,295</u>
	Total	<u>\$ 991,793</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2019, the City recognized OPEB expense of \$50,967. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 3,345
Differences in assumptions	<u>18,857</u>	<u>-</u>
Total	<u>\$ 18,857</u>	<u>\$ 3,345</u>

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

Year ended June 30,	2020	\$ 2,938
	2021	2,938
	2022	2,938
	2023	2,938
	2024	2,938
	Thereafter	<u>822</u>
	Total	<u>\$ 155,512</u>

ACTUARIAL ASSUMPTIONS

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and the following actuarial assumptions applied to all periods included in the measurement:

Inflation	Implicit in expected payroll increases
Payroll increases	3.0% (for purposes of allocating liability)
Investment rate of return	N/A; this plan is not pre-funded
20-year Aa municipal bond rate	3.0%
Mortality	General Public Employer Pub-2010 Headcount weighted, sex-distinct, annuitant and non-annuitant mortality with MP-2018 mortality improvement

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the Total OPEB Liability was 3.0%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

DISCOUNT AND TREND RATE SENSITIVITIES

Since the benefit stipends received by participants is a fixed amount, the Total OPEB Liability is not sensitive to changes in the healthcare cost trend rate. Any increase or decrease in the healthcare cost trend rate will have no effect on the Total OPEB Liability for the City. However, the Total OPEB Liability is sensitive to changes in the discount rate. The following presents the Total OPEB Liability of the city, calculated using the discount rate of 3.0%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1% higher or lower than base assumptions:

	1% Decrease <u>(2.0%)</u>	Current Discount <u>Rate (3.0%)</u>	1% Increase <u>(4.0%)</u>
Total OPEB Liability	\$ 1,116,860	\$ 991,793	\$ 887,653

NOTE L - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer until future years up to 33 1/3% of annual gross earnings not to exceed \$7,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City neither acts as trustee nor has any management involvement in the plan. The plan does not meet the reporting criteria defined in NCGA Statement 1, paragraph 26 (3) (8), consequently its financial statements are not presented herein.

NOTE M - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). There are no costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The City did not incur expenses associated with 40615 Advertising revenue and, therefore, no expenses are subtracted out as ineligible on OAR Schedule 4E (Urban) or on Schedule 5.

NOTE N - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE WITH BOND COVENANTS

Revenue bond ordinances issued by the Water and Sewer Funds require the City to segregate receipts to establish several reserve accounts. Following is a summary of required reserves and funding levels at June 30, 2019.

	<u>Required Reserve</u>	<u>Reserve Balance</u>
Water Fund:		
Junior Lien Bond Redemption	\$ 83,973	\$ 123,485
Junior Lien Bond Reserve	<u>103,750</u>	<u>128,299</u>
	<u>\$ 187,723</u>	<u>\$ 251,784</u>
Sewer Fund:		
Junior Lien Bond Redemption	\$ 72,020	\$ 145,119
Junior Lien Bond Reserve	<u>100,000</u>	<u>142,388</u>
	<u>\$ 172,020</u>	<u>\$ 287,507</u>
	<u>\$ 359,743</u>	<u>\$ 539,291</u>

Transfers to repair, replacement, and improvement accounts were deposited according to revenue bond ordinances.

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves 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. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the Governmental Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN

MERS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS

A 10 year schedule will be displayed prospectively from 2015.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 122,591	\$ 162,513	\$ 211,597	\$ 242,064
Contribution made	<u>141,688</u>	<u>186,248</u>	<u>220,902</u>	<u>242,064</u>
Contribution deficiency (excess)	<u>(\$ 19,097)</u>	<u>(\$ 23,735)</u>	<u>(\$ 9,305)</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 989,398	\$ 1,290,717	\$ 1,504,735	\$1,655,700
Contributions as a percentage of covered employee payroll	14%	14%	15%	15%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male with a blend of the following RP-2014 Tables: Healthy Annuitant Mortality, Employee Mortality, Juvenile mortality

CITY OF HOUGHTON, MICHIGAN

MERS PENSION PLAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

A 10 year schedule will be displayed prospectively from 2015.

Plan year ending December 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 106,558	\$ 145,464	\$ 170,938	\$ 185,438
Interest	283,264	301,089	347,172	375,576
Benefit changes	(700)	(5,719)	4,188	(5,846)
Difference between expected and actual experience	(114,732)	215,784	(73,669)	35,604
Changes of assumptions	189,760	-	-	-
Benefits paid and refunds	(214,647)	(92,338)	(94,265)	(107,347)
Other	-	-	-	2
Net change in total pension liability	<u>\$ 249,503</u>	<u>\$ 564,280</u>	<u>\$ 354,364</u>	<u>\$ 483,430</u>
Total pension liability - Beginning	<u>\$3,487,543</u>	<u>\$3,737,046</u>	<u>\$4,301,326</u>	<u>\$4,655,690</u>
Total pension liability - Ending	<u>\$3,737,046</u>	<u>\$4,301,326</u>	<u>\$4,655,690</u>	<u>\$5,139,120</u>
Plan fiduciary net position				
Contributions - employer	\$ 141,688	\$ 186,248	\$ 220,902	\$ 242,064
Contributions - employee	-	-	-	14,261
Net investment income	(47,007)	358,762	478,123	170,050
Benefit payments including employee refunds	(214,647)	(92,338)	(94,265)	107,347
Administrative expense	(7,018)	(7,073)	(7,542)	8,186
Net change in plan fiduciary net position	<u>(\$ 126,984)</u>	<u>\$ 445,599</u>	<u>\$ 597,218</u>	<u>\$ 29,258</u>
Plan fiduciary net position - Beginning	<u>\$3,201,983</u>	<u>\$3,074,999</u>	<u>\$3,520,598</u>	<u>\$4,117,817</u>
Plan fiduciary net position - Ending	<u>\$3,074,999</u>	<u>\$3,520,598</u>	<u>\$4,117,816</u>	<u>\$4,088,559</u>
Employer net pension liability	<u>\$ 662,047</u>	<u>\$ 780,728</u>	<u>\$ 537,874</u>	<u>\$1,050,561</u>
Plan fiduciary net position as a percentage of total pension liability	82%	82%	88%	80%
Covered employee payroll	\$ 989,398	\$1,290,717	\$1,504,735	\$1,655,700
Employer's net pension liability as a percentage of covered employee payroll	67%	60%	15%	63%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	9 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan option
Mortality	50% female/50% male with a blend of the following RP-2014 Tables: Healthy Annuitant Mortality, Employee Mortality, Juvenile Mortality

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

A 10 year schedule will be displayed prospectively from 2018.

Fiscal Year Ending June 30,	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service Cost	\$ 18,447	\$ 19,000
Interest	29,005	29,029
Changes in Experience	-	(3,978)
Changes in Assumptions	-	22,428
Benefit Payments	(47,760)	(46,641)
Net Change in Total OPEB Liability	(308)	19,838
Total OPEB Liability - Beginning	<u>972,263</u>	<u>971,955</u>
Total OPEB Liability - Ending	<u>\$ 971,955</u>	<u>\$ 991,793</u>
Covered Payroll	-	\$1,245,973
Total OPEB Liability as a Percentage of Covered Payroll	-	80%

CITY OF HOUGHTON, MICHIGAN

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS

A 10 year schedule will be displayed prospectively from 2018.

Fiscal Year Ending June 30,	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 90,531	\$ 96,579
Contribution made	<u>47,760</u>	<u>46,641</u>
Contribution deficiency (excess)	<u>\$ 42,771</u>	<u>\$ 49,938</u>
Covered Employee Payroll	-	\$1,245,973
Contributions as a percentage of Covered Employee Payroll	-	4%

Notes to Schedule	
Amortization method	Level percentage of payroll, closed
Amortization period	13 years
Healthcare inflation assumption	N/A
Investment rate of return	3.00%
Discount rate	3.00%
Salary scale	3.50%
Mortality	RPH-2014, adjusted to 2006, Total Data Set, With MP-2018 improvement scale

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
Taxes	\$1,601,038	\$1,614,900	\$1,638,708	\$ 23,808
Licenses and permits	600	600	1,985	1,385
Grants	1,060,160	2,110,140	2,284,324	174,184
Loan proceeds	-	1,300,000	1,300,000	-
Interest	7,500	7,500	15,643	8,143
Charges for services	887,000	894,000	877,023	(16,977)
Other revenues	<u>124,500</u>	<u>368,500</u>	<u>364,206</u>	(<u>4,294</u>)
TOTAL REVENUES	<u>\$3,680,798</u>	<u>\$6,295,640</u>	<u>\$6,481,889</u>	<u>\$ 186,249</u>
Expenditures:				
General government administration	\$ 912,250	\$ 962,950	\$ 832,480	\$ 130,470
Public safety	1,169,900	1,258,700	1,226,987	31,713
Public works	538,150	1,698,150	1,639,622	58,528
Recreation and parks	469,350	578,850	529,914	48,936
Debt service	187,075	187,075	188,521	(1,446)
Other expenditures	<u>96,050</u>	<u>103,550</u>	<u>102,519</u>	<u>1,031</u>
TOTAL EXPENDITURES	<u>\$3,372,775</u>	<u>\$4,789,275</u>	<u>\$4,520,043</u>	<u>\$ 269,232</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 308,023</u>	<u>\$1,506,365</u>	<u>\$1,961,846</u>	<u>\$ 455,481</u>
Other financing sources(uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Operating transfers out	(<u>313,723</u>)	(<u>590,723</u>)	(<u>547,676</u>)	<u>43,047</u>
TOTAL OTHER FINANCING SOURCES (USES)	(<u>\$ 308,023</u>)	(<u>\$ 585,023</u>)	(<u>\$ 541,976</u>)	<u>\$ 43,047</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 921,342	\$1,419,870	\$ 498,490
Fund balance, beginning of year	<u>466,066</u>	<u>466,066</u>	<u>466,066</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 466,066</u>	<u>\$1,387,408</u>	<u>\$1,885,936</u>	<u>\$ 498,490</u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ -	\$ 40,000	\$ 66,128	\$ 26,128
State grants	599,509	838,509	850,608	12,099
Interest and rents	<u>1,500</u>	<u>9,000</u>	<u>10,996</u>	<u>1,996</u>
TOTAL REVENUES	<u>\$ 601,009</u>	<u>\$ 887,509</u>	<u>\$ 927,732</u>	<u>\$ 40,223</u>
Expenditures:				
General government administration	\$ 26,800	\$ 26,800	\$ 12,606	\$ 14,194
Public works:				
Street preservation	158,209	103,989	95,609	8,380
Routine maintenance	80,600	80,600	63,045	17,555
Traffic services	29,100	13,360	4,015	9,345
Snow and ice control	287,500	376,300	388,388	(12,088)
Roadway inspections	<u>23,500</u>	<u>23,500</u>	<u>14,868</u>	<u>8,632</u>
TOTAL EXPENDITURES	<u>\$ 605,709</u>	<u>\$ 624,549</u>	<u>\$ 578,531</u>	<u>\$ 46,018</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 4,700)</u>	<u>\$ 262,960</u>	<u>\$ 349,201</u>	<u>\$ 86,241</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 4,700</u>	<u>(\$ 81,960)</u>	<u>(\$ 53,731)</u>	<u>\$ 28,229</u>
Other financing sources (uses)- Operating transfers in (out)	<u>\$ -</u>	<u>(\$ 200,000)</u>	<u>\$ -</u>	<u>\$ 200,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 19,000)</u>	<u>\$ 295,470</u>	<u>\$ 314,470</u>
Fund balance, beginning of year	<u>493,080</u>	<u>493,080</u>	<u>493,080</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 493,080</u></u>	<u><u>\$ 474,080</u></u>	<u><u>\$ 788,550</u></u>	<u><u>\$ 314,470</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 146,000	\$ 146,000	\$ 157,386	\$ 11,386
State grants	293,881	396,681	401,589	4,908
Interest and rents	1,000	5,700	6,017	317
TOTAL REVENUES	\$ 440,881	\$ 548,381	\$ 564,992	\$ 16,611
Expenditures:				
General government administration	\$ 25,600	\$ 20,600	\$ 9,152	\$ 11,448
Public works:				
Street preservation	46,182	23,160	21,796	1,364
Routine maintenance	91,000	121,000	109,717	11,283
Traffic services	15,600	10,100	9,592	508
Snow and ice removal	287,500	431,400	414,489	16,911
Debt service	51,372	51,375	51,373	2
TOTAL EXPENDITURES	\$ 517,254	\$ 657,635	\$ 616,119	\$ 41,516
EXCESS OF REVENUES (EXPENDITURES)	(\$ 76,373)	(\$ 109,254)	(\$ 51,127)	\$ 58,127
Other financing sources (uses)-				
Operating transfers in	\$ 76,373	\$ 76,373	\$ 76,373	\$ -
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 32,881)	\$ 25,246	\$ 58,127
Fund balance, beginning of year	265,829	265,829	265,829	-
FUND BALANCE, END OF YEAR	\$ 265,829	\$ 232,948	\$ 291,075	\$ 58,127

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
Interest and rents	\$ 2,119	\$ 2,119	\$ 5,567	\$ 3,448
Other revenue -				
Loan repayments	<u>31,750</u>	<u>31,750</u>	<u>29,164</u>	(<u>2,586</u>)
TOTAL REVENUES	<u>\$ 33,869</u>	<u>\$ 33,869</u>	<u>\$ 34,731</u>	<u>\$ 862</u>
Expenditures:				
General government administration	\$ 700	\$ 700	\$ 600	\$ 100
Loans and contingencies	<u>98,550</u>	<u>98,550</u>	<u>98,000</u>	<u>550</u>
TOTAL EXPENDITURES	<u>\$ 99,250</u>	<u>\$ 99,250</u>	<u>\$ 98,600</u>	<u>\$ 650</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 65,381)	(\$ 65,381)	(\$ 63,869)	\$ 1,512
Fund balance, beginning of year	<u>283,733</u>	<u>283,733</u>	<u>283,733</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$218,352</u></u>	<u><u>\$218,352</u></u>	<u><u>\$219,864</u></u>	<u><u>\$ 1,512</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2019

BUDGETARY INFORMATION

A draft of the budget is prepared by the City Manager. The budget is then finalized during a series of budget work sessions with the City Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in June before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the functional level.

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 967,877	\$ 628,244
Accounts receivable		1,106,425	93,561
Inventory		5,554	5,554
Taxes receivable		12,289	10,615
Due from other funds		<u>8,096</u>	<u>12,613</u>
	TOTAL CURRENT ASSETS	<u>\$2,100,241</u>	<u>\$ 750,587</u>
<u>OTHER ASSETS</u>			
Investments		<u>\$ -</u>	<u>\$ 11,783</u>
		<u>\$2,100,241</u>	<u>\$ 762,370</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 116,414	\$ 166,193
Accrued wages and benefits		32,326	57,125
Due to other funds		<u>55,610</u>	<u>62,371</u>
	TOTAL CURRENT LIABILITIES	\$ 204,350	\$ 285,689
<u>OTHER LIABILITIES</u>			
Deferred revenues		<u>9,955</u>	<u>10,615</u>
	TOTAL LIABILITIES	<u>\$ 214,305</u>	<u>\$ 296,304</u>
<u>FUND BALANCE</u>			
Unreserved		\$1,880,382	\$ 460,512
Reserved		<u>5,554</u>	<u>5,554</u>
	TOTAL FUND BALANCE	<u>\$1,885,936</u>	<u>\$ 466,066</u>
		<u>\$2,100,241</u>	<u>\$ 762,370</u>

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

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2019
 With Actual Amounts for Year Ended June 30, 2018

	2019		Variance	2018
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$1,614,900	\$1,638,708	\$ 23,808	\$1,560,541
Licenses and permits	600	1,985	1,385	1,350
Grants	2,110,140	2,284,324	174,184	987,810
Loan proceeds	1,300,000	1,300,000	-	-
Interest	7,500	15,643	8,143	8,083
Charges for services	894,000	877,023	(16,977)	825,905
Other revenues	368,500	364,206	(4,294)	142,989
TOTAL REVENUES	<u>\$6,295,640</u>	<u>\$6,481,889</u>	<u>\$ 186,249</u>	<u>\$3,526,678</u>
Expenditures:				
General government administration	\$ 962,950	\$ 832,480	\$ 130,470	\$ 817,057
Public safety	1,258,700	1,226,987	31,713	1,210,006
Public works	1,698,150	1,639,622	58,528	882,902
Recreation and parks	578,850	529,914	48,936	447,713
Debt service	187,075	188,521	(1,446)	189,337
Other expenditures	103,550	102,519	1,031	90,979
TOTAL EXPENDITURES	<u>\$4,789,275</u>	<u>\$4,520,043</u>	<u>\$ 269,232</u>	<u>\$3,637,994</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$1,506,365</u>	<u>\$1,961,846</u>	<u>\$ 455,481</u>	<u>(\$ 111,316)</u>
Other financing sources (uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ -	\$ 5,839
Operating transfers out	(590,723)	(547,676)	43,047	(371,463)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 585,023)</u>	<u>(\$ 541,976)</u>	<u>\$ 43,047</u>	<u>(\$ 365,624)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 921,342</u>	<u>\$1,419,870</u>	<u>\$ 498,528</u>	<u>(\$ 476,940)</u>
Fund balance, beginning of year	466,066	466,066	-	943,006
FUND BALANCE, END OF YEAR	<u>\$1,387,408</u>	<u>\$1,885,936</u>	<u>\$ 498,528</u>	<u>\$ 466,066</u>

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

CITY OF HOUGHTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2019
With Totals for June 30, 2018

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2019</u>	<u>2018</u>			
<u>ASSETS</u>					
Cash	\$1,090,719	\$ 962,083	\$704,126	\$166,729	\$ 219,864
Due from other governmental units	282,649	126,753	154,535	128,114	-
Due from other funds	14,391	7,437	-	14,391	-
Long-term loans	<u>161,277</u>	<u>92,441</u>	<u>-</u>	<u>-</u>	<u>161,277</u>
	<u>\$1,549,036</u>	<u>\$1,188,714</u>	<u>\$858,661</u>	<u>\$309,234</u>	<u>\$ 381,141</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 51,585	\$ 26,072	\$ 45,694	\$ 5,891	-
Accrued wages and benefits	6,305	1,927	1,635	4,670	-
Due to other governmental units	235	823	235	-	-
Due to other funds	30,145	24,809	22,547	7,598	-
Deferred revenue	<u>161,277</u>	<u>92,441</u>	<u>-</u>	<u>-</u>	<u>161,277</u>
TOTAL LIABILITIES	\$ 249,547	\$ 146,072	\$ 70,111	\$ 18,159	\$ 161,277
<u>FUND BALANCE</u>	<u>1,299,489</u>	<u>1,042,642</u>	<u>788,550</u>	<u>291,075</u>	<u>219,864</u>
	<u>\$1,549,036</u>	<u>\$1,188,714</u>	<u>\$858,661</u>	<u>\$309,234</u>	<u>\$ 381,141</u>

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

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

June 30, 2019

With Totals for June 30, 2018

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2019</u>	<u>2018</u>			
Revenues:					
Taxes	\$ 157,386	\$ 148,452	\$ -	\$ 157,386	\$ -
State grants	1,840,678	1,709,250	1,439,089	401,589	-
Interest and rents	22,580	10,248	10,996	6,017	5,567
Other revenue	<u>29,164</u>	<u>26,967</u>	<u>-</u>	<u>-</u>	<u>29,164</u>
TOTAL REVENUES	<u>\$2,049,808</u>	<u>\$1,894,917</u>	<u>\$1,450,085</u>	<u>\$ 564,992</u>	<u>\$ 34,731</u>
Expenditures:					
General government administration	\$ 22,358	\$ 31,217	\$ 12,606	\$ 9,152	\$ 600
Public works	1,697,603	1,654,249	1,142,009	555,594	-
Loans and contingencies	98,000	-	-	-	98,000
Debt service	<u>51,373</u>	<u>51,335</u>	<u>-</u>	<u>51,373</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,869,334</u>	<u>\$1,736,801</u>	<u>\$1,154,615</u>	<u>\$ 616,119</u>	<u>\$ 98,600</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 180,474</u>	<u>\$ 158,116</u>	<u>\$ 295,470</u>	<u>(\$ 51,127)</u>	<u>(\$ 63,869)</u>
Other financing sources (uses)- Operating transfers from other funds	<u>\$ 76,373</u>	<u>\$ 96,373</u>	<u>\$ -</u>	<u>\$ 76,373</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	<u>\$ 256,847</u>	<u>\$ 254,489</u>	<u>\$ 295,470</u>	<u>\$ 25,246</u>	<u>(\$ 63,869)</u>
Fund balance, beginning of year	<u>1,042,642</u>	<u>788,153</u>	<u>493,080</u>	<u>265,829</u>	<u>283,733</u>
FUND BALANCE, END OF YEAR	<u>\$1,299,489</u>	<u>\$1,042,642</u>	<u>\$ 788,550</u>	<u>\$ 291,075</u>	<u>\$ 219,864</u>

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

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BALANCE SHEETS

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Cash		\$704,126	\$419,172
Due from other governmental units		<u>154,535</u>	<u>91,114</u>
		<u>\$858,661</u>	<u>\$510,286</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 45,694	\$ 215
Accrued wages and benefits		1,635	341
Due to other governmental units		235	823
Due to other funds		<u>22,547</u>	<u>15,827</u>
	TOTAL LIABILITIES	\$ 70,111	\$ 17,206
<u>FUND BALANCE</u>		<u>788,550</u>	<u>493,080</u>
		<u>\$858,661</u>	<u>\$510,286</u>

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

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2019
 With Actual Amounts for Year Ended June 30, 2018

	<u>2019</u>		Variance	<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	Favorable	<u>Actual</u>
			(Unfavorable)	
Revenues:				
Federal grants	\$ 40,000	\$ 66,128	\$ 26,128	\$ -
State grants	838,509	850,608	12,099	806,825
Interest and rents	<u>9,000</u>	<u>10,996</u>	<u>1,996</u>	<u>3,093</u>
TOTAL REVENUES	<u>\$887,509</u>	<u>\$927,732</u>	<u>\$ 40,223</u>	<u>\$809,918</u>
Expenditures:				
General government administration	\$ 26,800	\$ 12,606	\$ 14,194	\$ 15,433
Public works:				
Street preservation	103,989	95,609	8,380	154,666
Routine maintenance	80,600	63,045	17,555	51,572
Traffic services	13,360	4,015	9,345	16,056
Snow and ice control	376,300	388,388	(12,088)	362,610
Roadway inspection	<u>23,500</u>	<u>14,868</u>	<u>8,632</u>	<u>17,877</u>
TOTAL EXPENDITURES	<u>\$624,549</u>	<u>\$578,531</u>	<u>\$ 46,018</u>	<u>\$618,214</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	<u>\$262,960</u>	<u>\$394,201</u>	<u>\$ 86,241</u>	<u>\$191,704</u>
State trunkline maintenance -				
Excess of revenues (expenditures)	(\$ 81,960)	(\$ 53,731)	\$ 28,229	\$ 9,008
Other financing sources (uses)-				
Operating transfers in (out)	(\$200,000)	\$ -	\$ 200,000	\$ 20,000
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 19,000)	\$295,470	\$ 314,470	\$220,712
Fund balance, beginning of year	<u>493,080</u>	<u>493,080</u>	<u>-</u>	<u>272,368</u>
FUND BALANCE, END OF YEAR	<u>\$474,080</u>	<u>\$788,550</u>	<u>\$ 314,470</u>	<u>\$493,080</u>

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

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$166,729	\$259,178
Due from other funds	14,391	7,437
Due from other governmental units	<u>128,114</u>	<u>35,639</u>
	<u>\$309,234</u>	<u>\$302,254</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 5,891	\$ 25,857
Accrued wages and benefits	4,670	1,586
Due to other funds	<u>7,598</u>	<u>8,982</u>
	TOTAL LIABILITIES \$ 18,159	\$ 36,425
<u>FUND BALANCE</u>	<u>291,075</u>	<u>265,829</u>
	<u>\$309,234</u>	<u>\$302,254</u>

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

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2019
With Actual Amounts for Year Ended June 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$ 146,000	\$ 157,386	\$ 11,386	\$ 148,452
State grants	396,681	401,589	4,908	348,057
Interest and rents	<u>5,700</u>	<u>6,017</u>	<u>317</u>	<u>2,967</u>
TOTAL REVENUES	<u>\$ 548,381</u>	<u>\$ 564,992</u>	<u>\$ 16,611</u>	<u>\$ 499,476</u>
Expenditures:				
General government administration	\$ 20,600	\$ 9,152	\$ 11,448	\$ 15,184
Public works:				
Street preservation	23,160	21,796	1,364	24,372
Routine maintenance	121,000	109,717	11,283	105,039
Traffic services	10,100	9,592	508	12,330
Snow and ice control	431,400	414,489	16,911	364,367
Debt service	<u>51,375</u>	<u>51,373</u>	<u>2</u>	<u>51,335</u>
TOTAL EXPENDITURES	<u>\$ 657,635</u>	<u>\$ 616,119</u>	<u>\$ 41,516</u>	<u>\$ 572,627</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 109,254)</u>	<u>(\$ 51,127)</u>	<u>\$ 58,127</u>	<u>(\$ 73,151)</u>
Other financing sources(uses)-				
Operating transfers in	<u>\$ 76,373</u>	<u>\$ 76,373</u>	<u>\$ -</u>	<u>\$ 76,373</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 32,881)</u>	<u>\$ 25,246</u>	<u>\$ 58,127</u>	<u>\$ 3,222</u>
Fund balance, beginning of year	<u>265,829</u>	<u>265,829</u>	<u>-</u>	<u>262,607</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 232,948</u></u>	<u><u>\$ 291,075</u></u>	<u><u>\$ 58,127</u></u>	<u><u>\$ 265,829</u></u>

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

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 219,864	\$ 283,733
Long-term loans	<u>161,277</u>	<u>92,441</u>
	<u>\$ 381,141</u>	<u>\$ 376,174</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 161,277	\$ 92,441
<u>FUND BALANCE</u>	<u>219,864</u>	<u>283,733</u>
	<u>\$ 381,141</u>	<u>\$ 376,174</u>

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

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2019
 With Actual Amounts for Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Interest and rents	\$ 2,119	\$ 5,567	\$ 3,448	\$ 4,188
Other revenue -				
Loan repayments	<u>31,750</u>	<u>29,164</u>	<u>(2,586)</u>	<u>26,967</u>
TOTAL REVENUES	<u>\$ 33,869</u>	<u>\$ 34,731</u>	<u>\$ 862</u>	<u>\$ 31,155</u>
Expenditures:				
General government administration	\$ 700	\$ 600	\$ 100	\$ 600
Loans and contingencies	<u>98,550</u>	<u>98,000</u>	<u>550</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 99,250</u>	<u>\$ 98,600</u>	<u>\$ 650</u>	<u>\$ 600</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 65,381)	(\$ 63,869)	\$ 1,512	\$ 30,555
Fund Balance, beginning of year	<u>283,733</u>	<u>283,733</u>	<u>-</u>	<u>253,178</u>
FUND BALANCE, END OF YEAR	<u><u>\$218,352</u></u>	<u><u>\$219,864</u></u>	<u><u>\$ 1,512</u></u>	<u><u>\$283,733</u></u>

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

CITY OF HOUGHTON, MICHIGAN
 CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
 BALANCE SHEETS

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Cash		\$ 94,668	\$ 124,082
Grants receivable		<u> -</u>	<u> 36,392</u>
		<u>\$ 94,668</u>	<u>\$ 160,474</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 9,802	\$ 96,817
Due to other funds		<u> -</u>	<u> 98</u>
	TOTAL LIABILITIES	<u>\$ 9,802</u>	<u>\$ 96,915</u>
	<u>FUND BALANCE</u>	<u>\$ 84,866</u>	<u>\$ 63,559</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 94,668</u>	<u>\$ 160,474</u>

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

CITY OF HOUGHTON, MICHIGAN

CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
ANALYSES OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Fund balance, July 1	\$ 63,559	\$ 156,367
Revenues for Capital Outlay:		
Grants	562,634	946,030
Contributions	58,651	-
Interest	<u>1,671</u>	<u>1,979</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$ 686,515</u>	<u>\$1,104,376</u>
Expenditures for Capital Outlay:		
Sidewalks and Curbs	\$ 113,298	\$ 4,004
West Houghton Park	3,259	4,986
MEDC Lakeshore	-	1,043,036
Portage Street Sidewalks	-	51,546
Dee Stadium Lobby	-	62,429
Dee Stadium Locker Rooms	118,270	14,938
West Houghton Avenue	4,728	-
Copper Range Depot	561,100	-
Skate Park	<u>48,494</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 849,149</u>	<u>\$1,180,939</u>
	(\$ 162,634)	(\$ 76,563)
Other financing sources (uses)-		
Operating transfers from other funds	<u>247,500</u>	<u>140,122</u>
FUND BALANCE, JUNE 30	<u><u>\$ 84,866</u></u>	<u><u>\$ 63,559</u></u>

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

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
STATEMENTS OF NET POSITION

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 298,888	\$ 304,752
Accounts receivable		76,066	66,122
	TOTAL CURRENT ASSETS	<u>\$ 374,954</u>	<u>\$ 370,874</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Water distribution system		\$13,990,201	\$13,990,201
Less accumulated depreciation		<u>6,420,013</u>	<u>6,147,022</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 7,570,188</u>	<u>\$ 7,843,179</u>
<u>OTHER ASSETS</u>			
Restricted assets:			
1980 Bond and Interest Redemption Account		\$ -	\$ 17,353
1980 Water/Sewer Revenue Bonds - Debt Service Account		-	530
2012 Water/Sewer Construction:			
Bond and Interest Redemption Account		128,299	108,337
Junior Lien Bond Reserve Account		123,485	120,441
Repair, Replacement and Improvement Account		97,328	54,692
2013 Refinancing Bond - Debt Service Account		-	2,661
2013 Refinancing Bond Account		<u>164,541</u>	<u>159,653</u>
	TOTAL OTHER ASSETS	<u>\$ 513,653</u>	<u>\$ 463,667</u>
	TOTAL ASSETS	<u>\$ 8,458,795</u>	<u>\$ 8,677,720</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		<u>\$ 48,858</u>	<u>\$ 29,313</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 12,304	\$ 21,047
Accrued wages and benefits		4,405	7,847
Accrued interest expense		63,252	65,447
Due to other funds		81,257	51,483
Current maturities on long-term debt		<u>191,000</u>	<u>207,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 352,218</u>	<u>\$ 352,824</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$ 6,976,000	\$ 7,183,000
Less current maturities		191,000	207,000
Net pension liability		60,333	33,531
Net OPEB liability		<u>50,882</u>	<u>49,789</u>
	TOTAL LONG-TERM DEBT	<u>\$ 6,896,215</u>	<u>\$ 7,059,320</u>
	TOTAL LIABILITIES	<u>\$ 7,248,433</u>	<u>\$ 7,412,144</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		<u>\$ 14,740</u>	<u>\$ 19,032</u>
<u>NET POSITION</u>			
Invested in capital assets - net of related debt		\$ 594,188	\$ 660,179
Restricted for debt service		450,401	398,220
Unrestricted		<u>199,891</u>	<u>217,458</u>
	TOTAL NET POSITION	<u>\$ 1,244,480</u>	<u>\$ 1,275,857</u>

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

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30,	
	2019	2018
Operating revenues:		
Water sales	\$ 961,851	\$1,004,857
Repairs and new customer installations	12,510	10,890
Other revenue	<u>21,029</u>	<u>23,324</u>
TOTAL OPERATING REVENUES	\$ <u>995,390</u>	<u>\$1,039,071</u>
Operating expenses:		
Source of water	\$ 212,414	\$ 450,564
Customer installations, maintenance and repairs	285,353	255,714
Laboratory and office expense	35,374	41,896
Engineering and supervision	29,661	42,081
Other	<u>2,806</u>	<u>3,871</u>
Depreciation expense	\$ 565,608	\$ 794,126
	<u>272,991</u>	<u>272,969</u>
TOTAL OPERATING EXPENSES	\$ <u>838,599</u>	<u>\$1,067,095</u>
NET OPERATING INCOME (LOSS)	\$ <u>156,791</u>	(<u>\$ 28,024</u>)
Non-operating revenues - Interest	\$ <u>11,557</u>	\$ <u>5,988</u>
Non-operating expenses - Interest	\$ <u>199,725</u>	\$ <u>206,009</u>
CHANGES IN NET POSITION	(<u>\$ 31,377</u>)	(<u>\$ 228,045</u>)
Net position, beginning of year	<u>1,275,857</u>	<u>1,503,902</u>
Net position, end of year	<u>\$1,244,480</u>	<u>\$1,275,857</u>

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

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 985,446	\$1,058,888
Payments to suppliers	(362,678)	(604,128)
Payments to employees	(211,057)	(170,633)
Net cash provided (used) by operating activities	<u>\$ 411,711</u>	<u>\$ 281,127</u>
Cash flows from noncapital financing activities -		
(Increase) decrease in due from other funds	(\$ 395)	\$ -
Increase (decrease) in due to other funds	<u>30,269</u>	<u>37,378</u>
Net cash flows from noncapital financing activities	<u>\$ 29,774</u>	<u>\$ 37,378</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	\$ -	(\$ 5,322)
Reduction of long-term debt	(207,000)	(189,000)
(Increase) decrease in restricted assets	(49,986)	191,432
Interest paid on long-term debt	(201,920)	(206,437)
Net cash provided (used) by capital and related financing activities	<u>(\$ 458,906)</u>	<u>(\$ 209,327)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 11,557</u>	<u>\$ 5,988</u>
Net increase (decrease) in cash and cash equivalents	(\$ 5,864)	\$ 115,166
Cash - beginning of year	<u>304,752</u>	<u>189,586</u>
Cash - end of year	<u>\$ 298,888</u>	<u>\$ 304,752</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 156,791	(\$ 28,024)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	272,991	272,969
Changes in assets and liabilities:		
Receivables	(9,944)	19,817
Accounts and other payables	(8,743)	9,923
Accrued expenses	(3,442)	3,609
Net pension liability	2,976	2,849
Net OPEB	<u>1,082</u>	<u>(16)</u>
Net cash provided by operating activities	<u>\$ 411,711</u>	<u>\$ 281,127</u>

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

CITY OF HOUGHTON, MICHIGAN
 SEWAGE DISPOSAL SYSTEM FUND
 STATEMENTS OF NET POSITION

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 886,213	\$ 694,901
Accounts receivable		132,640	138,510
Due from other governmental units		77,576	115,685
Due from other funds		<u>67,676</u>	<u>23,511</u>
	TOTAL CURRENT ASSETS	<u>\$ 1,164,105</u>	<u>\$ 972,607</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Underground sewage collection system		\$10,089,499	\$9,938,062
Less accumulated depreciation		<u>5,168,246</u>	<u>4,987,201</u>
		\$ 4,921,253	\$4,950,861
Original investment in Portage Lake Water and Sewer Authority		<u>941,313</u>	<u>941,313</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 5,862,566</u>	<u>\$5,892,174</u>
<u>OTHER ASSETS</u>			
Restricted cash:			
2012 Water/Sewer Construction:			
Junior Lien Bond Reserve Account		\$ 287,506	\$ 262,578
Repair, Replacement and Improvement Account		<u>62,360</u>	<u>187,793</u>
	TOTAL OTHER ASSETS	<u>\$ 349,866</u>	<u>\$ 450,371</u>
	TOTAL ASSETS	<u>\$ 7,376,537</u>	<u>\$7,315,152</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		<u>\$ 64,614</u>	<u>\$ 35,078</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 7,592	\$ 968
Accrued interest expense		36,689	37,263
Accrued wages and benefits		8,837	3,437
Due to other funds		8,604	2,101
Current maturities on long-term debt		<u>52,000</u>	<u>50,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 113,722</u>	<u>\$ 93,769</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$ 3,180,000	\$3,230,000
Less current maturities		52,000	50,000
Net pension liability		72,287	26,546
Total OPEB liability		<u>84,075</u>	<u>82,511</u>
	TOTAL LONG-TERM DEBT	<u>\$ 3,284,362</u>	<u>\$3,289,057</u>
	TOTAL LIABILITIES	<u>\$ 3,398,084</u>	<u>\$3,382,826</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		<u>\$ 21,122</u>	<u>\$ 27,331</u>
<u>NET POSITION</u>			
Invested in net assets - net of related debt		\$ 2,682,566	\$2,662,174
Restricted for debt service		313,178	413,108
Unrestricted		<u>1,026,201</u>	<u>864,791</u>
	TOTAL NET POSITION	<u>\$ 4,021,945</u>	<u>\$3,940,073</u>

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

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Sewer charges	\$1,950,530	\$1,833,128
Repairs and new customer installations	7,700	-
Other revenue	<u>-</u>	<u>2,373</u>
TOTAL OPERATING REVENUES	<u>\$1,958,230</u>	<u>\$1,835,501</u>
Operating expenses:		
Customer installations, maintenance and repairs	\$ 293,231	\$ 471,180
Laboratory and office expense	53,106	46,374
Engineering and supervision	108,307	112,985
City share of Portage Lake Water and Sewer Authority expense	<u>1,175,017</u>	<u>1,112,270</u>
	\$1,629,661	\$1,742,809
Depreciation expense	<u>181,045</u>	<u>179,033</u>
TOTAL OPERATING EXPENSES	<u>\$1,810,706</u>	<u>\$1,921,842</u>
NET OPERATING INCOME (LOSS)	<u>\$ 147,524</u>	<u>(\$ 86,341)</u>
Non-operating revenues - Interest	<u>\$ 21,912</u>	<u>\$ 9,629</u>
Non-operating expenses - Interest	<u>\$ 87,564</u>	<u>\$ 88,935</u>
Other financing sources (uses)- State grant	<u>\$ -</u>	<u>\$ 44,750</u>
CHANGES IN NET POSITION	<u>\$ 81,872</u>	<u>(\$ 120,787)</u>
Net position, beginning of year	<u>3,940,073</u>	<u>4,060,970</u>
Net position, end of year	<u><u>\$4,021,945</u></u>	<u><u>\$3,940,073</u></u>

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

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$1,979,978	\$1,865,028
Payments to suppliers	(1,273,272)	(1,467,361)
Payments to employees	(310,574)	(320,132)
Net cash provided (used) by operating activities	<u>\$ 396,132</u>	<u>\$ 77,535</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	(\$ 44,165)	(\$ 14,164)
Increase (decrease) in due to other funds and component units	<u>6,503</u>	<u>(1,825)</u>
Net cash flows from noncapital financing activities	<u>(\$ 37,662)</u>	<u>(\$ 15,989)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 151,437)	(\$ 44,103)
Reduction of long-term debt	(50,000)	(48,000)
Grant Income	-	44,750
(Increase) decrease in restricted assets	100,505	(48,048)
Interest paid on long-term debt	<u>(88,138)</u>	<u>(89,485)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 189,070)</u>	<u>(\$ 184,886)</u>
Cash flows from investing activities - Interest received	<u>\$ 21,912</u>	<u>\$ 9,629</u>
Increase (decrease) in cash and cash equivalents	\$ 191,312	(\$ 113,711)
Cash - beginning of year	<u>694,901</u>	<u>808,612</u>
Cash - end of year	<u>\$ 886,213</u>	<u>\$ 694,901</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 147,524	(\$ 90,410)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	181,045	179,033
Changes in assets and liabilities:		
Receivables	5,870	29,527
Accounts and other payables	6,624	(17,092)
Accrued expenses	5,400	(2,025)
Due from other governmental units	38,109	(24,216)
Net pension liability	9,966	2,734
Total OPEB liability	<u>1,594</u>	<u>(27)</u>
Net cash provided by operating activities	<u>\$ 396,132</u>	<u>\$ 77,535</u>

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 87,289	\$ 133,372
Due from other funds	46,500	-
Due from component unit	-	25,000
TOTAL CURRENT ASSETS	<u>\$ 133,789</u>	<u>\$ 158,372</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$6,208,848	\$5,939,583
Less accumulated depreciation	<u>3,885,080</u>	<u>3,789,491</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$2,323,768</u>	<u>\$2,150,092</u>
TOTAL ASSETS	<u>\$2,457,557</u>	<u>\$2,308,464</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>\$ 22,745</u>	<u>\$ 11,378</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 114,449	\$ 6,191
Accrued wages and benefits	954	287
Due to other funds	<u>224</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>\$ 115,627</u>	<u>\$ 6,478</u>
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 26,399	\$ 10,880
Total OPEB liability	<u>26,638</u>	<u>26,065</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 53,037</u>	<u>\$ 36,945</u>
TOTAL LIABILITIES	<u>\$ 168,664</u>	<u>\$ 43,423</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 6,723</u>	<u>\$ 8,610</u>
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$2,323,768	\$2,150,092
Unrestricted	<u>(18,853)</u>	<u>117,717</u>
TOTAL NET POSITION	<u>\$2,304,915</u>	<u>\$2,267,809</u>

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

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Parking fees - Meters	\$ 2,171	\$ 2,074
Parking space permits	109,590	101,171
Parking easement	55,000	55,000
Parking fines	23,028	31,692
Towing fees	4,030	5,925
TOTAL OPERATING REVENUES	\$ 194,819	\$ 195,862
Operating expenses:		
Parking system maintenance	\$ 78,756	\$ 133,618
Parking law enforcement	32,993	36,115
Winter maintenance	127,421	132,866
Insurance	-	3,453
Miscellaneous	2,791	2,756
Depreciation expense	\$ 241,961	\$ 308,808
	95,589	146,560
TOTAL OPERATING EXPENSES	\$ 337,550	\$ 455,368
NET OPERATING INCOME (LOSS)	(\$ 142,731)	(\$ 259,506)
Non-operating revenues-		
Interest	\$ 1,887	\$ 1,111
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(\$ 140,844)	(\$ 258,395)
Other financing sources (uses)-		
Operating transfers from other funds and component units	\$ 177,950	\$ 95,000
CHANGES IN NET POSITION	\$ 37,106	(\$ 163,395)
Net position, beginning of year	2,267,809	2,431,204
Net position, end of year	\$2,304,915	\$2,267,809

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

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$194,819	\$195,862
Payment to suppliers	(139,137)	(216,911)
Payments to employees	(101,757)	(87,289)
Net cash provided (used) by operating activities	<u>(\$ 46,075)</u>	<u>(\$108,338)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$177,950	\$ 95,000
(Increase) decrease in due from other funds	(21,500)	(25,000)
Increase (decrease) in due to other funds	<u>224</u>	<u>(238)</u>
Net cash provided (used) by noncapital financing activities	<u>\$156,674</u>	<u>\$ 69,762</u>
Cash flows from capital financing activities:		
Acquisition of fixed assets	(\$269,265)	\$ -
Increase (decrease) in accounts payable	<u>110,696</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>\$156,569</u>	<u>\$ 69,762</u>
Cash flows from investment activities -		
Interest received	<u>\$ 1,887</u>	<u>\$ 1,111</u>
Net increase (decrease) in cash and cash equivalents	(\$ 46,083)	(\$ 37,465)
Cash - beginning of year	<u>133,372</u>	<u>170,837</u>
Cash - end of year	<u>\$ 87,289</u>	<u>\$133,372</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$142,731)	(\$259,506)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	95,589	146,460
Changes in assets and liabilities:		
Accounts and other payables	(2,438)	4,391
Accrued expenses	667	(559)
Net pension liability	2,285	784
Total OPEB liability	<u>553</u>	<u>(8)</u>
Net cash provided by operating activities	<u>(\$ 46,075)</u>	<u>(\$108,338)</u>

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF NET POSITION

	June 30,	
	2019	2018
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 201,239	\$ 191,011
Accounts receivable	31,693	6,585
Due from other governmental units		
Federal government	7,320	24,015
State government	-	699
	\$ 240,252	\$ 222,310
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,581,314	\$1,581,314
Less accumulated depreciation	<u>1,271,815</u>	<u>1,191,772</u>
	\$ 309,499	\$ 389,542
TOTAL ASSETS		
	\$ 549,751	\$ 611,852
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 90,048	\$ 46,237
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 6,600	\$ 6,773
Accrued wages and benefits	6,153	4,586
Due to state - state operating assistance	43,764	55,862
Due to other funds	1,037	3,493
	\$ 57,554	\$ 70,714
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 98,692	\$ 29,167
Net OPEB liability	107,769	105,576
	\$ 206,461	\$ 134,743
TOTAL LIABILITIES		
	\$ 264,015	\$ 205,457
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 27,133	\$ 35,878
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 309,499	\$ 389,542
Unrestricted	39,152	27,212
	\$ 348,651	\$ 416,754

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF REVENUES, EXPENSES, and CHANGES IN NET POSITION

		<u>Year ended June 30,</u>	
		<u>2019</u>	<u>2018</u>
Operating revenues		\$ 117,814	\$ 120,727
Operating expenses		<u>610,394</u>	<u>552,777</u>
	OPERATING INCOME (LOSS)	(\$ 492,580)	(\$ 432,050)
Non-operating revenues		464,577	434,791
Non-operating expenses		<u>40,100</u>	<u>44,008</u>
	INCOME (LOSS) BEFORE CONTRIBUTIONS	(\$ 68,103)	(\$ 41,267)
Capital contributions		<u>-</u>	<u>72,703</u>
	CHANGES IN NET POSITION	(\$ 68,103)	\$ 31,436
Net position, beginning of year		<u>416,754</u>	<u>385,317</u>
Net position, end of year		<u>\$ 348,651</u>	<u>\$ 416,754</u>

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 92,706	\$ 118,207
Payments to suppliers	(140,209)	(107,787)
Payments to employees	(369,586)	(375,221)
Net cash provided (used) by operating activities	<u>(\$ 417,089)</u>	<u>(\$ 364,801)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 114,000	\$ 114,000
(Increase) decrease in due from other governmental units	17,394	7,244
Increase (decrease) in due to other funds and component units	(2,456)	1,711
Increase (decrease) in due to other governmental units	(12,098)	31,965
Proceeds from grants	346,914	319,123
Insurance and other refunds	430	1,134
Specialized services grants paid	(40,100)	(44,008)
Net cash provided (used) by noncapital financing activities	<u>\$ 424,084</u>	<u>\$ 431,169</u>
Cash flows from capital and related financing activities:		
Capital contributions	\$ -	\$ 72,703
Acquisition of property, plant and equipment	<u>-</u>	<u>(72,703)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>
Cash flows from investing activities -		
Interest received	<u>\$ 3,233</u>	<u>\$ 1,336</u>
Net increase (decrease) in cash and cash equivalents	\$ 10,228	\$ 67,704
Cash - beginning of year	<u>191,011</u>	<u>123,307</u>
Cash - end of year	<u><u>\$ 201,239</u></u>	<u><u>\$ 191,011</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 492,580)	(\$ 432,050)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	80,043	76,783
Changes in assets and liabilities:		
Receivables	(25,108)	(2,520)
Accounts and other payables	(173)	(366)
Accrued expenses	1,567	(1,086)
Net pension liability	16,969	(5,528)
Net OPEB liability	<u>2,193</u>	<u>(34)</u>
Net cash provided (used) by operating activities	<u>(\$ 417,089)</u>	<u>(\$ 364,801)</u>

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 739,899	\$ 631,035
Accounts receivable	-	575
Due from other funds	40,214	100,794
Due from component units	<u>-</u>	<u>1,705</u>
TOTAL CURRENT ASSETS	<u>\$ 780,113</u>	<u>\$ 734,109</u>
 <u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 328,229	\$ 328,229
Equipment	<u>4,888,394</u>	<u>4,552,838</u>
	\$5,216,623	\$4,881,067
Less accumulated depreciation	<u>3,330,087</u>	<u>3,163,367</u>
TOTAL LAND, BUILDINGS, AND EQUIPMENT	<u>\$1,886,536</u>	<u>\$1,717,700</u>
TOTAL ASSETS	<u>\$2,666,649</u>	<u>\$2,451,809</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>\$ 29,922</u>	<u>\$ 24,522</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 74,708	\$ 176,607
Accrued wages and benefits	1,508	689
Accrued interest expense	4,400	4,709
Current maturities on long-term debt	<u>27,000</u>	<u>27,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 107,616</u>	<u>\$ 209,005</u>
 <u>LONG-TERM LIABILITIES</u>		
Bonds payable	\$ 384,000	\$ 411,000
Less current maturities	27,000	27,000
Net pension liability	44,440	41,430
OPEB liability	<u>24,308</u>	<u>23,707</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 425,748</u>	<u>\$ 449,137</u>
TOTAL LIABILITIES	<u>\$ 533,364</u>	<u>\$ 658,142</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 9,529</u>	<u>\$ 12,203</u>
 <u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$1,502,536	\$1,306,700
Unrestricted	<u>651,142</u>	<u>499,286</u>
TOTAL NET POSITION	<u>\$2,153,678</u>	<u>\$1,805,986</u>

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

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$1,229,103	\$1,207,251
Other revenue	<u>5,246</u>	<u>3,854</u>
TOTAL OPERATING REVENUES	<u>\$1,234,349</u>	<u>\$1,211,105</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 594,261	\$ 595,068
Insurance on equipment and garage	-	76,814
Employee benefits	<u>37,976</u>	<u>47,529</u>
	\$ 632,237	\$ 719,411
Depreciation expense	<u>273,545</u>	<u>264,005</u>
TOTAL OPERATING EXPENSES	<u>\$ 905,782</u>	<u>\$ 983,416</u>
NET INCOME FROM OPERATIONS	<u>\$ 328,567</u>	<u>\$ 227,689</u>
Non-operating income:		
Interest	\$ 8,070	\$ 4,061
Grant	19,000	14,000
Gain on sale of equipment	<u>25,446</u>	<u>6,687</u>
	<u>\$ 52,516</u>	<u>\$ 24,748</u>
Non-operating expenses - Interest	<u>\$ 10,994</u>	<u>\$ 11,720</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 38,303	\$ 38,018
Operating transfers to other funds	<u>(60,700)</u>	<u>(70,700)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 22,397)</u>	<u>(\$ 32,682)</u>
CHANGES IN NET POSITION	<u>\$ 347,692</u>	<u>\$ 208,035</u>
Net position, beginning of year	<u>\$1,805,986</u>	<u>\$1,597,951</u>
Net position, end of year	<u><u>\$2,153,678</u></u>	<u><u>\$1,805,986</u></u>

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

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$1,291,963	\$1,148,783
Payments to suppliers	(639,757)	(467,928)
Payments to employees	(98,024)	(92,719)
Other receipts (payments)	<u>5,246</u>	<u>3,854</u>
Net cash provided (used) by operating activities	<u>\$ 559,428</u>	<u>\$ 591,990</u>
Cash flows from noncapital financing activities:		
Transfers to other funds and component units	(\$ 60,700)	(\$ 70,700)
Cash flows from capital and related financing activities:		
Transfers from other funds	\$ 38,303	\$ 38,018
Proceeds from sale of equipment	25,446	6,687
Acquisition of property, plant and equipment	(442,380)	(354,765)
Loan proceeds	-	-
Grant proceeds	19,000	14,000
Reduction of long-term debt	(27,000)	(26,000)
Interest paid on long-term debt	<u>(11,303)</u>	<u>(12,018)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 397,934)</u>	<u>(\$ 334,078)</u>
Cash flows from investment activities -		
Interest received	<u>\$ 8,070</u>	<u>\$ 3,061</u>
Net increase (decrease) in cash and cash equivalents	\$ 108,864	\$ 191,273
Cash - beginning of year	<u>631,035</u>	<u>439,762</u>
Cash - end of year	<u>\$ 739,899</u>	<u>\$ 631,035</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 328,567	\$ 227,689
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	273,545	264,005
Changes in assets and liabilities:		
Accounts and other receivables	575	3,325
Accounts and other payables	(101,899)	151,327
Due from other funds and component units	62,285	(61,793)
Accrued expenses	818	(362)
Net pension liability	(5,064)	7,806
Net OPEB liability	<u>601</u>	<u>(7)</u>
Net cash provided by operating activities	<u>\$ 559,428</u>	<u>\$ 591,990</u>

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ -
Investments	1,472,780	1,354,042
Loans to participants	<u>47,724</u>	<u>39,934</u>
	<u>\$1,520,504</u>	<u>\$1,393,976</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
<u>NET POSITION</u>	<u>\$1,520,504</u>	<u>\$1,393,976</u>

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Employer contributions	\$ 61,396	\$ 58,692
Investment income	<u>97,129</u>	<u>83,650</u>
TOTAL OPERATING REVENUES	<u>\$ 158,525</u>	<u>\$ 142,342</u>
Operating expenses:		
Plan distributions	\$ 20,000	\$ -
Administration fees	<u>11,997</u>	<u>10,918</u>
TOTAL OPERATING EXPENSES	<u>\$ 31,997</u>	<u>\$ 10,918</u>
NET OPERATING INCOME (LOSS)	<u>\$ 126,528</u>	<u>\$ 131,424</u>
Net position, beginning of year	<u>1,393,976</u>	<u>1,262,552</u>
Net position, end of year	<u>\$1,520,504</u>	<u>\$1,393,976</u>

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

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF NET POSITION

		June 30,	
		2019	2018
<u>ASSETS</u>			
Cash		\$ 806,550	\$ 961,928
Prepaid expense		48,223	47,251
	TOTAL ASSETS	\$ 854,773	\$1,008,947
<u>LIABILITIES</u>			
Accounts payable		\$ 1,432	\$ 810
Accumulated employee sick leave		74,365	63,214
Accumulated employee vacation		174,948	153,706
	TOTAL LIABILITIES	\$ 250,745	\$ 217,730
<u>NET POSITION</u>			
Restricted		\$ 604,028	\$ 791,217

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$1,589,966	\$1,530,333
Other revenue	<u>24,274</u>	<u>12,947</u>
TOTAL OPERATING REVENUES	<u>\$1,614,240</u>	<u>\$1,543,280</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 196,412	\$ 171,877
Hospitalization insurance	762,371	705,842
Sick pay	110,540	33,073
Vacation pay	203,787	174,842
Holiday pay	78,875	75,487
Jury duty	105	-
Funeral leave	2,833	3,580
Longevity pay	9,510	9,265
Workers' compensation insurance	63,153	43,903
Unemployment insurance	379	338
Retirement contributions	294,766	294,221
Life insurance	31,917	32,751
Disability insurance	10,305	11,356
Safety	12,467	16,093
Uniforms	13,359	20,978
Other	<u>10,650</u>	<u>5,305</u>
TOTAL OPERATING EXPENSES	<u>\$1,801,429</u>	<u>\$1,598,911</u>
CHANGES IN NET POSITION	(\$ 187,189)	(\$ 55,631)
Net position, beginning of year	<u>791,217</u>	<u>846,848</u>
Net position, end of year	<u>\$ 604,028</u>	<u>\$ 791,217</u>

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

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$1,589,966	\$1,530,333
Payments to suppliers	(35,854)	(43,453)
Payments to employees	(1,733,764)	(1,556,721)
Other receipts	<u>24,274</u>	<u>(12,947)</u>
Cash flows provided (used) by operating activities	(\$ 155,378)	(\$ 56,894)
Cash, beginning of year	<u>961,928</u>	<u>1,018,822</u>
Cash, end of year	<u>\$ 806,550</u>	<u>\$ 961,928</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 187,189)	(\$ 55,631)
Changes in assets and liabilities:		
Prepaid expense	(1,205)	(1,768)
Accounts payable	622	691
Accumulated employee sick leave	11,151	(22,865)
Accumulated employee vacation	<u>21,243</u>	<u>22,679</u>
Net cash provided (used) by operating activities	<u>(\$ 155,378)</u>	<u>(\$ 56,894)</u>

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

CITY OF HOUGHTON, MICHIGAN

AGENCY FUND
 TAX COLLECTION FUND
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 For the Year ended June 30, 2019

	Balance <u>07-01-18</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06-30-19</u>
<u>ASSETS</u>				
Cash	\$ <u>47,233</u>	<u>\$6,205,655</u>	<u>\$6,251,888</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ -	\$ 201,436	\$ 201,436	\$ -
Tax Increment Finance Authority	-	699,276	699,276	-
Due to other governmental units	<u>47,233</u>	<u>5,304,943</u>	<u>5,351,176</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 47,223</u>	<u>\$6,205,655</u>	<u>\$6,251,888</u>	<u>\$ -</u>

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

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 BALANCE SHEETS

		June 30,	
		2019	2018
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 268,774	\$ 227,189
Due from primary government		-	-
		<u>\$ 268,774</u>	<u>\$ 227,189</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 7,182	\$ 791
Accrued wages and benefits		477	444
Due to primary government		-	25,000
	TOTAL LIABILITIES	<u>\$ 7,659</u>	<u>\$ 26,235</u>
<u>FUND BALANCE</u>		<u>261,115</u>	<u>200,954</u>
		<u>\$ 268,774</u>	<u>\$ 227,159</u>

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

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2019
 With Actual Amounts for Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018 <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Taxes	\$172,800	\$194,682	\$ 21,882	\$176,933
Interest and rents	4,500	4,904	404	2,364
Grants	5,000	6,752	1,752	6,000
Miscellaneous	-	1,659	1,659	863
TOTAL REVENUES	<u>\$182,300</u>	<u>\$207,997</u>	<u>\$ 25,697</u>	<u>\$186,160</u>
Expenditures:				
General government administration	\$ 38,000	\$ 18,632	\$ 19,368	\$ 23,761
Public works	54,600	41,183	13,417	19,529
Recreation and parks	38,250	36,571	1,679	52,103
TOTAL EXPENDITURES	<u>\$130,850</u>	<u>\$ 96,386</u>	<u>\$ 34,464</u>	<u>\$ 95,393</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 51,450</u>	<u>\$111,611</u>	<u>\$ 60,161</u>	<u>\$ 90,767</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 51,450)	(\$ 51,450)	\$ -	(\$ 25,000)
Operating transfers from other funds	-	-	-	152
Operating transfers to other funds	-	-	-	(103,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 51,450)</u>	<u>(\$ 51,450)</u>	<u>\$ -</u>	<u>(\$128,348)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ 60,161</u>	<u>\$ 60,161</u>	<u>(\$ 37,581)</u>
Fund balance (deficit), beginning of year	<u>200,954</u>	<u>200,954</u>	<u>-</u>	<u>238,535</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$200,954</u>	<u>\$261,115</u>	<u>\$ 60,161</u>	<u>\$200,954</u>

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

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2019

	Totals (Memorandum Only)		General Fund	Debt Service Funds	Long-Term Debt Group of Accounts
	2019	2018			
<u>ASSETS</u>					
Cash	\$ 113,934	\$ 55,147	\$ 113,934	\$ -	\$ -
Taxes receivable	2,382	-	2,382	-	-
Amount to be provided for retirement of long-term debt	-	55,000	-	-	-
	<u>\$ 116,316</u>	<u>\$ 110,147</u>	<u>\$ 116,316</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 6,940	\$ 10,325	\$ 6,940	\$ -	\$ -
Accrued wages and benefits	1,048	603	1,048	-	-
Due to primary government	-	1,705	-	-	-
Deferred revenue	2,382	-	2,382	-	-
Long-term debt	-	55,000	-	-	-
TOTAL LIABILITIES	\$ 10,370	\$ 67,633	\$ 10,370	\$ -	\$ -
<u>FUND BALANCE</u>	<u>105,946</u>	<u>42,514</u>	<u>105,946</u>	<u>-</u>	<u>-</u>
	<u>\$ 116,316</u>	<u>\$ 110,147</u>	<u>\$ 116,316</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year ended June 30, 2019

	<u>Totals</u>			
	<u>(Memorandum Only)</u>			
	<u>2019</u>	<u>2018</u>	<u>General</u>	<u>Debt</u>
			<u>Fund</u>	<u>Service</u>
				<u>Funds</u>
Revenues:				
Taxes	\$ 699,276	\$ 687,784	\$ 699,276	\$ -
Interest and rents	<u>4,909</u>	<u>2,809</u>	<u>4,883</u>	<u>26</u>
TOTAL REVENUES	<u>\$ 704,185</u>	<u>\$ 690,593</u>	<u>\$ 704,159</u>	<u>\$ 26</u>
Expenditures:				
General government administration	\$ 165,591	\$ 184,187	\$ 165,591	\$ -
Public safety	120,000	120,000	120,000	-
Capital outlay	296,862	591,522	296,862	-
Debt Service:				
Principal	55,000	50,000	-	55,000
Interest	<u>3,300</u>	<u>6,300</u>	<u>-</u>	<u>3,300</u>
TOTAL EXPENDITURES	<u>\$ 640,753</u>	<u>\$ 952,009</u>	<u>\$ 582,453</u>	<u>\$ 58,300</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 63,432</u>	<u>(\$ 261,416)</u>	<u>\$ 121,706</u>	<u>(\$ 58,274)</u>
Other financing sources (uses):				
Operating transfers to				
primary government	\$ -	(\$ 42,600)	\$ -	\$ -
Operating transfers from other funds	58,185	56,300	-	58,185
Operating transfers to other funds	<u>(58,185)</u>	<u>(56,300)</u>	<u>(58,185)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>(\$ 42,600)</u>	<u>(\$ 58,185)</u>	<u>\$ 58,185</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 63,432</u>	<u>(\$ 304,016)</u>	<u>\$ 63,521</u>	<u>(\$ 89)</u>
Fund balance (deficit), beginning of year	<u>42,514</u>	<u>346,530</u>	<u>42,425</u>	<u>89</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 105,946</u></u>	<u><u>\$ 42,514</u></u>	<u><u>\$ 105,946</u></u>	<u><u>\$ -</u></u>

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

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 BALANCE SHEETS

		<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$113,934	\$ 55,058
Taxes receivable		<u>2,382</u>	<u>-</u>
		<u>\$116,316</u>	<u>\$ 55,058</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 6,940	\$ 10,325
Accrued wages and benefits		1,048	603
Due to primary government		-	1,705
Deferred revenue		<u>2,382</u>	<u>-</u>
	TOTAL LIABILITIES	\$ 10,370	\$ 12,633
<u>FUND BALANCE</u>		<u>105,946</u>	<u>42,425</u>
		<u>\$116,316</u>	<u>\$ 55,058</u>

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2019

With Actual Amounts for Year Ended June 30, 2018

	2019		Variance	2018
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 703,965	\$ 699,276	(\$ 4,689)	\$ 687,784
Miscellaneous	45,000	-	(45,000)	-
Interest and rents	2,000	4,883	2,883	2,796
TOTAL REVENUES	750,965	\$ 704,109	(\$ 46,806)	\$ 690,580
Expenditures:				
General government administration	\$ 194,400	\$ 165,591	\$ 28,809	\$ 184,187
Public safety	120,000	120,000	-	120,000
Capital outlay	378,265	296,862	81,403	591,522
TOTAL EXPENDITURES	\$ 692,665	\$ 582,453	\$ 110,212	\$ 895,709
EXCESS OF REVENUES (EXPENDITURES)	\$ 58,300	\$ 121,656	\$ 63,406	(\$ 205,129)
Other financing sources (uses) -				
Operating transfers to other fund	(58,300)	(58,185)	115	(98,900)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 63,521	\$ 63,521	(\$ 304,029)
Fund balance (deficit), beginning of year	42,425	42,425	-	346,454
FUND BALANCE (DEFICIT), END OF YEAR	\$ 42,425	\$ 105,946	\$ 63,521	\$ 42,425

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

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUND
 1999 LTD REFUNDING BONDS
 BALANCE SHEETS

		June 30,	
		2019	2018
<u>ASSETS</u>			
Cash		\$ -	\$ 89
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities		\$ -	\$ -
Fund Balance		-	89
		\$ -	\$ 89

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

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUND
 1999 LTD REFUNDING BONDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

	Year Ended June 30,	
	2019	2018
Revenues:		
Interest and rents	\$ 26	\$ 13
Contributions from other funds	<u>58,300</u>	<u>56,300</u>
TOTAL REVENUES	<u>\$ 58,326</u>	<u>\$ 56,313</u>
Expenditures:		
Redemption of serial bonds	\$ 55,000	\$ 50,000
Interest on bonds	<u>3,300</u>	<u>6,300</u>
TOTAL EXPENDITURES	<u>\$ 58,300</u>	<u>\$ 56,300</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 26</u>	<u>\$ 13</u>
Other financing sources (uses) -		
Operating transfer to other funds	(<u>\$ 115</u>)	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 89)	\$ -
Fund balance, beginning of year	<u>89</u>	<u>76</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 89</u></u>

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

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30,	
	2019	2018
<u>AMOUNT TO BE PROVIDED FOR THE</u>		
<u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of bonds payable	<u>\$ -</u>	<u>\$ 55,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
1999 Bluffs Project Bonds	<u>\$ -</u>	<u>\$ 55,000</u>

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

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,477,180	\$1,427,608
Personal property taxes	52,270	49,326
Payments in lieu of taxes	15,955	6,705
Local Community Stabilization Share Tax	50,634	35,744
Previously written off	1,116	2,899
Administration fees and interest	<u>41,553</u>	<u>38,259</u>
	TOTAL TAXES	
	\$ 1,638,708	\$1,560,541
Licenses and permits	<u>\$ 1,985</u>	<u>\$ 1,350</u>
Federal grant - FEMA	<u>\$ 850,244</u>	<u>\$ -</u>
State infrastructure loan proceeds	<u>\$ 1,300,000</u>	<u>\$ -</u>
State grants:		
Sales and use tax	\$ 857,877	\$ 826,861
Liquor licenses	10,680	10,525
Fire protection	-	17,297
Other	<u>432,163</u>	<u>9,610</u>
	TOTAL STATE GRANTS	
	\$ 1,300,720	\$ 864,293
Charges for service:		
Accident reports	\$ 1,341	\$ 1,211
Lighting - MTU	4,371	4,371
Dee Stadium	171,791	155,615
Sanitation	282,694	274,005
Charges to users	<u>416,826</u>	<u>390,703</u>
	TOTAL CHARGES FOR SERVICES	
	\$ 877,023	\$ 825,905
Interest and rents		
Interest income	<u>\$ 15,643</u>	<u>\$ 8,083</u>
Other revenue:		
Sale of assets	\$ 200,000	\$ -
Fines and forfeits	2,217	1,884
Public safety	120,000	120,000
Grants	133,360	123,517
Contributions	2,000	1,900
Miscellaneous	<u>39,989</u>	<u>19,205</u>
	TOTAL OTHER REVENUE	
	\$ 497,566	\$ 266,506
	TOTAL REVENUES	
	<u>\$ 6,481,889</u>	<u>\$3,526,678</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 27,204	\$ 27,807
City manager	126,564	110,304
Elections	11,758	8,009
Assessor	42,961	53,853
Planning and professional services	57,573	64,209
Clerk	129,054	118,296
Treasurer	56,831	49,111
Accounting and auditing	20,000	19,500
Building and grounds	228,437	179,173
Community promotion	93,846	105,101
Capital outlay	<u>38,252</u>	<u>81,694</u>
	TOTAL GENERAL GOVERNMENT ADMINISTRATION	
	\$ 832,480	\$ 817,057

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE (CONTINUED)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Public safety:		
Police	\$ 940,602	\$ 950,336
Fire	115,133	114,238
Task force	144,248	121,826
Capital outlay	27,004	23,606
TOTAL PUBLIC SAFETY	<u>\$1,226,987</u>	<u>\$1,210,006</u>
Public works:		
Department of public works	\$1,122,285	\$ 398,890
Building inspection	55,434	54,155
Sidewalks and curbs	26,352	34,038
Street lighting	178,863	112,078
Tree trimming	7,891	20,105
Security cameras	15,054	8,478
Signs	10,453	15,625
Refuse collections	223,290	239,533
TOTAL PUBLIC WORKS	<u>\$1,639,622</u>	<u>\$ 882,902</u>
Recreation and parks:		
Beach	\$ 70,585	\$ 49,681
Dee Stadium	203,136	143,293
Parks	256,193	254,739
TOTAL RECREATION AND PARKS	<u>\$ 529,914</u>	<u>\$ 447,713</u>
Debt service:		
Principal	\$ 125,916	\$ 122,631
Interest	62,605	66,706
TOTAL DEBT SERVICE	<u>\$ 188,521</u>	<u>\$ 189,337</u>
Other expenditures:		
City beautification	\$ 30,152	\$ 29,092
Insurance and bonds	56,380	51,238
Miscellaneous	15,987	10,649
TOTAL OTHER EXPENDITURES	<u>\$ 102,519</u>	<u>\$ 90,979</u>
TOTAL EXPENDITURES	<u>\$4,520,043</u>	<u>\$3,637,994</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$1,631,846</u>	<u>(\$ 111,316)</u>
Other financing sources (uses):		
Operating transfers in	\$ 5,700	\$ 5,839
Operating transfers out	(547,676)	(371,463)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 541,976)</u>	<u>(\$ 365,624)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$1,419,870</u>	<u>(\$ 476,940)</u>
Fund balance, beginning of year	466,066	943,006
FUND BALANCE, END OF YEAR	<u>\$1,885,936</u>	<u>\$ 466,066</u>

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

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 SCHEDULES OF EXPENDITURES AND REIMBURSEMENTS FOR STATE TRUNKLINE MAINTENANCE

	June 30,	
	2019	2018
Expenditures:		
Traffic signals	\$ 10,050	\$ 9,783
Surface maintenance	4,814	1,468
Sweep and flush	-	721
Culvert/underdrain	3,827	-
Signs	1,173	963
Catch basins	-	2,362
Snow and ice control	429,556	524,772
Shoulder maintenance	-	158
Emergency storm repairs	<u>63,664</u>	<u>5,133</u>
	\$545,360	\$545,360
Reimbursements -		
Michigan Department of Highways and Transportation	<u>552,353</u>	<u>554,368</u>
	<u>(\$ 53,731)</u>	<u>\$ 9,008</u>

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

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 SCHEDULE OF OPERATING REVENUES
 Year ended June 30, 2019

	07-01-18 to <u>09-30-18</u>	10-01-18 to <u>06-30-19</u>	<u>Total</u>
Fare box	\$ 9,927	\$ 90,454	\$100,381
Special contract fares	3,852	10,287	14,139
RTAP reimbursement	<u>2,256</u>	<u>1,038</u>	<u>3,294</u>
TOTAL OPERATING REVENUES	<u>\$ 16,035</u>	<u>\$101,779</u>	<u>\$117,814</u>

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2019

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 176,772	\$ -	\$ -	\$176,772
Other salaries and wages	-	32,928	30,930	63,858
Fringe benefits	89,654	18,399	16,866	124,919
Pension	26,760	9,344	8,223	44,327
Services:				
Contracted services	760	9,425	-	10,185
Printing and publishing	-	-	307	307
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	21,518	-	-	21,518
Other materials and supplies	9,535	44,271	-	53,806
Utilities	811	10,299	-	11,110
Casualty and liability cost - Premiums for public liability and property damage insurance	-	12,606	-	12,606
Miscellaneous expenses	4,601	2,255	1,986	8,842
Depreciation	<u>56,636</u>	<u>14,712</u>	<u>8,695</u>	<u>80,043</u>
TOTAL OPERATING EXPENSES	<u>\$ 387,047</u>	<u>\$ 154,239</u>	<u>\$ 69,507</u>	<u>\$610,793</u>

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

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 Year ended June 30, 2019

Non-operating revenues:

Operating transfers in - General Fund	\$114,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	214,862
Specialized Services -	
Contract 07-0065	40,100
Federal Operating Grant - U.S. DOT Operating	
Grant - Section 5311	91,952
Miscellaneous - insurance refund	430
Interest Income	<u>3,233</u>
TOTAL NON-OPERATING REVENUES	<u>\$464,577</u>

Non-operating expenses:

Specialized Services Grants -	
Contract 07-0226	<u>\$ 40,100</u>

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2019

	07-01-18 to <u>09-30-18</u>	10-01-18 to <u>06-30-19</u>	<u>Total</u>
Fare box	\$ 9,927	\$ 90,454	\$100,381
Special contract fares	3,852	10,287	14,139
Contributions from other City funds	<u>-</u>	<u>114,000</u>	<u>114,000</u>
TOTAL REVENUES	<u>\$ 13,779</u>	<u>\$214,741</u>	<u>\$228,520</u>

Based on a September 30, 2018 Year End

	10-01-17 to <u>06-30-18</u>	07-01-18 to <u>09-30-18</u>	<u>Total</u>
Fare box	\$ 87,336	\$ 9,927	\$ 97,263
Special contract fares	16,455	3,852	20,307
Contributions from other City funds	<u>104,000</u>	<u>-</u>	<u>124,307</u>
TOTAL REVENUES	<u>\$207,791</u>	<u>\$ 13,779</u>	<u>\$221,570</u>

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

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 FEDERAL AND STATE AWARDS
 For the year ended June 30, 2019

	07-01-18 to <u>09-30-18</u>	10-01-19 to <u>06-30-19</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 41,647	\$160,416	\$202,063
Federal Transit Administration Section 5311	20,240	71,712	91,952
RTAP	<u>2,256</u>	<u>1,038</u>	<u>3,294</u>
TOTAL	<u>\$ 64,143</u>	<u>\$233,166</u>	<u>\$297,309</u>

Based on a September 30, 2018 year end

	10-01-17 to <u>06-30-18</u>	07-01-18 to <u>09-30-18</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$147,368	\$ 41,647	\$189,015
Federal Transit Administration Section 5311	69,552	20,240	89,792
RTAP	<u>753</u>	<u>2,256</u>	<u>3,009</u>
TOTAL	<u>\$217,673</u>	<u>\$ 64,143</u>	<u>\$281,816</u>

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

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year ended June 30, 2019

Federal and State Grantor/Pass-Through Grantor/Program Title	Grant No./ Authorization Number
U.S. Department of Transportation:	
Passed through Michigan Department of Transportation	
Operating Assistance:	
FY17 Section 5311	2017-0065/P1
FY18 Section 5311	2017-0065/P6
Michigan Department of Transportation:	
Operating Assistance - Act 51 - Nonurban	N/A
Specialized Services	12-0099/P2
Specialized Services	12-0065/P5
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS	

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

Program Award Amount	Current Year's Expenditures				Prior Year's Expenditures	Award Amount Remaining
	Total	Federal	State	Local		
\$ 20,240	\$ 20,240	\$ 20,240	\$ -	\$ -	\$ -	\$ -
71,712	71,712	71,712	-	-	-	-
214,755	214,755	-	214,755	-	-	-
18,162	18,162	-	18,162	-	-	-
21,938	21,938	-	21,938	-	-	-
<u>\$ 348,807</u>	<u>\$348,807</u>	<u>\$ 91,952</u>	<u>\$ 254,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 OPERATING AND CONTRACT EXPENSES
 Year ended June 30, 2019

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 240,630	\$ -	\$ -	\$240,630
Fringe benefits	124,919	-	-	124,919
Pension	44,327	-	-	44,327
Services	12,992	-	-	12,992
Materials and supplies	75,324	-	-	75,324
Utilities	11,110	-	-	11,110
Casualty and liability costs	12,606	-	-	12,606
Purchased services	-	40,100	-	40,100
Miscellaneous expenses	8,842	-	-	8,842
Depreciation	<u>80,043</u>	<u>-</u>	<u>-</u>	<u>80,043</u>
TOTAL EXPENSES	<u>\$ 610,793</u>	<u>\$ 40,100</u>	<u>\$ -</u>	<u>\$650,893</u>

The Specialized Services Program is a pass-through program and all revenues are passed through directly to the recipient organization. Costs paid under this program were allocated under the 1990 Specialized Services plan. The plan was adhered to in the preparation of the financial statements.

No BPT approved cost allocation plans are required, nor were any BPT approved cost allocation plans used in the preparation of the financial statements. No BPT approved cost allocation plan is required for the Specialized Services Program because the transit agency merely acts as a pass-through agency.

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
Year ended June 30, 2019

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	
	<u>7-1-18 to 9-30-18</u>	<u>10-1-18 to 6-30-19</u>	<u>Total</u>
Expenses:			
Labor	\$ 46,739	\$193,891	\$240,630
Fringe benefits	29,007	140,239	169,246
Services	9,013	3,979	12,992
Materials and supplies	24,631	50,693	75,324
Utilities	1,052	10,058	11,110
Casualty and liability costs	3,151	9,455	12,606
Miscellaneous expenses	2,965	5,877	8,842
Depreciation	<u>20,011</u>	<u>60,032</u>	<u>80,043</u>
TOTAL OPERATING EXPENSES	<u>\$136,569</u>	<u>\$474,224</u>	<u>\$610,793</u>
Less ineligible expenses:			
RTAP reimbursement	\$ 2,256	\$ 1,038	\$ 3,294
GASB68 and GASB75 adjustments	4,890	14,671	19,561
Finance charges	5	30	35
NSF	-	55	55
Depreciation	<u>20,011</u>	<u>60,032</u>	<u>80,043</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 27,162</u>	<u>\$ 75,826</u>	<u>\$102,988</u>
NET ELIGIBLE EXPENSES	<u>\$109,407</u>	<u>\$398,398</u>	<u>\$507,805</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 20,240</u>		
18.00%		<u>\$ 71,712</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

38.0667% of eligible expenses for non-urbanized areas (rate based on reconcile)
(.380667 x \$109,407)

40.2653% of eligible expenses for non-urbanized areas (rate based on budget)
(.402653 x \$398,398)

The percentages are calculated based on budgeted eligible operating expenses. Therefore, the percentages will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close-out. There is a fixed amount of state funds available statewide and the percentages change based on the statewide eligible expenses.

Statutory Cap:

Non-urbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses.

Mandatory Floor:

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

Capital Money

No capital money has been used to pay operating expenses.

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

Local Bus Operating Assistance

<u>7-1-18 to 9-30-18</u>	<u>10-1-18 to 6-30-19</u>	<u>Total</u>
\$ 46,739	\$193,891	\$240,630
29,007	140,239	169,246
9,013	3,979	12,992
24,631	50,693	75,324
1,052	10,058	11,110
3,151	9,455	12,606
2,965	5,877	8,842
<u>20,011</u>	<u>60,032</u>	<u>80,043</u>
<u>\$136,569</u>	<u>\$474,224</u>	<u>\$610,793</u>
\$ -	\$ -	\$ -
2,256	1,038	3,294
5	30	35
-	55	55
<u>20,011</u>	<u>60,032</u>	<u>80,043</u>
<u>\$ 22,272</u>	<u>\$ 61,155</u>	<u>\$ 83,427</u>
<u>\$114,297</u>	<u>\$413,069</u>	<u>\$527,366</u>

\$ 41,647

\$160,416

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
Based on a September 30, 2018 year end

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z4		
	<u>10-1-17 to 6-30-18</u>	<u>7-1-18 to 9-30-18</u>	<u>Total</u>
Expenses:			
Labor	\$190,964	\$ 46,739	\$237,703
Fringe benefits	107,229	29,007	136,236
Services	7,583	9,013	16,596
Materials and supplies	48,442	24,631	73,073
Utilities	9,718	1,052	10,770
Casualty and liability costs	8,682	3,151	11,833
Miscellaneous expenses	2,929	2,965	5,894
Depreciation	<u>57,587</u>	<u>20,011</u>	<u>77,598</u>
TOTAL OPERATING EXPENSES	<u>\$433,134</u>	<u>\$136,569</u>	<u>\$569,703</u>
Less ineligible expenses:			
Audit	\$ 1,875	\$ -	\$ 1,875
RTAP reimbursements	753	2,256	3,009
Insurance reimbursements	1,134	4,890	6,024
GASB69 and GASB75 adjustments	(4,172)	-	(4,172)
Finance fees	-	5	5
Depreciation	<u>57,587</u>	<u>20,011</u>	<u>77,598</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 57,177</u>	<u>\$ 27,162</u>	<u>\$ 84,339</u>
NET ELIGIBLE EXPENSES	<u>\$375,957</u>	<u>\$109,407</u>	<u>\$485,364</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 69,552</u>		
18.50%		<u>\$ 20,240</u>	

State Statutory Operating Assistance -
Reimbursement Amount:

39.1981% of eligible expenses for nonurbanized areas (rate based on reconcile)
39.1981% of eligible expenses for nonurbanized areas (rate based on reconcile)

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

Local Bus Operating Assistance

10-1-17 to 6-30-18	7-1-18 to 9-30-18	Total
\$190,964	\$ 46,739	\$ 237,703
107,229	29,007	136,236
7,583	9,013	16,596
48,442	24,631	73,073
9,718	1,052	10,770
8,682	3,151	11,833
2,929	2,965	5,894
<u>57,587</u>	<u>20,011</u>	<u>77,598</u>
<u>\$433,134</u>	<u>\$136,569</u>	<u>\$ 569,703</u>
\$ 1,875	\$ -	\$ 1,875
753	2,256	3,009
1,134	4,890	6,024
(4,172)	-	(4,172)
-	5	5
<u>57,587</u>	<u>20,011</u>	<u>77,598</u>
<u>\$ 57,177</u>	<u>\$ 27,162</u>	<u>\$ 84,339</u>
<u>\$375,957</u>	<u>\$109,407</u>	<u>\$ 485,364</u>

\$147,368

\$ 42,885

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN OPERATING EXPENSES
Year ended June 30, 2019

	07-01-18 to <u>09-30-18</u>	10-01-18 to <u>06-30-19</u>	<u>Total</u>
Expenses:			
Labor	\$ 46,739	\$190,964	\$240,630
Fringe benefits	29,007	140,239	169,246
Services	9,013	3,979	12,992
Materials and supplies	24,631	50,693	75,324
Utilities	1,052	10,058	11,110
Casualty and liability costs	3,151	9,455	12,606
Miscellaneous expenses	2,965	5,877	8,842
Depreciation	<u>20,011</u>	<u>60,032</u>	<u>80,043</u>
TOTAL OPERATING EXPENSES	<u>\$136,569</u>	<u>\$474,224</u>	<u>\$610,793</u>

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENSE REPORT
OAR SCHEDULE 4E
Based on the year ended September 30, 2018

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 177,950	\$ -	\$ -	\$177,950
Other salaries and wages	-	30,777	28,976	59,753
Fringe benefits	79,595	19,399	17,656	116,650
Pension	14,672	2,566	2,348	19,586
Services:				
Audit cost	-	-	1,875	1,875
Contracted services	180	14,212	-	14,392
Printing and publishing	-	-	330	330
Materials and supplies:				
Fuel and lubricants	27,300	-	-	27,300
Tires and tubes	6,805	-	-	6,805
Other materials and supplies	15,391	23,577	-	38,968
Utilities	658	9,487	625	10,770
Casualty and liability insurance	-	11,834	-	11,834
Miscellaneous expenses:				
Travel, meetings, and training	1,142	789	532	2,463
Other miscellaneous expenses	1,699	612	1,118	3,429
Depreciation	55,879	13,771	7,948	77,598
TOTAL EXPENSES	<u>\$ 381,271</u>	<u>\$ 127,024</u>	<u>\$ 61,408</u>	<u>\$569,703</u>
Ineligible expenses:				
Audit cost	\$ -	\$ -	\$ 1,875	\$ 1,875
RTAP reimbursements	3,009	-	-	3,009
Insurance reimbursement	-	6,024	-	6,024
GASB68 and GASB75 adjustments	(3,125)	(547)	(500)	(4,172)
Finance fees	-	-	5	5
Depreciation	55,879	13,771	7,948	77,598
TOTAL INELIGIBLE EXPENSES	<u>\$ 55,763</u>	<u>\$ 19,248</u>	<u>\$ 9,328</u>	<u>\$ 84,339</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 325,508</u>	<u>\$ 107,776</u>	<u>\$ 52,080</u>	<u>\$485,364</u>

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT
OAR SCHEDULE 4N

Based on the year ended September 30, 2018

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	26,567
Second Quarter	26,753
Third Quarter	23,532
Fourth Quarter	<u>20,252</u>
	<u>97,104</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage. However, the methodology used does not differentiate between Line Haul and Demand Response Mileage.

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE REVENUE REPORT
Based on a September 30, 2018 year end

Farebox revenue:	
Passenger fares	\$ 97,263
Contract fares	20,307
State formula and contracts -	
State operating assistance	189,015
Federal contracts -	
Section 5311	<u>89,792</u>
TOTAL NONURBAN REGULAR SERVICE REVENUES	<u><u>\$396,377</u></u>

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

JOSEPH M. DAAVETILA
CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 19, 2019

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S
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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the City of Houghton, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Houghton's basic financial statements and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

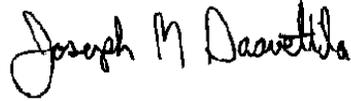
As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of Houghton, Michigan's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant, PLC
Houghton, Michigan

JOSEPH M. DAAVETILA
CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 19, 2019

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited City of Houghton, Michigan 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 (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.

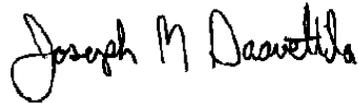
Report on Internal Control Over Compliance

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 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 or significant deficiencies.

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.

A handwritten signature in black ink that reads "Joseph M. Dacaveth". The signature is written in a cursive style with a large initial "J".

Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal and State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant No./ Authorization Number
U.S. Department of Transportation:		
Passed through Michigan Department of Transportation		
Highway Research Planning and Construction:		
Emergency Relief Preliminary Engineering	20.205	1801 (206)
Emergency Relief Non-Trunkline Federal-Aid	20.205	1801 (221)
Total Highway Research Planning and Construction		
Operating Assistance:		
FY17 Section 5311		2017-0065/P1
FY18 Section 5311		2017-0065/P6
Total Operating Assistance		
Total U.S. Department of Transportation		
U.S. Department of Homeland Security -		
Federal Emergency Management Agency -		
Passed through Michigan Department of State Police -		
Disaster Grants - Public Assistance	97.036	FEMA-4381-DR-MI
Passed through Michigan Economic Development Corporation -		
U.S. Department of Housing and Urban Development -		
Community Development Block grant/States Program	14.228	B-16-DC-26-0001
TOTAL EXPENDITURES OF FEDERAL AWARDS		

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

<u>Program Award Amount</u>	<u>Current Year's Expenditures</u>	<u>Prior Year's Expenditures</u>
\$ 149,078	\$ 23,343	\$ -
<u>472,700</u>	<u>472,700</u>	<u>-</u>
\$ 621,778	\$ 496,043	\$ -
\$ 20,240	\$ 20,240	\$ -
<u>71,712</u>	<u>71,712</u>	<u>-</u>
\$ 91,952	\$ 91,952	\$ -
<u>\$ 713,730</u>	<u>\$ 587,995</u>	<u>\$ -</u>
<u>\$1,097,211</u>	<u>\$ 780,034</u>	<u>\$ -</u>
\$ 618,230	\$ 546,950	\$ -
<u>\$2,429,171</u>	<u>\$ 1,914,979</u>	<u>\$ -</u>

CITY OF HOUGHTON, MICHIGAN
RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE
WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

	Year Ended <u>June 30, 2019</u>
Grant Revenue	\$ 5,034,550
Less State of Michigan Local Bus Operating Assistance	(214,862)
Less State of Michigan Street Funds Operation Grants	(1,804,550)
Less miscellaneous state grants and revenue sharing	(1,060,059)
Less federal grants received not administered by the City	(<u>40,100</u>)
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,914,979</u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Houghton, Michigan (the "City") under programs of the federal government for the year ended June 30, 2019. The information in the 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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. Expenditures reported in the Schedule are reported on the accrual basis of accounting. 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. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

3. Component unit excluded from Schedule of Expenditures of Federal Awards. Houghton Housing Commission, a component unit of the City of Houghton, Michigan, contracted to have its own audit for its year ended December 31, 2018. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Houghton Housing Commission.

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION I: SUMMARY OF AUDITOR'S RESULTS

- 1) The auditor's report expresses an unmodified opinion on the financial statements of the City.
- 2) There were no material weaknesses in internal controls over financial reporting identified.
- 3) There were two significant deficiencies related to internal controls over financial reporting that are not considered to be material weaknesses.
- 4) There was no noncompliance material to financial statements noted.
- 5) There were no deficiencies in internal control over major federal award programs disclosed during the audit.
- 6) The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
- 7) The 10% de minimis indirect cost rate was not elected
- 8) There were no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
- 9) The program tested as a major program was:

Federal Emergency Management Agency - Disaster Grants -
Public Assistance FEMA-4381-DR-MI
- 10) The threshold used for distinguishing between Type A and B programs was \$750,000.
- 11) The City did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal control over books and records), and reporting government-wide financial statements including related footnotes.

Conditions

As in the case with many small entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal control.

Cause

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the financial department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task.

Effect

As a result of this condition the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials

The City has evaluated the benefits of establishing internal control over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them to accept responsibility for their content and presentation.

2019-002 AUDIT ADJUSTMENTS

Statement of Condition/Criteria:

Material audit adjustments were required to properly accrue revenues and expenditures and to record capital asset activity.

Response/Status:

Management will review procedures to properly accrue revenues and expenditures and to properly record capital asset activity.

SECTION III - FEDERAL PROGRAM AUDIT FINDINGS

None

JOSEPH M. DAAVETILA
CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 19, 2019

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units of the City of Houghton, as of and for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 17, 2019 during our audit planning meetings with the Treasurer and City Manager.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 17, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 19, 2019.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in note B to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate for the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

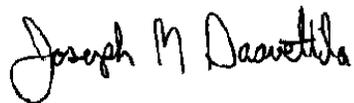
Other Significant Matters, Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Houghton and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Joseph M. Daavetila". The signature is written in a cursive style with a large initial "J".

Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
SUMMARY OF AUDIT DIFFERENCES
All Funds
Year Ended June 30, 2019

	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in <u>Fund Balance/Equity</u>
Unadjusted audit differences	None
Prior year unadjusted audit differences	None