

FINANCIAL STATEMENTS
CITY OF HOUGHTON, MICHIGAN
June 30, 2018

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December 13, 2018

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, 2018, 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, 2018 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.

Emphasis of Matters

As described in Note B to the financial statements, the City adopted the new accounting guidance of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions. This new standard establishes accounting and financial reporting requirements for OPEB plans provided to the employees of governmental employers. The adoption of GASB Statement No. 75 resulted in the recognition of a total other postemployment benefit liability, as well as significant changes to the other postemployment benefit plan related note disclosures and required supplemental schedules. Our opinion is not modified with respect to this matter.

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.

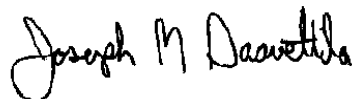
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houghton's basic financial statements. The Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Financial Information is 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 Financial Information is 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 2017 financial statements and, in our report dated December 20, 2017, 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 13, 2018, 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, 2018
(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, 2018. 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, 2018 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,611,503	\$ 2,647,100	\$ 2,728,010	\$ 2,829,628
Capital assets	<u>11,300,473</u>	<u>10,240,600</u>	<u>16,274,987</u>	<u>16,828,204</u>
Total assets	<u>\$13,911,976</u>	<u>\$12,887,700</u>	<u>\$19,002,997</u>	<u>\$19,657,832</u>
Deferred outflows of resources	<u>\$ 372,509</u>	<u>\$ 324,778</u>	<u>\$ 122,006</u>	<u>\$ 99,492</u>
Long-term liabilities	\$ 2,813,553	\$ 3,517,450	\$10,156,000	\$10,579,291
Other liabilities	<u>1,809,471</u>	<u>584,575</u>	<u>830,774</u>	<u>423,158</u>
Total liabilities	<u>\$ 4,623,024</u>	<u>\$ 4,102,025</u>	<u>\$10,986,774</u>	<u>\$11,002,449</u>
Deferred inflows of resources	<u>\$ 247,568</u>	<u>\$ 2,081</u>	<u>\$ 90,851</u>	<u>\$ 5,390</u>
Net position:				
Invested in capital assets, net of related debt	\$ 8,524,897	\$ 7,332,681	\$ 5,861,987	\$ 6,178,204
Restricted	-	-	811,328	953,096
Unrestricted	<u>888,996</u>	<u>1,775,691</u>	<u>1,374,063</u>	<u>1,618,185</u>
Total net position	<u>\$ 9,413,893</u>	<u>\$ 9,108,372</u>	<u>\$ 8,047,378</u>	<u>\$ 8,749,485</u>

Total Primary
Government

<u>2018</u>	<u>2017</u>
\$ 5,339,513	\$ 5,476,728
<u>27,575,460</u>	<u>27,068,804</u>
<u>\$32,914,973</u>	<u>\$32,545,532</u>
\$ 494,515	\$ 424,270
\$12,969,553	\$14,096,741
<u>2,640,245</u>	<u>1,007,733</u>
<u>\$15,609,798</u>	<u>\$15,104,474</u>
\$ 338,419	\$ 7,471
\$14,386,884	\$13,510,885
811,328	953,096
<u>2,263,059</u>	<u>3,393,876</u>
<u>\$17,461,271</u>	<u>\$17,857,857</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.

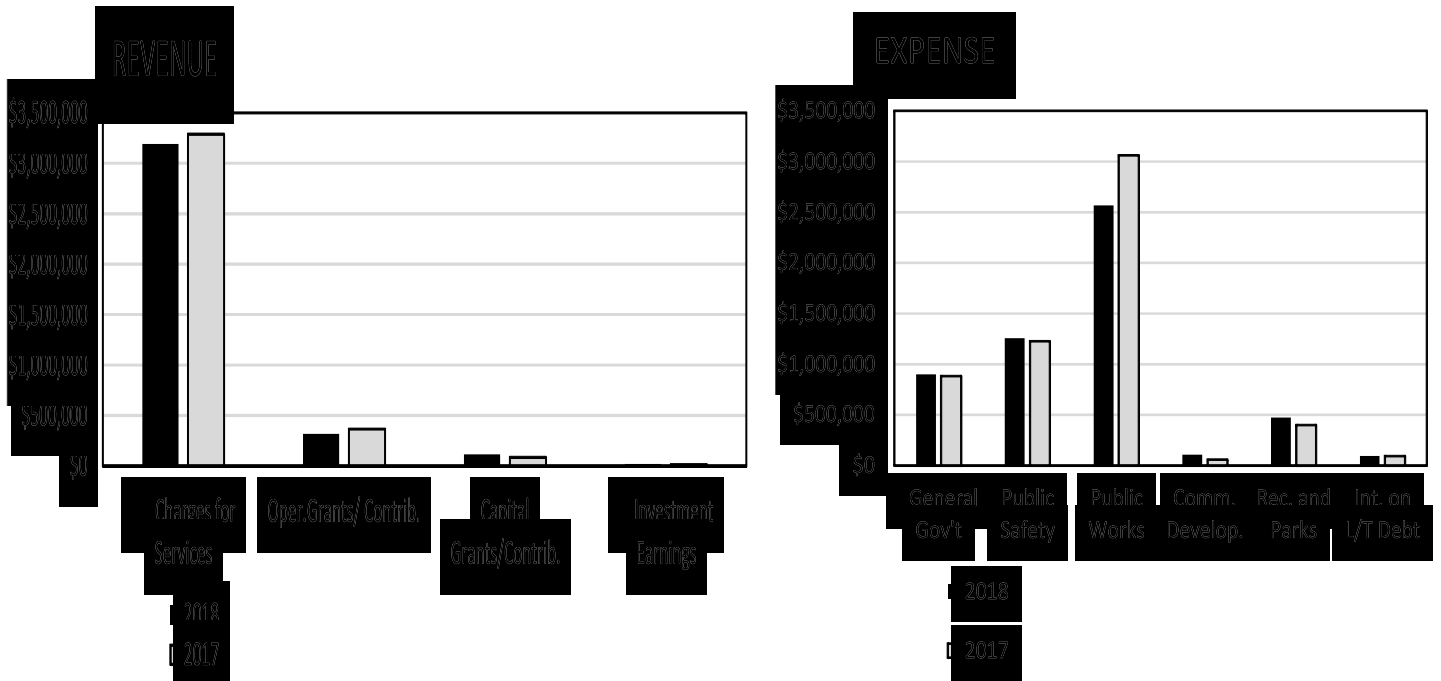
Table 2
City of Houghton's Changes in Net Position
Governmental Business-Type
Activities Activities

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Program revenues:				
Charges for services	\$ 957,073	\$ 986,431	\$3,191,161	\$3,288,490
Operating grants and contributions	2,698,960	2,268,362	318,321	366,030
Capital grants and contributions	960,030	89,943	117,453	87,093
General revenues:				
Property taxes	1,707,945	1,689,945	-	-
Investment earnings	24,371	19,402	19,198	14,454
Gain (loss) on sale of assets	2,550	18,150	-	-
Miscellaneous	<u>6,687</u>	<u>5,805</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$6,357,616</u>	<u>\$5,078,038</u>	<u>\$3,646,133</u>	<u>\$3,756,067</u>
Expenses:				
General government	\$ 895,280	\$ 881,773	\$ -	\$ -
Public safety	1,256,241	1,225,896	-	-
Public works	2,508,810	3,060,362	-	-
Community development	105,110	58,329	-	-
Recreation and parks	474,913	401,623	-	-
Interest on long-term debt	96,015	93,625	-	-
Water	-	-	1,265,923	1,019,103
Sewer	-	-	1,999,822	2,172,197
Parking	-	-	440,329	432,531
Transit	<u>-</u>	<u>-</u>	<u>591,917</u>	<u>646,550</u>
Total expenses	<u>\$5,336,369</u>	<u>\$5,721,608</u>	<u>\$4,297,991</u>	<u>\$4,270,381</u>
Increase (decrease) in net position before transfers	\$1,021,247	(\$ 643,570)	(\$ 651,858)	(\$ 514,314)
Transfers	<u>(141,400)</u>	<u>(43,150)</u>	<u>209,000</u>	<u>83,150</u>
Increase in net position	<u>\$ 879,847</u>	<u>(\$ 686,720)</u>	<u>(\$ 442,858)</u>	<u>(\$ 431,164)</u>
Net position at July 1, 2017, as previously stated	\$9,108,372	\$9,795,092	\$8,754,262	\$9,180,649
GASB 45 adjustment	88,906	-	-	-
GASB 75 adjustment	<u>(663,232)</u>	<u>-</u>	<u>(264,026)</u>	<u>-</u>
Net position at July 1, 2017, as restated	<u>\$8,534,046</u>	<u>\$9,795,092</u>	<u>\$8,490,236</u>	<u>\$9,180,649</u>
Net position, end of year	<u>\$9,413,893</u>	<u>\$9,108,372</u>	<u>\$8,047,378</u>	<u>\$8,749,485</u>

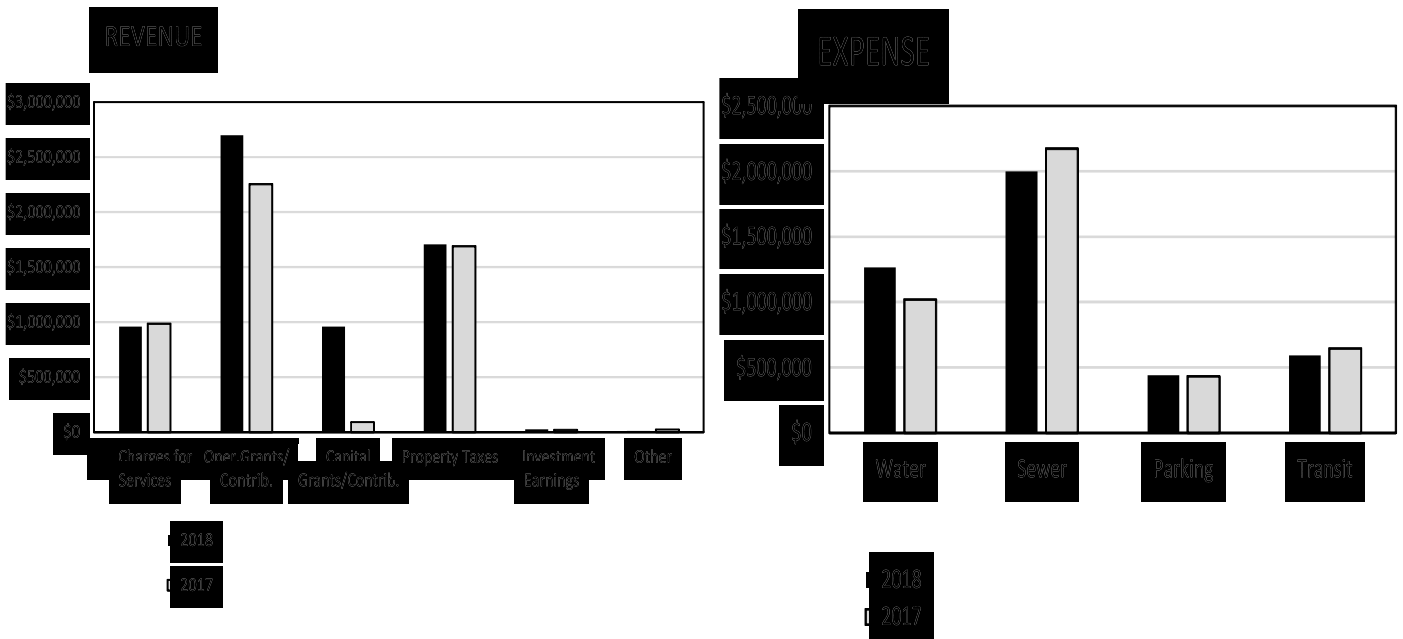
Total Primary
Government

2018	2017
<p>\$ 4,148,234</p> <p>3,017,281</p> <p>1,077,483</p> <p>1,707,945</p> <p>43,569</p> <p>2,550</p> <p>6,687</p> <hr/> <p>\$10,003,749</p>	<p>\$ 4,274,921</p> <p>2,634,392</p> <p>177,036</p> <p>1,689,945</p> <p>33,856</p> <p>18,150</p> <p>5,805</p> <hr/> <p>\$ 8,834,105</p>
<p>\$ 895,280</p> <p>1,256,241</p> <p>2,508,810</p> <p>105,110</p> <p>474,913</p> <p>96,015</p> <p>1,265,923</p> <p>1,999,822</p> <p>440,329</p> <p>591,917</p> <hr/> <p>\$ 9,634,360</p>	<p>\$ 881,773</p> <p>1,225,896</p> <p>3,060,362</p> <p>58,329</p> <p>401,623</p> <p>93,625</p> <p>1,019,103</p> <p>2,172,197</p> <p>432,531</p> <p>646,550</p> <hr/> <p>\$ 9,991,989</p>
<p>\$ 369,389</p> <hr/> <p>67,600</p> <hr/> <p>\$ 436,989</p>	<p>(\$ 1,157,884)</p> <hr/> <p>40,000</p> <hr/> <p>(\$ 1,117,884)</p>
<p>\$17,862,634</p> <p>88,906</p> <p>(927,258)</p> <hr/> <p>17,024,282</p> <hr/> <p>\$17,461,271</p>	<p>\$18,975,741</p> <hr/> <p>-</p> <hr/> <p>18,975,741</p> <hr/> <p>\$17,857,857</p>

Governmental Activities Comparison FY 2018 - FY 2017



Business-type Activities Comparison FY 2018 - FY 2017



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

The City's Governmental Activities net position increased 3.3% in FY 2018. Overall, revenue was up 25% with a large portion of the MEDC Lakeshore Drive Project grant funds drawn (and then expended) in the first two quarters and a MDOT pass-through project in the major Street Fund. Total Property Tax revenue was up 1%.

Governmental Activities expenses decreased 6.7%. Public Safety was up slightly with wage increases. Public Works expense was down 18% without the large paving projects from the year before, but still accounted for almost half of the expenses as the Lakeshore Drive MEDC funds were expensed for the project and Public Works completed a large sidewalk project on Portage Street. The City again increased spending on Parks and Recreation (+18%) in continuing repairs at Kestner Park and improvements at Dee Stadium.

Over all, the GASB 45 and GASB 75 accounting rules that went into effect for this audit year have a net negative effect on nearly all "Net Position" calculations in funds where wages are paid to an employee eligible for some sort of benefit after retirement. Both of these rules add at least some of the liability of "Other Post-Employment Benefits" (OPEB) as a present value on the balance sheet. This adjustment, across both Governmental and Business-type Activities account for over 6% of the total net position. Given that in coming years the same effects will be recognized, they should not have the same net negative effect in the Net Position as they did this first year.

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

The City's Business-Type Activities net position decreased by 8% with a 3% decrease in revenue, slightly higher expenses of less than 1%, and the net effect of the aforementioned new GASB adjustments.

Regular fluctuations in water/sewer use, parking fees, and transit ridership continue, but their net effect on revenue was minimal. Sewer expenses were down overall with a large project completed the previous year. Water system expenses increased with some major maintenance at the water plant. Overall Parking expenses were relatively unchanged, though the previous project expense was replaced by snow removal expense due to a harder winter. Transit expenses were lower as fewer pieces of equipment were replaced this year.

CITY FUNDS

General Fund

Overall Revenue decreased in 2018 by 2.4%. The decrease was in part due to grants received in the previous fiscal year, but not in 2018. Charges for Services were up primarily due to increased Dee Stadium income, RV Park income, and other Charges to Users. Overall home and business property tax values have increased. The yearly sales study shows that more than 50 residences were bought and sold in 2018 and that property values continue to increase.

Overall Expenditures increased by 6%. In 2018 one large expense occurred in the last 2 weeks of the fiscal year when a record rain storm caused severe damage to the city's infrastructure. The massive response by Public Works needed to restore streets, sewers, and drainage ways was tracked and paid for out of the General Fund in order to consolidate the response expenses such that when reporting for state and federal aid reimbursement the expense information was accounted for in one place. The response expense accounted for nearly 7% of the General Fund expenditures for the year.

General Government and Public Safety Expenses increased due to wages. Public Works expenses decreased by 18% without the larger projects from 2017. Community Development and Recreation and Parks spending increased with more work done at Dee Stadium (restrooms), work at the City Center (restrooms) and new street lighting in Portage Cove.

Major Street Fund

State Act 51 money was up 20% over the previous year with additional funds coming in mid-year. Street Preservation work was slowed this year as compared to previous years as a major project was completed in 2017 and with limited contractor availability and higher material prices in 2018, preservation work was intended to be done at a later date. Snow Removal income and expense, a large portion of that being reimbursement, were both up from the previous year. Routine Maintenance expenses were a bit lower due to the recent larger projects. Overall revenue and expense were both higher with special MDOT trunkline highway work performed as a pass through contract between MDOT and Houghton.

Local Street Fund

The State Act 51 was increased 20% from last year. Overall spending in the Local Street Fund was considerably lower this year after a major street paving project in 2017. Winter maintenance expenses increased over the previous year, but again this expense is variable with the severity and duration of the winter. State snow grant funds provide additional funds with heavier snowfalls.

Revolving Loan Fund

Fund Balance increased. Revenue from loan repayments was higher with borrowers who got behind the previous fiscal year catching up on unpaid balances.

Public Improvement Fund

The fund grew as it was put back into use to hold and disburse 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 the bulk of the MEDC grant for the utility and street work on West Lakeshore Drive throughout downtown, sidewalks on Portage Street, and work at Dee Stadium. A list of these projects is on page 79.

Debt Service Fund

This account had little activity, and thus little change, as the City did not incur any new debt in 2018 that would require the use of a separate fund for debt service.

Water Fund

Overall Water Sales were down 4.5%, statistically unchanged from last year given the typical yearly variances in water sold. Source expense was up with maintenance projects at the water plant for painting, pumps, and filter media. System Maintenance costs were up with maintenance supplies being replenished this year. No major capital projects were done in-house, though the water fund did contribute additional matching funds for the Lakeshore Drive MEDC Grant Project. The net position decreased by 18% with the cash outlays for maintenance and new GASB 75 adjustments, but revenues continue to cover operating expenses.

Sewer Fund

Sewer charges decreased from the previous year like the Water Fund. The fluctuations in sewer sales can differ from water sales because some water customers are not sewer customers and vice versa. The Sewer fund had one major capital project on Dodge Street.

The Portage Lake Water and Sewage Authority disposal cost decreased by another 1.7% with the system maintenance and replacements keeping the Houghton flow percentage of total plant flow decreasing. Continued maintenance on the sewer system will need to be done to maintain this trend.

Overall the Net Position decreased by about 4.8% largely due to less grant income (MDEQ SAW Grant closeout in 2017), and newly recognized GASB 75 adjustments to net position.

Parking Fund

Parking system revenue was down about 10% with fewer passes sold. Overall expenses increased with winter snow removal costs much higher than the previous year. The net position decreased by 7.7% this year with the GASB 75 adjustment, decreased revenue, and a 14% decrease in operating funds transfers compared to the previous year.

Transit Fund

Revenue was statistically the same as 2017. Operating expenses were down by 8%, but non-operating (State) revenue was down as well. The overall Net Position decreased about 15% from last year which is primarily due to the GASB 75 adjustment with labor costs being such a significant part of Transit Fund expenses.

Equipment Fund

Operating Revenue was up 27% with increased use of equipment in part due to the additional snow removal operations over the winter. Operating expenses increased by about 34% with fuel costs up and the purchase of a new loader and some trucks. The net position increased with the new equipment assets and was less affected by the GASB 75 adjustments as labor is not such a large component of overall expenses.

Employee Benefit Fund

Operating Revenue was statistically the same as the previous year. Hospitalization insurance expense increased by 15% which made up most of the change in operating expense. Employees received a 3.0% raise. Overall the net position decreased by 6.5% 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 1.6% and Personal Property Taxes grew by 8.8%. Sales and Use Tax revenue was up 2.5%. Most expected revenues were realized. Charges for Services were up with increased revenue from the City RV Park and increased rentals at Dee Stadium. Sanitation (trash collection) revenue was relatively unchanged. Overall the General Fund revenue was down by 4% without the grants received for special projects the previous year.

Expenses - General Fund:

- a. Overall expenses increased by 1%
- b. The City continued to spend fund balance down with further repairs to Kestner Park.
- c. 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 the net expense in the last 2 weeks of the fiscal year was nearly 7% of the entire year's expenses.
- d. Public Safety spending increased with more overtime worked by full-time officers as the availability of part-time officers was limited. Fire Department expenses were lower with lower grant expenses.
- e. Dee Stadium costs were down again as part of an ongoing effort to improve overall operational efficiency.
- f. Park Maintenance spending was up with further park improvements.
- g. Street Lighting electrical costs were lower and the expense of the Portage Cove Street Light Project was not incurred until the next fiscal year.
- h. Recreational spending was up with additional funds put into parks, docks, and beach.
- i. Debt Service spending increased slightly with new debt.
- j. The Transit contribution decreased by about \$9,000.

Capital Asset and Debt Administration

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
CAPITAL ASSETS				
Land	\$ 655,759	\$ 655,759	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	2,447,224	2,515,460	99,441	106,277
Improvements	1,389,840	1,423,262	48,656	50,515
Equipment	1,975,854	1,926,199	347,444	354,514
Infrastructure	<u>4,831,796</u>	<u>3,719,920</u>	<u>14,838,133</u>	<u>15,375,585</u>
Total	<u>\$11,300,473</u>	<u>\$10,240,600</u>	<u>\$16,274,987</u>	<u>\$16,828,204</u>
DEBT				
General Obligation Bonds	\$ 2,074,000	\$ 2,189,000	\$ -	\$ -
Revenue Bonds	-	-	10,413,000	10,650,000
Installment Purchase Contracts	155,288	203,919	-	-
Limited Tax Investment Notes	<u>475,000</u>	<u>515,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,704,288</u>	<u>\$ 2,907,919</u>	<u>\$10,413,000</u>	<u>\$10,650,000</u>

Overall Capital Assets increased by 2%. Governmental Activities assets increased in Equipment and Infrastructure while Business-Type Activities decreased with depreciation.

The debt on General Obligation Bonds and Water/Sewer Revenue Bonds decreased with the pay down of existing bonds. Additional debt was not incurred. Overall debt decreased by 3%.

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>2018</u>	<u>2017</u>
\$ 655,759	\$ 655,759
941,313	941,313
2,546,665	2,621,737
1,438,496	1,473,777
2,323,298	2,280,713
<u>19,669,929</u>	<u>19,095,505</u>
<u>\$27,575,460</u>	<u>\$27,068,804</u>
\$ 2,074,000	\$ 2,189,000
10,413,000	10,650,000
155,288	203,919
<u>475,000</u>	<u>515,000</u>
<u>\$13,117,288</u>	<u>\$13,557,919</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2018

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Cash	\$ 2,345,444	\$ 1,324,036	\$ 3,669,480	\$ 282,336
Accounts receivable	94,136	211,217	305,353	-
Taxes receivable	10,615	-	10,615	-
Due from other governmental units	163,145	140,399	303,544	-
Due from component unit	1,705	25,000	26,705	23,845
Internal balances	(113,320)	113,320	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	914,038	914,038	-
Investments	11,783	-	11,783	-
Long-term loans	92,441	-	92,441	-
Capital assets - net	<u>11,300,473</u>	<u>16,274,987</u>	<u>27,575,460</u>	<u>6,122,234</u>
TOTAL ASSETS	<u>\$ 13,911,976</u>	<u>\$19,002,997</u>	<u>\$32,914,973</u>	<u>\$6,428,415</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	<u>\$ 372,509</u>	<u>\$ 122,006</u>	<u>\$ 494,515</u>	<u>\$ 24,549</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 465,689	\$ 34,979	\$ 500,668	\$ 11,116
Accrued expenses	80,772	118,867	199,639	1,597
Due to other governmental units	823	55,862	56,685	-
Due to component unit	23,845	-	23,845	26,705
Noncurrent liabilities:				
Due within one year	161,916	257,000	418,916	55,000
Due in more than one year	2,813,553	10,156,000	12,969,553	-
Net pension liability	413,403	100,125	513,528	24,646
Net OPEB liability	<u>663,023</u>	<u>263,941</u>	<u>926,964</u>	<u>44,991</u>
TOTAL LIABILITIES	<u>\$ 4,623,024</u>	<u>\$10,986,774</u>	<u>\$15,609,798</u>	<u>\$ 164,055</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pension	<u>\$ 247,568</u>	<u>\$ 90,851</u>	<u>\$ 338,419</u>	<u>\$ 16,689</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	\$ 8,524,897	\$ 5,861,987	\$14,386,884	\$6,067,234
Restricted for debt service	-	811,328	811,328	-
Unrestricted	<u>888,996</u>	<u>1,374,063</u>	<u>2,263,059</u>	<u>204,986</u>
TOTAL NET POSITION	<u>\$ 9,413,893</u>	<u>\$ 8,047,378</u>	<u>\$17,461,271</u>	<u>\$6,272,220</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, 2018

	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	\$ 895,280	\$ 348,719	\$ 962,804	\$ -
Public safety	1,256,241	123,398	26,906	14,000
Public works	2,508,810	323,845	1,709,250	946,030
Community development	105,110	-	-	-
Recreation and parks	474,913	161,111	-	-
Interest on long-term debt	96,015	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$5,336,369	\$ 957,073	\$ 2,698,960	\$ 960,030
Business-type activities:				
Water	\$1,265,923	\$1,039,071	\$ -	\$ -
Sewer	1,999,822	1,835,501	-	44,750
Parking	440,329	195,862	-	-
Transit	591,917	120,727	318,321	72,703
TOTAL BUSINESS-TYPE ACTIVITIES	\$4,297,991	\$3,191,161	\$ 318,321	\$ 117,453
TOTAL PRIMARY GOVERNMENT	\$9,634,360	\$4,148,234	\$ 3,017,281	\$ 1,077,483
Component Units:				
DDA	\$ 121,393	\$ -	\$ -	\$ 6,000
TIFA	453,447	-	-	-
TOTAL COMPONENT UNITS	\$ 574,840	\$ -	\$ -	\$ 6,000

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, 2017, as previously stated

GASB 45 adjustment

GASB 75 adjustment

Net position at July 1, 2017, as restated

Net position at June 30, 2018

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>
\$ 416,243	\$ -	\$ 416,243	
(1,091,937)	-	(1,091,937)	
470,315	-	470,315	
(105,110)	-	(105,110)	
(313,802)	-	(313,802)	
(96,015)	-	(96,015)	
<u>(\$ 720,306)</u>	<u>\$ -</u>	<u>(\$ 720,306)</u>	
\$ -	(\$ 226,852)	(\$ 226,852)	
-	(119,571)	(119,571)	
-	(244,467)	(244,467)	
<u>-</u>	<u>(80,166)</u>	<u>(80,166)</u>	
<u>\$ -</u>	<u>(\$ 671,056)</u>	<u>(\$ 671,056)</u>	
<u>(\$ 720,306)</u>	<u>(\$ 671,056)</u>	<u>(\$ 1,391,362)</u>	
\$ -	\$ -	\$ -	(\$ 115,393)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,447)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 568,840)</u>
\$ 1,707,945	\$ -	\$ 1,707,945	\$ 863,674
24,371	19,198	43,569	5,196
2,550	-	2,550	863
6,687	-	6,687	-
(141,400)	209,000	67,600	(67,600)
<u>\$ 1,600,153</u>	<u>\$ 228,198</u>	<u>\$ 1,828,351</u>	<u>\$ 802,133</u>
<u>\$ 879,847</u>	<u>(\$ 442,858)</u>	<u>\$ 436,989</u>	<u>\$ 233,293</u>
\$ 9,108,372	\$8,754,262	\$17,862,634	\$6,083,932
88,906	-	88,906	-
(663,232)	(264,026)	(927,258)	(45,005)
<u>\$ 8,534,046</u>	<u>\$8,490,236</u>	<u>17,024,282</u>	<u>6,038,927</u>
<u>\$ 9,413,893</u>	<u>\$8,047,378</u>	<u>\$17,461,271</u>	<u>\$6,272,220</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 628,244	\$ 419,172	\$ 259,178
Accounts receivable	93,561	-	-
Taxes receivable	10,615	-	-
Inventories	5,554	-	-
Due from other funds	12,613	-	7,437
Due from other governmental units	-	91,114	35,639
Long-term loan	-	-	-
Investments	11,783	-	-
TOTAL ASSETS	<u>\$ 762,370</u>	<u>\$ 510,286</u>	<u>\$ 302,254</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 166,193	\$ 215	\$ 25,857
Accrued expenses	57,125	341	1,586
Due to other governmental units	-	823	-
Due to other funds	62,371	15,827	8,982
TOTAL LIABILITIES	<u>\$ 285,689</u>	<u>\$ 17,206</u>	<u>\$ 36,425</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes and other	\$ 10,615	\$ -	\$ -
<u>FUND BALANCES</u>			
Assigned for inventory	\$ 5,554	\$ -	\$ -
Unassigned, reported in:			
General fund	460,512	-	-
Special revenue funds	-	493,080	265,829
Capital project fund	-	-	-
Debt service funds	-	-	-
TOTAL FUND BALANCES	<u>\$ 466,066</u>	<u>\$ 493,080</u>	<u>\$ 265,829</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 762,370</u>	<u>\$ 510,286</u>	<u>\$ 302,254</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 283,733	\$ 124,082	\$ -	\$1,714,409
-	-	-	93,561
-	-	-	10,615
-	-	-	5,554
-	-	-	20,050
-	36,392	-	163,145
92,441	-	-	92,441
-	-	-	11,783
<u>\$ 376,174</u>	<u>\$ 160,474</u>	<u>\$ -</u>	<u>\$2,111,558</u>

\$ -	\$ 96,817	\$ -	\$ 289,082
-	-	-	59,052
-	-	-	823
-	98	-	87,278
<u>\$ -</u>	<u>\$ 96,915</u>	<u>\$ -</u>	<u>\$ 436,235</u>
<u>\$ 92,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,056</u>

\$ -	\$ -	\$ -	\$ 5,554
-	-	-	460,512
283,733	-	-	1,042,642
-	63,559	-	63,559
-	-	-	-
<u>\$ 283,733</u>	<u>\$ 63,559</u>	<u>\$ -</u>	<u>\$1,572,267</u>
<u>\$ 376,174</u>	<u>\$ 160,474</u>	<u>\$ -</u>	<u>\$2,111,558</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balance - total governmental funds	\$ 1,572,267
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.	9,582,773
Deferred outflow of resources - related to pension	347,987
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	103,056
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.	1,635,255
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.	(16,322)
Net pension liability	(371,973)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(2,564,469)
Deferred inflow of resources - related to pension	(235,365)
Other post-employment benefit plan	(<u>639,316</u>)
Net position of governmental activities	<u>\$ 9,413,893</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, 2018

	General	Major Street	Local Street
REVENUES:			
Taxes	\$1,560,541	\$ -	\$ 148,452
License and permits	1,350	-	-
State and federal grants	987,810	1,361,193	348,057
Charges for services	825,905	-	-
Interest and rents	8,083	3,093	2,967
Other revenue	142,989	-	-
TOTAL REVENUES	<u>\$3,526,678</u>	<u>\$1,364,286</u>	<u>\$ 499,476</u>
EXPENDITURES:			
General government	\$ 729,363	\$ 15,433	\$ 15,184
Public safety	1,186,400	-	-
Public works	882,902	1,148,141	506,108
Recreation and parks	447,713	-	-
Other expenditures	96,979	-	-
Capital outlay	105,300	-	-
Debt service:			
Principal	122,631	-	35,000
Interest and other charges	66,706	-	16,335
TOTAL EXPENDITURES	<u>\$3,637,994</u>	<u>\$1,163,574</u>	<u>\$ 572,627</u>
Excess (deficiency) of revenues over expenditures	<u>(\$ 111,316)</u>	<u>\$ 200,712</u>	<u>(\$ 73,151)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,839	\$ 20,000	\$ 76,373
Transfers out	(371,463)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 365,624)</u>	<u>\$ 20,000</u>	<u>\$ 76,373</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 476,940)</u>	<u>\$ 220,712</u>	<u>\$ 3,222</u>
Fund balances, beginning of year	<u>\$ 943,006</u>	<u>\$ 272,368</u>	<u>\$ 262,607</u>
Fund balances, end of year	<u>\$ 466,066</u>	<u>\$ 493,080</u>	<u>\$ 265,829</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$1,708,993
-	-	-	1,350
-	877,119	-	3,574,179
-	-	-	825,905
4,188	1,979	-	20,310
<u>26,967</u>	<u>68,911</u>	<u>-</u>	<u>238,867</u>
<u>\$ 31,155</u>	<u>\$ 948,009</u>	<u>\$ -</u>	<u>\$6,369,604</u>
\$ 600	\$ -	\$ -	\$ 760,580
-	-	-	1,186,400
-	-	-	2,537,151
-	-	-	447,713
-	-	-	96,979
-	1,180,939	-	1,286,239
-	-	20,000	177,631
-	-	550	83,591
<u>\$ 600</u>	<u>\$1,180,939</u>	<u>\$ 20,550</u>	<u>\$6,576,284</u>
<u>\$ 30,555</u>	<u>(\$ 232,930)</u>	<u>(\$ 20,550)</u>	<u>(\$ 206,680)</u>
\$ -	\$ 140,122	\$ 20,550	\$ 262,884
-	-	(139)	(371,602)
<u>\$ -</u>	<u>\$ 140,122</u>	<u>\$ 20,411</u>	<u>(\$ 108,718)</u>
<u>\$ 30,555</u>	<u>(\$ 92,808)</u>	<u>(\$ 139)</u>	<u>(\$ 315,398)</u>
<u>\$ 253,178</u>	<u>\$ 156,367</u>	<u>\$ 139</u>	<u>\$1,887,665</u>
<u>\$ 283,733</u>	<u>\$ 63,559</u>	<u>\$ -</u>	<u>\$1,572,267</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, 2018

Net change in fund balances - total governmental funds		(\$ 315,398)
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.		1,336,239
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.	(25,316)
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 \$264,005.	(632,132)
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.		177,631
Repayments of revolving loan fund loan principal are recorded as revenue in the governmental funds.	(26,967)
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.	(1,048)
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.		775
Changes in accrued compensated absences are not recognized in governmental funds.	(64,882)
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	\$	208,035
Net of amount allocated to business-type and component unit activities	(41,095)
Depreciation expense	264,005	430,945
Change in net position of governmental activities		\$ 879,847

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, 2018

		<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		\$ 304,752	\$ 694,901	\$ 133,372	\$ 191,011
Accounts receivable		66,122	138,510	-	6,585
Due from other funds		-	23,511	-	-
Due from component units		-	-	25,000	-
Due from other governmental units		-	115,685	-	24,714
	TOTAL CURRENT ASSETS	<u>\$ 370,874</u>	<u>\$ 972,607</u>	<u>\$ 158,372</u>	<u>\$ 222,310</u>
<u>NONCURRENT ASSETS</u>					
Restricted assets		\$ 463,667	\$ 450,371	\$ -	\$ -
Capital assets:					
Property and equipment		13,990,201	9,938,062	5,939,583	1,581,314
Less accumulated depreciation		(6,147,022)	(4,987,201)	(3,789,491)	(1,191,772)
Investment in Portage Lake Water and Sewer Authority		-	941,313	-	-
	TOTAL NONCURRENT ASSETS	<u>\$ 8,306,846</u>	<u>\$6,342,545</u>	<u>\$2,150,092</u>	<u>\$ 389,542</u>
	TOTAL ASSETS	<u>\$ 8,677,720</u>	<u>\$7,315,152</u>	<u>\$2,308,464</u>	<u>\$ 611,852</u>
Deferred outflows of resources - related to pensions		<u>\$ 29,313</u>	<u>\$ 35,078</u>	<u>\$ 11,378</u>	<u>\$ 46,237</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable		\$ 21,047	\$ 968	\$ 6,191	\$ 6,773
Accrued wages and benefits		7,847	3,437	287	4,586
Accrued expenses		65,447	37,263	-	-
Due to other funds		51,483	2,101	-	3,493
Due to other governmental units		-	-	-	55,862
Current maturities on long-term debt		207,000	50,000	-	-
	TOTAL CURRENT LIABILITIES	<u>\$ 352,824</u>	<u>\$ 93,769</u>	<u>\$ 6,478</u>	<u>\$ 70,714</u>
<u>NONCURRENT LIABILITIES</u>					
Bonds payable		\$ 7,183,000	\$3,230,000	\$ -	\$ -
Less current maturities		207,000	50,000	-	-
Net pension liability		33,531	26,546	10,880	29,167
OPEB liability		49,789	82,511	26,065	105,576
	TOTAL NONCURRENT LIABILITIES	<u>\$ 7,059,320</u>	<u>\$3,289,057</u>	<u>\$ 36,945</u>	<u>\$ 134,743</u>
	TOTAL LIABILITIES	<u>\$ 7,412,144</u>	<u>\$3,382,826</u>	<u>\$ 43,423</u>	<u>\$ 205,457</u>
Deferred inflows of resources - related to pensions		<u>\$ 19,032</u>	<u>\$ 27,331</u>	<u>\$ 8,610</u>	<u>\$ 35,878</u>
<u>NET POSITION</u>					
Invested in capital assets - net of related debt		\$ 660,179	\$2,662,174	\$2,150,092	\$ 389,542
Restricted for debt service		398,220	413,108	-	-
Unrestricted		217,458	864,791	117,717	27,212
	TOTAL NET POSITION	<u>\$ 1,275,857</u>	<u>\$3,940,073</u>	<u>\$2,267,809</u>	<u>\$ 416,754</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>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,324,036	\$ 631,035
211,217	575
23,511	100,794
25,000	1,705
<u>140,399</u>	<u>-</u>
<u>\$ 1,724,163</u>	<u>\$ 734,109</u>
\$ 914,038	\$ -
31,449,160	4,881,838
(16,115,486)	(3,163,367)
<u>941,313</u>	<u>-</u>
<u>\$17,189,025</u>	<u>\$ 1,717,700</u>
<u>\$18,913,188</u>	<u>\$ 2,451,809</u>
<u>\$ 122,006</u>	<u>\$ 24,522</u>
\$ 34,979	\$ 176,607
16,157	689
102,710	4,709
57,077	-
55,862	-
<u>257,000</u>	<u>27,000</u>
<u>\$ 523,785</u>	<u>\$ 209,005</u>
\$10,413,000	\$ 411,000
257,000	27,000
100,125	41,430
<u>263,941</u>	<u>23,707</u>
<u>\$10,520,006</u>	<u>\$ 449,137</u>
<u>\$11,043,851</u>	<u>\$ 658,142</u>
<u>\$ 90,851</u>	<u>\$ 12,203</u>
\$ 5,861,987	\$ 1,306,700
811,328	-
<u>1,227,178</u>	<u>522,993</u>
<u>\$ 7,900,493</u>	<u>\$ 1,805,986</u>
<u>146,887</u>	
<u>\$ 8,047,378</u>	

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2018

	<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	\$1,015,747	\$1,833,128	\$ -	\$ -
Parking revenues	-	-	195,862	-
Transit fares	-	-	-	120,727
Rents and other revenues	<u>23,324</u>	<u>2,373</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$1,039,071</u>	<u>\$1,835,501</u>	<u>\$ 195,862</u>	<u>\$120,727</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 794,126	\$1,742,809	\$ 308,808	\$475,994
Depreciation	<u>272,969</u>	<u>179,033</u>	<u>146,560</u>	<u>76,783</u>
TOTAL OPERATING EXPENSES	<u>\$1,067,095</u>	<u>\$1,921,842</u>	<u>\$ 455,368</u>	<u>\$552,777</u>
OPERATING INCOME (LOSS)	(<u>\$ 28,024</u>)	(<u>\$ 86,341</u>)	(<u>\$ 259,506</u>)	(<u>\$432,050</u>)
Non-operating revenues:				
Interest income and other revenue	\$ 5,988	\$ 9,629	\$ 1,111	\$ 2,470
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,321</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 5,988</u>	<u>\$ 9,629</u>	<u>\$ 1,111</u>	<u>\$320,791</u>
Non-operating expenses:				
Interest	\$ 206,009	\$ 88,935	\$ -	\$ -
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,008</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 206,009</u>	<u>\$ 88,935</u>	<u>\$ -</u>	<u>\$ 44,008</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(<u>\$ 228,045</u>)	(<u>\$ 165,647</u>)	(<u>\$ 258,395</u>)	(<u>\$155,267</u>)
Capital contributions	-	44,750	-	72,703
Transfers in (out)	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>114,000</u>
CHANGE IN NET POSITION	(<u>\$ 228,045</u>)	(<u>\$ 120,897</u>)	(<u>\$ 163,395</u>)	<u>\$ 31,436</u>
Net position at July 1, 2017, as previously stated	\$1,553,707	\$4,143,508	\$2,457,277	\$490,927
GASB 75 adjustment	(<u>49,805</u>)	(<u>82,538</u>)	(<u>26,073</u>)	(<u>105,610</u>)
Net position at July 1, 2017, as restated	<u>1,503,902</u>	<u>4,060,970</u>	<u>2,431,204</u>	<u>385,317</u>
Net position at June 30, 2018	<u>\$1,275,857</u>	<u>\$3,940,073</u>	<u>\$2,267,809</u>	<u>\$416,754</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>
\$2,848,875	\$ -
195,862	-
120,727	-
<u>25,697</u>	<u>1,211,105</u>
<u>\$3,191,161</u>	<u>\$ 1,211,105</u>
\$3,321,737	\$ 719,411
<u>675,345</u>	<u>264,005</u>
<u>\$3,997,082</u>	<u>\$ 983,416</u>
(\$ 805,921)	<u>\$ 227,689</u>
\$ 19,198	\$ 4,061
-	6,687
<u>318,321</u>	<u>-</u>
<u>\$ 337,519</u>	<u>\$ 10,748</u>
\$ 294,944	\$ 11,720
<u>44,008</u>	<u>-</u>
<u>\$ 338,952</u>	<u>\$ 11,720</u>
(\$ 807,354)	\$ 226,717
117,453	14,000
<u>209,000</u>	<u>(32,682)</u>
(\$ 480,901)	<u>\$ 208,035</u>
	\$ 1,621,665
	<u>(23,714)</u>
	<u>1,597,951</u>
	<u>\$ 1,805,986</u>
<u>38,043</u>	
<u>(\$ 442,858)</u>	

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2018

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	\$1,058,888	\$1,865,028	\$195,862
Payments to suppliers	(607,128)	(1,467,361)	(216,911)
Payments to employees	(170,633)	(320,132)	(87,289)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 281,127</u>	<u>\$ 77,535</u>	<u>(\$108,338)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ -	(\$ 14,164)	(\$ 25,000)
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	37,378	(1,825)	(238)
Increase (decrease) in due to other governmental units	-	-	-
Transfers (to) from other funds and component units	-	-	95,000
Proceeds from grants	-	-	-
Insurance and other refunds	-	-	-
Specialized services grants paid	-	-	-
Net cash provided (used) by noncapital financing activities	<u>\$ 37,378</u>	<u>(\$ 15,989)</u>	<u>\$ 69,762</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ 44,750	\$ -
Transfers from other funds	-	-	-
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(5,322)	(44,103)	-
Reduction of long-term debt	(189,000)	(48,000)	-
(Increase) decrease in restricted assets	191,432	(48,048)	-
Interest paid on long-term debt	(206,437)	(89,485)	-
Net cash provided (used) by capital and related financing activities	<u>(\$ 209,327)</u>	<u>(\$ 184,886)</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>
\$ 118,207	\$3,237,985	\$ 1,148,783
(107,787)	(2,399,187)	(467,928)
(375,221)	(953,275)	(92,719)
-	-	3,854
<u>(\$ 364,801)</u>	<u>(\$ 114,477)</u>	<u>\$ 591,990</u>
\$ -	(\$ 59,860)	\$ -
7,244	7,244	-
1,711	37,026	-
31,965	31,965	-
114,000	209,000	(70,700)
319,123	319,123	-
1,134	1,134	-
<u>(44,008)</u>	<u>(44,008)</u>	<u>-</u>
<u>\$ 431,169</u>	<u>\$ 522,320</u>	<u>(\$ 70,700)</u>
\$ 72,703	\$ 117,453	\$ 14,000
-	-	38,018
-	-	6,687
(72,703)	(122,128)	(354,765)
-	(237,000)	(26,000)
-	143,384	-
-	<u>(295,922)</u>	<u>(12,018)</u>
<u>\$ -</u>	<u>(\$ 394,213)</u>	<u>(\$ 334,078)</u>

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year ended June 30, 2018

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Water</u> <u>Supply</u> <u>Fund</u>	<u>Sewer</u> <u>Disposal</u> <u>System</u> <u>Fund</u>	<u>Parking</u> <u>System</u> <u>Fund</u>
Cash flows from investing activities -			
Interest received	\$ 5,988	\$ 9,629	\$ 1,111
Net increase (decrease) in cash and cash equivalents	\$ 115,166	(\$ 113,711)	(\$ 37,465)
Cash - beginning of year	<u>189,586</u>	<u>808,612</u>	<u>170,837</u>
Cash - end of year	<u>\$ 304,752</u>	<u>\$ 694,901</u>	<u>\$ 133,372</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(\$ 28,024)	(\$ 90,410)	(\$ 259,506)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	272,969	179,033	146,560
Changes in assets and liabilities:			
Receivables	19,817	29,527	-
Due from other funds and component units	-	-	-
Accounts and other payables	9,923	(17,092)	4,391
Accrued expenses	3,609	(2,025)	(559)
Due to other governmental units	-	(24,216)	-
Net pension liability	2,849	2,745	784
Net OPEB liability	(16)	(27)	(8)
Net cash provided by operating activities	<u>\$ 281,127</u>	<u>\$ 77,535</u>	<u>\$ 108,338</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>
\$ 1,336	\$ 18,064	\$ 4,061
\$ 67,704	\$ 31,694	\$ 191,273
<u>123,307</u>	<u>1,292,342</u>	<u>439,762</u>
<u>\$ 191,011</u>	<u>\$1,324,036</u>	<u>\$ 631,035</u>
(\$ 432,050)	(\$ 809,990)	\$ 227,682
76,783	675,345	264,005
(2,520)	49,344	3,325
-	-	(61,793)
(366)	(5,298)	151,327
(1,086)	659	(362)
-	(25,302)	-
(5,528)	850	7,806
(<u>34</u>)	(<u>85</u>)	(<u>7</u>)
<u>(\$ 364,801)</u>	<u>(\$ 114,477)</u>	<u>\$ 591,990</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET POSITION
June 30, 2018

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ -	\$ 961,928	\$ 47,233
Accounts receivable	-	-	-
Investments - at fair value	1,354,042	-	-
Prepaid expenses	-	47,251	-
Loans to retirement plan participants	<u>39,934</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$1,393,976</u>	<u>\$1,008,947</u>	<u>\$ 47,233</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 810	\$ -
Due to other governmental units	-	-	47,233
Accumulated employee sick leave	-	63,214	-
Accumulated employee vacation	<u>-</u>	<u>153,706</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 217,730</u>	<u>\$ 47,233</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	\$1,393,976	\$ -	\$ -
Restricted for employee benefits	<u>-</u>	<u>791,217</u>	<u>-</u>
TOTAL NET POSITION	<u>\$1,393,976</u>	<u>\$ 791,217</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, 2018

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 58,692	\$ -
Investment income (loss)	83,650	-
Charges for services	-	1,530,333
Other revenue	-	<u>12,947</u>
TOTAL OPERATING REVENUES	<u>\$ 142,342</u>	<u>\$1,543,280</u>
Operating expenses:		
Administration fees	\$ 10,918	\$ -
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>\$ 10,918</u>	<u>\$1,598,911</u>
OPERATING INCOME (LOSS)	\$ 131,424	(\$ 55,631)
Net position, beginning of year	<u>1,262,552</u>	<u>846,848</u>
Net position, end of year	<u>\$1,393,976</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, 2018

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 227,189	\$ 55,147	\$ 282,336
Due from primary government	6,838	17,007	23,845
Capital assets-net	<u>727,799</u>	<u>5,394,435</u>	<u>6,122,234</u>
TOTAL ASSETS	\$ <u>961,826</u>	\$ <u>5,466,589</u>	\$ <u>6,428,415</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pension	\$ <u>4,365</u>	\$ <u>20,184</u>	\$ <u>24,549</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 791	\$ 10,325	\$ 11,116
Accrued expenses	444	1,153	1,597
Due to primary government	25,000	1,705	26,705
Noncurrent liabilities:			
Due within one year	-	55,000	55,000
Net pension liability	2,145	22,501	24,646
Total OPEB liability	<u>12,355</u>	<u>32,636</u>	<u>44,991</u>
TOTAL LIABILITIES	\$ <u>40,735</u>	\$ <u>123,320</u>	\$ <u>164,055</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pension	\$ <u>3,812</u>	\$ <u>12,877</u>	\$ <u>16,689</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 727,799	\$ 5,339,435	\$ 6,067,234
Unrestricted	<u>193,845</u>	<u>11,141</u>	<u>204,986</u>
TOTAL NET POSITION	\$ <u>921,644</u>	\$ <u>5,350,576</u>	\$ <u>6,272,220</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, 2018

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Downtown Development				
Authority:				
General government	\$ 25,922	\$ -	\$ -	\$ -
Parks and recreation	52,103	-	-	-
Public works	43,368	-	-	6,000
TOTAL DOWNTOWN				
DEVELOPMENT AUTHORITY	\$ 121,393	\$ -	\$ -	\$ 6,000
Tax Increment				
Finance Authority:				
General government	\$ 188,559	\$ -	\$ -	\$ -
Public safety	120,000	-	-	-
Public works	144,888	-	-	-
TOTAL TAX INCREMENT				
FINANCE AUTHORITY	\$ 453,447	\$ -	\$ -	\$ -

General revenues:

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

Change in net position

Net position, beginning of year, as previously stated
 GASB 75 adjustment
 Net position, beginning of year, as restated
 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

Downtown Development Authority	Tax Increment Finance Authority	Total
(\$ 25,922)	\$ -	(\$ 25,922)
(52,103)	-	(52,103)
(37,368)	-	(37,368)
(\$ 115,393)	\$ -	(\$ 115,393)
\$ -	(\$ 188,559)	(\$ 188,559)
-	(120,000)	(120,000)
-	(144,888)	(144,888)
\$ -	(\$ 453,447)	(\$ 453,447)
\$ 176,933	\$ 686,741	\$ 863,674
2,387	2,809	5,196
863	-	863
(25,000)	(42,600)	(67,600)
\$ 155,183	\$ 646,950	\$ 802,133
\$ 39,790	\$ 193,503	\$ 233,293
\$ 894,213	\$ 5,189,719	\$6,083,932
12,359	32,646	45,005
\$ 881,854	\$ 5,157,073	\$6,038,927
\$ 921,644	\$ 5,350,576	\$6,272,220

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Financial information for the Houghton Housing Commission as of December 31, 2017, is as follows:

Assets:	
Current assets	\$ 362,398
Net capital assets	<u>3,285,867</u>
Total Assets	<u>\$3,648,265</u>
Liabilities:	
Current liabilities	\$ 93,612
Other	<u>10,577</u>
Total Liabilities	<u>\$ 104,180</u>
Net Assets:	
Net investment in capital assets	\$3,285,867
Restricted	-
Unrestricted net assets	<u>258,209</u>
Total Net Assets	<u>\$3,544,076</u>
Operating Revenues:	
Tenant revenue	\$ 288,962
Program grants - subsidies	71,010
Other	<u>354,250</u>
Total Operating Revenues	<u>\$ 714,222</u>
Operating Expenses:	
General operations	\$ 694,667
Depreciation	<u>201,567</u>
Total Operating Expenses	<u>\$ 896,234</u>
Operating Income (Loss)	(<u>\$ 182,012</u>)
Nonoperating Revenues (Expenses)	<u>\$ 983</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(<u>\$ 181,029</u>)
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital grant contributions	<u>63,009</u>
Change in Net Position	(<u>\$ 118,020</u>)
Net Position, Beginning of Period	<u>3,662,096</u>
Net Position, End of Period	<u>\$3,544,076</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2018:

Total Assets	<u>\$12,633,282</u>
Liabilities:	
Current liabilities	\$ 1,235,502
Non-current liabilities	<u>2,725,023</u>
	<u>\$ 3,960,525</u>
Net Position:	
Net investment in capital assets	\$ 7,285,528
Unrestricted	<u>1,387,229</u>
Total net position	<u>\$ 8,672,757</u>
Total revenues	\$ 2,163,213
Total expenditures	<u>1,780,456</u>
Change in net assets	\$ 382,757
Net assets, beginning of the year	<u>8,290,000</u>
Net assets, end of year	<u>\$ 8,672,757</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2017 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard required the City to recognize on the face of the financial statements the net OPEB liability related to its participation in the OPEB plan. The statement also enhanced accountability and transparency through revised note disclosures and required supplemental information (RSI). As a result of implementing this statement, the beginning net position of governmental activities, business-type activities, and component units were restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
July 1, 2017 net position, as previously reported	\$ 9,108,372	\$ 8,754,262	\$6,083,932
GASB 45 adjustment	88,906	-	-
GASB 75 adjustment	<u>(663,232)</u>	<u>(264,026)</u>	<u>(45,005)</u>
July 1, 2017 net position, as restated	<u>\$ 8,534,046</u>	<u>\$ 8,490,236</u>	<u>\$6,038,927</u>

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, 2018, 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	\$ 2,345,444	\$1,324,036	\$1,008,162	\$4,677,642	\$ 282,336
Investments	11,783	-	1,354,042	1,365,825	-
Restricted assets	-	914,038	-	914,038	-
Total	<u>\$ 2,357,227</u>	<u>\$2,238,074</u>	<u>\$2,362,204</u>	<u>\$6,957,505</u>	<u>\$ 282,336</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

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	\$5,805,352	\$ 388,766	\$ 6,194,118
Uninsured	-	-	-
Total Deposits	<u>\$5,805,352</u>	<u>\$ 388,766</u>	<u>\$ 6,194,118</u>

At year end, the carrying amount of cash was \$4,677,642 and \$282,336 for the primary government and component units respectively. Deposits totaling \$914,038 are included with Restricted Assets. Included with Cash was petty cash of \$2,115. The total carrying amount of deposits in these accounts is \$5,591,680 and \$282,336 for the primary government and component units respectively.

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	<u>\$ 11,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,783</u>	<u>\$ 11,783</u>
Nonrisk-Categorized					
Investments				<u>\$1,354,042</u>	<u>\$1,354,042</u>
Total investments				<u>\$1,365,825</u>	<u>\$1,365,825</u>

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

The City of Houghton's General Fund and Water Supply Fund have investments in several money market mutual funds and bonds and secured mortgages. The nature of the mutual funds and annuities does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES

Receivables as of June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 10,615	\$ -	\$ -	\$ -
Accounts	93,561	-	66,122	138,510
Long-term loans	-	92,441	-	-
Intergovernmental	-	<u>163,145</u>	-	<u>115,685</u>
Total receivables	<u>\$104,176</u>	<u>\$ 255,586</u>	<u>\$ 66,122</u>	<u>\$ 254,195</u>

	<u>Transit Fund</u>	<u>Equipment Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ -	\$ 10,615
Accounts	6,585	575	-	305,353
Long-term loans	-	-	39,934	132,375
Intergovernmental	<u>24,714</u>	-	-	<u>303,544</u>
Total receivables	<u>\$ 31,299</u>	<u>\$ 575</u>	<u>\$ 39,934</u>	<u>\$ 751,887</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	\$ 10,615
Long-term loans receivable	<u>92,441</u>
Total	<u>\$ 103,056</u>

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$92,441 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, 2018. 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)
2014-15	(12,531)
2015-16	2,114
2016-17	(17,484)
2017-18	<u>(15,320)</u>
	<u>(\$ 55,862)</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES (CONTINUED)

Transit Fund Operating Grant Underpayment (Overpayment), (continued)

- 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, 2018. The amounts and the applicable years are as follows:

For Fiscal Year	Amount Receivable (<u>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	<u>38,034</u>
	<u>\$ 21,219</u>

- c. The amount of the 2017-18 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	State Operating <u>Assistance</u>	Federal Section 5311 <u>Funds</u>
Maximum allowable per computation	\$ 147,368	\$ 69,552
2017-18 receipts	<u>163,233</u>	<u>31,775</u>
Amount receivable (payable)	<u>(\$ 15,865)</u>	<u>\$ 37,777</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	4,524,201	64,203
Equipment	5,575,769	395,862
Infrastructure	<u>6,367,204</u>	<u>1,230,939</u>
Total capital assets being depreciated	<u>\$20,341,149</u>	<u>\$1,691,004</u>
Less accumulated depreciation for:		
Buildings	(\$ 1,358,515)	(\$ 68,236)
Improvements	(3,100,939)	(97,625)
Equipment	(3,649,570)	(346,207)
Infrastructure	<u>(2,647,284)</u>	<u>(119,063)</u>
Total accumulated depreciation	<u>(\$10,756,308)</u>	<u>(\$ 631,131)</u>
Total capital assets, being depreciated, net	<u>\$ 9,584,841</u>	<u>(\$1,059,873)</u>
Governmental activities capital assets, net	<u>\$10,240,600</u>	<u>(\$1,059,873)</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 276,443	\$ -
Improvements	74,334	-
Equipment	1,676,306	80,917
Infrastructure	<u>29,299,946</u>	<u>41,209</u>
Total capital assets being depreciated	<u>\$31,327,029</u>	<u>\$ 122,126</u>
Less accumulated depreciation for:		
Buildings	(\$ 170,166)	(\$ 6,836)
Improvements	(23,819)	(1,859)
Equipment	(1,321,792)	(87,987)
Infrastructure	<u>(13,924,361)</u>	<u>(578,661)</u>
Total accumulated depreciation	<u>(\$15,440,138)</u>	<u>(\$ 675,343)</u>
Total capital assets being depreciated, net	<u>\$15,886,893</u>	<u>(\$ 553,217)</u>
Business-type activities capital assets, net	<u>\$16,828,204</u>	<u>(\$ 553,217)</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>7,361,545</u>	<u>592,831</u>
Total capital assets being depreciated	<u>\$ 7,997,115</u>	<u>\$ 592,831</u>
Less accumulated depreciation for:		
Buildings	(\$ 255,518)	(\$ 12,712)
Infrastructure	<u>(2,094,269)</u>	<u>(157,324)</u>
Total accumulated depreciation	<u>(\$ 2,349,787)</u>	<u>(\$ 170,036)</u>
Total capital assets being depreciated, net	<u>\$ 5,647,328</u>	<u>\$ 422,795</u>
Component unit activities capital assets, net	<u>\$ 5,699,439</u>	<u>\$ 422,795</u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	\$ 655,759
\$ -	\$ 3,873,975
-	4,588,404
25,153	5,946,478
-	7,598,143
<u>\$ 25,153</u>	<u>\$22,007,000</u>
\$ -	(\$ 1,426,751)
-	(3,198,564)
25,153	(3,970,624)
-	(2,766,347)
<u>\$ 25,153</u>	<u>(\$11,362,286)</u>
<u>\$ -</u>	<u>\$10,644,714</u>
<u>\$ -</u>	<u>\$11,300,473</u>
<u>\$ -</u>	<u>\$ 941,313</u>
\$ -	\$ 276,443
-	74,334
-	1,757,223
-	29,341,155
-	<u>\$31,449,155</u>
\$ -	(\$ 177,002)
-	(25,678)
-	(1,409,779)
-	(14,503,022)
<u>\$ -</u>	<u>(\$16,115,481)</u>
<u>\$ -</u>	<u>\$15,333,674</u>
<u>\$ -</u>	<u>\$16,274,987</u>
<u>\$ -</u>	<u>\$ 52,111</u>
\$ -	\$ 635,570
-	7,954,376
<u>\$ -</u>	<u>\$ 8,589,946</u>
\$ -	(\$ 268,230)
-	(2,251,593)
<u>\$ -</u>	<u>(\$ 2,519,823)</u>
<u>\$ -</u>	<u>\$ 6,070,123</u>
<u>\$ -</u>	<u>\$ 6,122,234</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 113,911
Public works	327,977
Public safety	168,858
Recreation and parks	<u>20,385</u>
Total depreciation expense - Governmental activities	<u>\$ 631,131</u>
Business-type activities:	
Water	\$ 272,968
Sewer	179,032
Parking	146,560
Transit	<u>76,783</u>
Total depreciation expense - Business-type activities	<u>\$ 675,343</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 12,613	Water	\$ 12,383
		Sewer	<u>230</u>
	<u>SUBTOTAL \$ 12,613</u>		<u>SUBTOTAL \$ 12,613</u>
Local Street	\$ <u>7,437</u>	Major Street	\$ <u>7,437</u>
Sewer Disposal	\$ <u>23,511</u>	Water	\$ <u>23,511</u>
Equipment	\$ 100,794	General	\$ 62,371
		Major Street	8,390
		Local Street	8,982
		Water	15,589
		Sewer	1,871
		Transit	3,493
		Public Improvement	<u>98</u>
	<u>SUBTOTAL \$ 100,794</u>		<u>SUBTOTAL \$ 100,794</u>
TOTALS	<u>\$ 144,355</u>	TOTALS	<u>\$ 144,355</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Short-term amounts owed between funds are classified as "Due to/from other funds".

The amounts of receivables and payables between primary government and component units at June 30, 2018 are as follows:

	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>		<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
Downtown Development Authority - General	\$ -	\$ 25,000	Tax Collection	\$ -	\$ -
Tax Increment Finance Authority - General	\$ -	\$ 1,705	Equipment Parking	\$ 25,000 1,705	\$ - -
			Subtotal	\$ 26,705	\$ -
TOTALS	<u>\$ -</u>	<u>\$ 26,705</u>	TOTALS	<u>\$ 26,705</u>	<u>\$ -</u>

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- Type</u>
At June 30, 2018 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2019, with interest at 5.00 %.	\$ -	\$ 17,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2018 through August 13, 2052, with interest at 2.125% per annum.	-	3,791,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2018 through August 1, 2052 with interest at 2.75% per annum.	-	3,230,000
Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2018 through October 1, 2035 with interest ranging from 2.0% to 4.0%	1,515,000	3,375,000
Michigan Transportation Fund General Obligation Bonds dated July 25, 2016, mature annually on June 1, 2019 through June 1, 2031, with interest at 2.75% per annum.	<u>559,000</u>	<u>-</u>
Total bonds payable	<u>\$ 2,074,000</u>	<u>\$10,413,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

INSTALLMENT NOTE

2006 Rural Development Service Installment note, matures annually on July 1, 2018 through July 1, 2021 with interest at 4.25% per annum.	\$ 64,000	\$ -
2016 Rural Development Service Installment note, matures annually on February 1, 2019 through February 1, 2031 with interest at 2.75% per annum.	<u>411,000</u>	<u>-</u>
Total installment notes	<u>\$ 475,000</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>\$ 155,288</u>	<u>\$ -</u>
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The long-term portion of employee compensated absences, totaling \$271,181 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, 2018, are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 188,916	\$ 89,279	\$ 257,000	\$ 292,795
2020	198,309	82,920	243,000	286,082
2021	198,063	76,028	271,000	279,169
2022	155,000	70,304	280,000	271,735
2023	141,000	65,973	289,000	264,054
2024	143,000	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	15,200	408,000	161,627
2033-2053	<u>430,000</u>	<u>39,400</u>	<u>5,985,000</u>	<u>1,565,778</u>
	<u>\$ 2,704,288</u>	<u>\$ 797,659</u>	<u>\$10,413,000</u>	<u>\$4,899,192</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

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>06-30-17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-18</u>
<u>PROPRIETARY ACTIVITIES</u>				
REVENUE BONDS				
Water Supply and Sewage Disposal System Bonds (1980)	\$ 33,000	\$ -	\$ 16,000	\$ 17,000
Construction Bonds (2012)	3,859,000	-	68,000	3,791,000
Junior Lien Sewage Disposal System Construction Bonds (2012)	3,278,000	-	48,000	3,230,000
2013 Refunding Bonds	<u>3,480,000</u>	<u>-</u>	<u>105,000</u>	<u>3,375,000</u>
	<u>\$10,650,000</u>	<u>\$ -</u>	<u>\$ 237,000</u>	<u>\$10,413,000</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
GENERAL OBLIGATION BONDS				
Building Authority Bonds (1997)	\$ 20,000	\$ -	\$ 20,000	\$ -
2016 Michigan Transportation Fund Bonds	594,000		35,000	559,000
INSTALLMENT PURCHASE CONTRACTS				
Building Improvements	203,919	-	48,631	155,288
INSTALLMENT NOTES				
2006 Rural Development Loan	78,000	-	14,000	64,000
2016 Rural Development Loan	437,000		26,000	411,000
LIMITED TAX GENERAL OBLIGATION BONDS				
2013 Refunding Bonds	<u>1,575,000</u>	<u>-</u>	<u>60,000</u>	<u>1,515,000</u>
Accrued compensated absences payable	\$ 2,907,919	\$ -	\$ 203,631	\$ 2,704,288
Less current portion, included in Employee Benefit Fund	423,404	-	(64,696)	488,100
	<u>217,106</u>		<u>186</u>	<u>216,920</u>
	<u>\$ 3,114,217</u>	<u>\$ -</u>	<u>\$ 138,749</u>	<u>\$ 2,975,468</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
LIMITED TAX DEVELOPMENT BONDS				
1999 Tax Increment Bond	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 55,000</u>
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
LIMITED TAX DEVELOPMENT BONDS				
2011 Refunding Bonds	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>
	<u>\$13,969,217</u>	<u>\$ -</u>	<u>\$ 525,749</u>	<u>\$13,443,468</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES II OF 1980

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$300,000 authorized, \$33,000 outstanding) dated March 6, 1980, mature on May 1, 2019, with interest at 5.00%.

Year Ended <u>June 30</u>	November 1 <u>Interest</u>	Principal	May 1 <u>Interest</u>	<u>Total</u>
2019	<u>\$ 425</u>	<u>\$ 17,000</u>	<u>\$ 425</u>	<u>\$ 17,850</u>

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 \$3,791,000 outstanding), dated August 13, 2012, mature annually on August 1, 2018 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 <u>Principal</u>	<u>Interest</u>	February 1 <u>Interest</u>	<u>Total</u>
2019	\$ 70,000	\$ 40,630	\$ 40,630	\$ 151,260
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	<u>127,000</u>	<u>1,700</u>	<u>1,700</u>	<u>130,400</u>
	<u>\$3,791,000</u>	<u>\$832,140</u>	<u>\$ 832,141</u>	<u>\$5,455,281</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 \$3,230,000 outstanding), dated August 13, 2012, mature annually on August 1, 2018 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	August 1		February 1	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 50,000	\$ 44,715	\$ 44,715	\$ 139,430
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>\$3,230,000</u>	<u>\$ 953,631</u>	<u>\$ 953,632</u>	<u>\$5,137,263</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 \$4,890,000 outstanding), dated June 20, 2013, mature annually on October 1, 2018 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 <u>Principal</u>	October 1 <u>Interest</u>	April 1 <u>Interest</u>	<u>Total</u>
2019	\$ 180,000	\$ 88,590	\$ 86,790	\$ 355,380
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>\$4,890,000</u>	<u>\$ 999,775</u>	<u>\$ 911,185</u>	<u>\$6,800,960</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 \$559,000 outstanding), dated July 25, 2016, mature annually on June 1, 2019 through June 1, 2031 with an interest rate of 2.75% per annum.

Due Year Ended <u>June 30</u>	December 1 <u>Interest</u>	June 1 <u>Principal</u>	June 1 <u>Interest</u>	<u>Total</u>
2019	\$ 7,686	\$ 36,000	\$ 7,686	\$ 51,372
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>\$ 56,801</u>	<u>\$ 559,000</u>	<u>\$ 56,801</u>	<u>\$ 672,602</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)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY
1999 LIMITED TAX GENERAL OBLIGATION BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$58,300 outstanding) dated October 1, 1999, mature on May 1, 2019.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>November 1</u> <u>Interest</u>	<u>Principal</u>	<u>May 1</u> <u>Interest</u>	<u>Total</u>
2019	6.00	<u>\$ 1,650</u>	<u>\$ 55,000</u>	<u>\$ 1,650</u>	<u>\$ 58,300</u>

Bonds or portions of bonds in multiples of \$5,000 of this issue shall be subject to redemption without a premium, at the option of the Authority, in such order as the Authority shall determine and within any maturity by lot, on any interest payment date at par and accrued interest to the date fixed for redemption.

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$64,000 outstanding) matures annually on July 1, 2018 through July 1, 2021 with interest at the rate of 4.25% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>July 1</u>		<u>January 1</u> <u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2019	\$ 15,000	\$ 1,360	\$ 1,041	\$ 17,401
2020	16,000	1,041	701	17,742
2021	16,000	701	361	17,062
2022	<u>17,000</u>	<u>361</u>	<u>-</u>	<u>17,361</u>
	<u>\$ 64,000</u>	<u>\$ 3,463</u>	<u>\$ 2,103</u>	<u>\$ 69,566</u>

2016 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$462,000 originally received and \$411,000 outstanding) matures annually on February 1, 2019 through February 1, 2031 with interest at the rate of 2.75% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>February 1</u>		<u>August 1</u> <u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2019	\$ 27,000	\$ 5,651	\$ 5,651	\$ 38,302
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	<u>37,000</u>	<u>509</u>	<u>509</u>	<u>38,018</u>
	<u>\$ 411,000</u>	<u>\$ 41,691</u>	<u>\$ 41,691</u>	<u>\$ 494,382</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2018 was \$2,394,301. The City's contributions to the money purchase plan were calculated using the base salary amount of \$389,720. The City made the required contribution of \$58,692.

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>2017 Valuation</u>	<u>2016 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:	1.20%	1.90%
Act 88:	Yes (Adopted 3/8/2010)	Yes (Adopted 3/8/2010)

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>27</u> <u>34</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, 2017 were 15.06% for Division 01 - All Full Time Employees.

NET PENSION LIABILITY

The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 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 2017. 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 12/31/16	\$ 4,301,326	\$ 3,520,598	\$ 780,728
Changes for the year			
Service cost	170,938	-	170,938
Interest on total pension liability	347,172	-	347,172
Changes in benefits	4,188	-	4,188
Difference between expected and actual experience	(73,669)	-	(73,669)
Changes in assumptions	-	-	-
Employer contributions	-	220,902	(220,902)
Net investment income	-	478,124	(478,124)
Benefit payments, including employee refunds	(94,265)	(94,265)	-
Administrative expense	-	(7,542)	7,542
Net changes	\$ 354,364	\$ 597,219	(\$ 242,855)
Balances as of 12/31/17	\$ 4,655,690	\$ 4,117,817	\$ 537,873

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.

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
Net Pension Liability 12/31/16		\$ 537,873	
Change in net pension			
Liability as of 12/31/16	\$ 665,466		(\$ 555,724)
Calculated Net Pension Liability	<u>\$ 1,203,339</u>	<u>\$ 537,873</u>	<u>(\$ 17,851)</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, 2017 the employer recognized pension expense of \$271,946. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences in experience	\$ 25,673	\$ -
Differences in assumptions	118,600	-
Excess (deficit) investment returns	-	95,795
Contribution subsequent to the measurement date*	<u>115,478</u>	<u>-</u>
Total	<u>\$ 259,751</u>	<u>\$ 95,795</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, 2018.

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

Year ended June 30, 2018	\$ 28,516
2019	28,513
2020	(33,058)
2021	(11,198)
2022	27,146
Thereafter	<u>8,559</u>
Total	<u>\$ 48,478</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, 2018, Plan membership consisted of the following:

Inactive participants currently receiving benefits	7
Active participants	<u>27</u>
Total participants	<u><u>34</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 \$972,955 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Changes in Net OPEB Liability:

	Total OPEB Liability
Balance at July 1, 2017	\$ 972,263
Changes during the year:	
Service Cost	18,447
Interest	29,005
Benefit Payments	(47,760)
Net changes	(308)
Balance at June 30, 2018	<u>\$ 971,955</u>
	Total OPEB Liability
Inactive participants receiving benefits	\$ 605,059
Active participants	366,896
Total	<u>\$ 971,955</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2018, the City recognized OPEB expense of \$47,452. There were neither deferred outflows of resources nor deferred inflows of resources related to OPEB.

ACTUARIAL ASSUMPTIONS

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2018 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	RP-2014 Headcount weighted, sex-distinct, annuitant and non-annuitant mortality with MP-2017 mortality improvement

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 Rate (3.0%)	1% Increase <u>(4.0%)</u>
Total OPEB Liability	\$ 1,093,713	\$ 971,955	\$ 870,487

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2018.

	<u>Required Reserve</u>	<u>Reserve Balance</u>
Water Fund:		
Junior Lien Bond Redemption	\$ 82,973	\$ 120,441
Junior Lien Bond Reserve	<u>95,450</u>	<u>106,816</u>
	<u>\$ 178,423</u>	<u>\$ 227,257</u>
Sewer Fund:		
Junior Lien Bond Redemption	\$ 71,036	\$ 143,904
Junior Lien Bond Reserve	<u>92,000</u>	<u>117,153</u>
	<u>\$ 163,036</u>	<u>\$ 261,057</u>
	<u>\$ 341,459</u>	<u>\$ 488,314</u>

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

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued by the GASB in June 2015 and will be effective for the City's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement No. 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

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

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 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>
Total pension liability			
Service cost	\$ 106,558	\$ 145,464	\$ 170,938
Interest	283,264	301,089	347,172
Benefit changes	(700)	(5,719)	4,188
Difference between expected and actual experience	(114,732)	215,784	(73,669)
Changes of assumptions	189,760	-	-
Benefits paid and refunds	(214,647)	(92,338)	(94,265)
Net change in total pension liability	<u>\$ 249,503</u>	<u>\$ 564,280</u>	<u>\$ 354,364</u>
Total pension liability - Beginning	<u>\$3,487,543</u>	<u>\$3,737,046</u>	<u>\$4,301,326</u>
Total pension liability - Ending	<u>\$3,737,046</u>	<u>\$4,301,326</u>	<u>\$4,655,690</u>
Plan fiduciary net position			
Contributions - employer	\$ 141,688	\$ 186,248	\$ 220,902
Net investment income	(47,007)	358,762	478,123
Benefit payments including employee refunds	(214,647)	(92,338)	(94,265)
Administrative expense	(7,018)	(7,073)	(7,542)
Net change in plan fiduciary net position	<u>(\$ 126,984)</u>	<u>\$ 445,599</u>	<u>\$ 597,218</u>
Plan fiduciary net position - Beginning	<u>\$3,201,983</u>	<u>\$3,074,999</u>	<u>\$3,520,598</u>
Plan fiduciary net position - Ending	<u>\$3,074,999</u>	<u>\$3,520,598</u>	<u>\$4,117,816</u>
Employer net pension liability	<u>\$ 662,047</u>	<u>\$ 780,728</u>	<u>\$ 537,874</u>
Plan fiduciary net position as a percentage of total pension liability	82%	82%	88%
Covered employee payroll	\$ 989,398	\$1,290,717	\$1,504,735
Employer's net pension liability as a percentage of covered employee payroll	67%	60%	15%

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>
Total OPEB Liability	
Service Cost	\$ 18,447
Interest	29,005
Benefit Payments	(47,760)
Net Change in Total OPEB Liability	(308)
Total OPEB Liability - Beginning	<u>972,263</u>
Total OPEB Liability - Ending	<u><u>\$ 971,955</u></u>
Covered Payroll	-
Total OPEB Liability as a Percentage of Covered Payroll	-

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$1,563,300	\$1,562,300	\$1,560,541	(\$ 1,759)
Licenses and permits	900	900	1,350	450
Grants	979,843	1,379,843	987,810	(392,033)
Interest	7,500	7,500	8,083	583
Charges for services	861,250	861,250	825,905	(35,345)
Other revenues	<u>130,000</u>	<u>153,500</u>	<u>142,989</u>	<u>(10,511)</u>
TOTAL REVENUES	<u>\$3,542,793</u>	<u>\$3,965,293</u>	<u>\$3,526,678</u>	<u>(\$ 438,615)</u>
Expenditures:				
General government administration	\$ 800,500	\$ 891,625	\$ 817,057	\$ 74,568
Public safety	1,146,100	1,228,900	1,210,006	18,894
Public works	643,350	1,114,300	882,902	231,398
Recreation and parks	465,050	526,050	447,713	78,337
Debt service	187,845	187,845	189,337	(1,492)
Other expenditures	<u>85,000</u>	<u>102,000</u>	<u>90,979</u>	<u>11,021</u>
TOTAL EXPENDITURES	<u>\$3,327,845</u>	<u>\$4,050,720</u>	<u>\$3,637,994</u>	<u>\$ 412,726</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 214,948</u>	<u>(\$ 85,427)</u>	<u>(\$ 111,316)</u>	<u>(\$ 25,889)</u>
Other financing sources(uses):				
Operating transfers in	\$ 15,700	\$ 65,700	\$ 5,839	(\$ 59,861)
Operating transfers out	<u>(343,583)</u>	<u>(366,555)</u>	<u>(371,463)</u>	<u>(4,908)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 327,883)</u>	<u>(\$ 300,855)</u>	<u>(\$ 365,624)</u>	<u>(\$ 64,769)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 112,935)</u>	<u>(\$ 386,282)</u>	<u>(\$ 476,940)</u>	<u>(\$ 90,658)</u>
Fund balance, beginning of year	<u>943,006</u>	<u>943,006</u>	<u>943,006</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 830,071</u></u>	<u><u>\$ 556,724</u></u>	<u><u>\$ 466,066</u></u>	<u><u>(\$ 90,658)</u></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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 529,367	\$ 778,700	\$ 806,825	\$ 28,125
Interest and rents	<u>1,500</u>	<u>2,500</u>	<u>3,093</u>	<u>593</u>
TOTAL REVENUES	<u>\$ 530,867</u>	<u>\$ 781,200</u>	<u>\$ 809,918</u>	<u>\$ 28,718</u>
Expenditures:				
General government administration	\$ 31,000	\$ 31,000	\$ 15,433	\$ 15,567
Public works:				
Street preservation	130,567	282,567	154,666	127,901
Routine maintenance	75,300	75,300	51,572	23,728
Traffic services	28,700	28,700	16,056	12,644
Snow and ice control	269,800	368,600	362,610	5,990
Roadway inspections	<u>24,800</u>	<u>24,800</u>	<u>17,877</u>	<u>6,923</u>
TOTAL EXPENDITURES	<u>\$ 560,167</u>	<u>\$ 810,967</u>	<u>\$ 618,214</u>	<u>\$ 192,753</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 29,300)</u>	<u>(\$ 29,767)</u>	<u>\$ 191,704</u>	<u>\$ 221,471</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 9,300</u>	<u>(\$ 34,700)</u>	<u>\$ 9,008</u>	<u>\$ 43,708</u>
Other financing sources (uses)- Operating transfers in	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 44,467)</u>	<u>\$ 220,712</u>	<u>\$ 265,179</u>
Fund balance, beginning of year	<u>272,368</u>	<u>272,368</u>	<u>272,368</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 272,368</u></u>	<u><u>\$ 227,901</u></u>	<u><u>\$ 493,080</u></u>	<u><u>\$ 265,179</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 146,000	\$ 146,000	\$ 148,452	\$ 2,452
State grants	254,607	337,444	348,057	10,613
Interest and rents	<u>11,000</u>	<u>11,600</u>	<u>2,967</u>	(8,633)
TOTAL REVENUES	<u>\$ 411,607</u>	<u>\$ 495,044</u>	<u>\$ 499,476</u>	<u>\$ 4,432</u>
Expenditures:				
General government administration	\$ 25,100	\$ 25,100	\$ 15,184	\$ 9,916
Public works:				
Street preservation	35,607	35,607	24,372	11,235
Routine maintenance	90,400	106,000	105,039	961
Traffic services	15,400	15,400	12,330	3,070
Snow and ice removal	270,100	372,300	364,367	7,933
Debt service	<u>51,373</u>	<u>51,336</u>	<u>51,335</u>	<u>1</u>
TOTAL EXPENDITURES	<u>\$ 487,980</u>	<u>\$ 605,743</u>	<u>\$ 572,627</u>	<u>\$ 33,116</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 76,373)	(\$ 110,699)	(\$ 73,151)	\$ 37,548
Other financing sources (uses)-				
Operating transfers in	<u>\$ 76,373</u>	<u>\$ 76,373</u>	<u>\$ 76,373</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 34,326)	\$ 3,222	\$ 37,548
Fund balance, beginning of year	<u>262,607</u>	<u>262,607</u>	<u>262,607</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 262,607</u></u>	<u><u>\$ 228,281</u></u>	<u><u>\$ 265,829</u></u>	<u><u>\$ 37,548</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
Interest and rents	\$ 1,910	\$ 1,910	\$ 4,188	\$ 2,278
Other revenue -				
Loan repayments	<u>31,399</u>	<u>31,399</u>	<u>26,967</u>	(<u>4,432</u>)
TOTAL REVENUES	<u>\$ 33,309</u>	<u>\$ 33,309</u>	<u>\$ 31,155</u>	(<u>\$ 2,154</u>)
Expenditures:				
General government administration	\$ 900	\$ 900	\$ 600	\$ 300
Loans and contingencies	<u>550</u>	<u>550</u>	<u>-</u>	<u>550</u>
TOTAL EXPENDITURES	<u>\$ 1,450</u>	<u>\$ 1,450</u>	<u>\$ 600</u>	<u>\$ 850</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 31,859	\$ 31,859	\$ 30,555	(\$ 1,304)
Fund balance, beginning of year	<u>253,178</u>	<u>253,178</u>	<u>253,178</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$285,037</u></u>	<u><u>\$285,037</u></u>	<u><u>\$283,733</u></u>	(<u><u>\$ 1,304</u></u>)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2018

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>2018</u>	<u>2017</u>
	<u>ASSETS</u>	
<u>CURRENT ASSETS</u>		
Cash	\$ 628,244	\$ 868,046
Accounts receivable	93,561	183,869
Inventory	5,554	5,554
Taxes receivable	10,615	11,663
Due from other funds	<u>12,613</u>	<u>2,468</u>
TOTAL CURRENT ASSETS	<u>\$ 750,587</u>	<u>\$1,071,600</u>
<u>OTHER ASSETS</u>		
Investments	<u>\$ 11,783</u>	<u>\$ 11,580</u>
	<u>\$ 762,370</u>	<u>\$1,083,180</u>
	<u>LIABILITIES AND FUND BALANCE</u>	
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 166,193	\$ 90,880
Accrued wages and benefits	57,125	32,403
Due to other funds	<u>62,371</u>	<u>5,228</u>
TOTAL CURRENT LIABILITIES	<u>\$ 285,689</u>	<u>\$ 128,511</u>
<u>OTHER LIABILITIES</u>		
Deferred revenues	<u>10,615</u>	<u>11,663</u>
TOTAL LIABILITIES	<u>\$ 296,304</u>	<u>\$ 140,174</u>
<u>FUND BALANCE</u>		
Unreserved	\$ 460,512	\$ 937,452
Reserved	<u>5,554</u>	<u>5,554</u>
TOTAL FUND BALANCE	<u>\$ 466,066</u>	<u>\$ 943,006</u>
	<u>\$ 762,370</u>	<u>\$1,083,180</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, 2018
 With Actual Amounts for Year Ended June 30, 2017

	2018		Variance	2017
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$1,562,300	\$1,560,541	(\$ 1,759)	\$1,544,755
Licenses and permits	900	1,350	450	2,720
Grants	1,379,843	987,810	(392,033)	931,903
Interest	7,500	8,083	583	8,775
Charges for services	861,250	825,905	(35,345)	828,391
Other revenues	<u>153,500</u>	<u>142,989</u>	<u>(10,511)</u>	<u>298,404</u>
TOTAL REVENUES	<u>\$3,965,293</u>	<u>\$3,526,678</u>	<u>(\$ 438,615)</u>	<u>\$3,614,948</u>
Expenditures:				
General government administration	\$ 891,625	\$ 817,057	\$ 74,568	\$ 752,579
Public safety	1,228,900	1,210,006	18,894	1,274,918
Public works	1,114,300	882,902	231,398	742,580
Recreation and parks	526,050	447,713	78,337	389,153
Debt service	187,845	189,337	(1,492)	186,082
Other expenditures	<u>102,000</u>	<u>90,979</u>	<u>11,021</u>	<u>79,349</u>
TOTAL EXPENDITURES	<u>\$4,050,720</u>	<u>\$3,637,994</u>	<u>\$ 412,726</u>	<u>\$3,424,661</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 85,427)</u>	<u>(\$ 111,316)</u>	<u>(\$ 25,889)</u>	<u>\$ 190,287</u>
Other financing sources (uses):				
Operating transfers in	\$ 65,700	\$ 5,839	(\$ 59,861)	\$ 6,700
Operating transfers out	<u>(366,555)</u>	<u>(371,463)</u>	<u>(4,908)</u>	<u>(481,379)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 300,855)</u>	<u>(\$ 365,624)</u>	<u>(\$ 64,769)</u>	<u>(\$ 474,679)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 386,282)</u>	<u>(\$ 476,940)</u>	<u>(\$ 90,658)</u>	<u>(\$ 284,392)</u>
Fund balance, beginning of year	<u>943,006</u>	<u>943,006</u>	<u>-</u>	<u>1,227,398</u>
FUND BALANCE, END OF YEAR	<u>\$ 556,724</u>	<u>\$ 466,066</u>	<u>(\$ 90,658)</u>	<u>\$ 943,006</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, 2018
With Totals for June 30, 2017

	<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>2018</u>	<u>2017</u>			
<u>ASSETS</u>					
Cash	\$ 962,083	\$ 704,309	\$419,172	\$259,178	\$ 283,733
Due from other governmental units	126,753	111,715	91,114	35,639	-
Due from other funds	7,437	2,778	-	7,437	-
Long-term loans	<u>92,441</u>	<u>119,129</u>	<u>-</u>	<u>-</u>	<u>92,441</u>
	<u>\$1,188,714</u>	<u>\$ 937,931</u>	<u>\$510,286</u>	<u>\$302,254</u>	<u>\$ 376,174</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 26,072	\$ 6,481	\$ 215	\$ 25,857	-
Accrued wages and benefits	1,927	5,788	341	1,586	-
Due to other governmental units	823	-	823	-	-
Due to other funds	24,809	18,380	15,827	8,982	-
Deferred revenue	<u>92,441</u>	<u>119,129</u>	<u>-</u>	<u>-</u>	<u>92,441</u>
TOTAL LIABILITIES	\$ 146,072	\$ 149,778	\$ 17,206	\$ 36,425	\$ 92,441
<u>FUND BALANCE</u>	<u>1,042,642</u>	<u>788,153</u>	<u>493,080</u>	<u>265,829</u>	<u>283,733</u>
	<u>\$1,188,714</u>	<u>\$ 937,931</u>	<u>\$510,286</u>	<u>\$302,254</u>	<u>\$ 376,174</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, 2018

With Totals for June 30, 2017

	<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>2018</u>	<u>2017</u>			
Revenues:					
Taxes	\$ 148,452	\$ 146,351	\$ -	\$ 148,452	\$ -
State grants	1,709,250	1,291,834	1,361,193	348,057	-
Interest and rents	10,248	6,648	3,093	2,967	4,188
Other revenue	<u>26,967</u>	<u>22,718</u>	<u>-</u>	<u>-</u>	<u>26,967</u>
TOTAL REVENUES	<u>\$1,894,917</u>	<u>\$1,467,551</u>	<u>\$1,364,286</u>	<u>\$ 499,476</u>	<u>\$ 31,155</u>
Expenditures:					
General government administration	\$ 31,217	\$ 31,487	\$ 15,433	\$ 15,184	\$ 600
Public works	1,654,249	1,292,117	1,148,141	506,108	-
Debt service	<u>51,335</u>	<u>44,825</u>	<u>-</u>	<u>51,335</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,736,801</u>	<u>\$2,368,429</u>	<u>\$1,163,574</u>	<u>\$ 572,627</u>	<u>\$ 600</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 158,116</u>	<u>(\$ 900,878)</u>	<u>\$ 200,712</u>	<u>(\$ 73,151)</u>	<u>\$ 30,555</u>
Other financing sources (uses):					
Proceeds from long-term debt	\$ -	\$ 628,000	\$ -	\$ -	\$ -
Operating transfers from other funds	<u>96,373</u>	<u>200,000</u>	<u>20,000</u>	<u>76,373</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 96,373</u>	<u>\$ 828,000</u>	<u>\$ 20,000</u>	<u>\$ 76,373</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	\$ 254,489	(\$ 72,878)	\$ 220,712	\$ 3,222	\$ 30,555
Fund balance, beginning of year	<u>788,153</u>	<u>861,031</u>	<u>272,368</u>	<u>262,607</u>	<u>253,178</u>
FUND BALANCE, END OF YEAR	<u>\$1,042,642</u>	<u>\$ 788,153</u>	<u>\$ 493,080</u>	<u>\$ 265,829</u>	<u>\$ 283,733</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

	June 30,	
	2018	2017
<u>ASSETS</u>		
Cash	\$419,172	\$210,076
Due from other governmental units	<u>91,114</u>	<u>78,595</u>
	<u>\$510,286</u>	<u>\$288,671</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 215	\$ 3,366
Accrued wages and benefits	341	1,964
Due to other governmental units	823	-
Due to other funds	<u>15,827</u>	<u>10,973</u>
TOTAL LIABILITIES	\$ 17,206	\$ 16,303
<u>FUND BALANCE</u>	<u>493,080</u>	<u>272,368</u>
	<u>\$510,286</u>	<u>\$288,671</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, 2018
 With Actual Amounts for Year Ended June 30, 2017

	2018		Variance	2017
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
State grants	\$778,700	\$806,825	\$ 28,125	\$590,922
Interest and rents	<u>2,500</u>	<u>3,093</u>	<u>593</u>	<u>1,442</u>
TOTAL REVENUES	<u>\$781,200</u>	<u>\$809,918</u>	<u>\$ 28,718</u>	<u>\$592,364</u>
Expenditures:				
General government administration	\$ 31,000	\$ 15,433	\$ 15,567	\$ 14,439
Public works:				
Street preservation	282,567	154,666	127,901	222,329
Routine maintenance	75,300	51,572	23,728	94,872
Shoulder maintenance	-	-	-	69,930
Traffic services	28,700	16,056	12,644	17,458
Snow and ice control	368,600	362,610	5,990	273,977
Roadway inspection	<u>24,800</u>	<u>17,877</u>	<u>6,923</u>	<u>17,468</u>
TOTAL EXPENDITURES	<u>\$810,967</u>	<u>\$618,214</u>	<u>\$ 192,753</u>	<u>\$710,473</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	(\$ 29,767)	\$191,704	\$ 221,471	(\$118,109)
State trunkline maintenance - Excess of revenues (expenditures)	(\$ 34,700)	\$ 9,008	\$ 43,708	\$ 13,677
Other financing sources (uses)- Operating transfers in (out)	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$100,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 44,467)	\$220,712	\$ 265,179	(\$ 4,432)
Fund balance, beginning of year	<u>272,368</u>	<u>272,368</u>	<u>-</u>	<u>276,800</u>
FUND BALANCE, END OF YEAR	<u><u>\$227,901</u></u>	<u><u>\$493,080</u></u>	<u><u>\$ 265,179</u></u>	<u><u>\$272,368</u></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>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$259,178	\$241,055
Due from other funds	7,437	2,778
Due from other governmental units	<u>35,639</u>	<u>33,120</u>
	<u>\$302,254</u>	<u>\$276,953</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 25,857	\$ 3,115
Accrued wages and benefits	1,586	3,824
Due to other funds	<u>8,982</u>	<u>7,407</u>
	TOTAL LIABILITIES \$ 36,425	\$ 14,346
<u>FUND BALANCE</u>	<u>265,829</u>	<u>262,607</u>
	<u>\$302,254</u>	<u>\$276,953</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, 2018
With Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 146,000	\$ 148,452	\$ 2,452	\$ 146,351
State grants	337,444	348,057	10,613	284,868
Interest and rents	<u>11,600</u>	<u>2,967</u>	<u>(8,633)</u>	<u>2,032</u>
TOTAL REVENUES	<u>\$ 495,044</u>	<u>\$ 499,476</u>	<u>\$ 4,432</u>	<u>\$ 433,251</u>
Expenditures:				
General government administration	\$ 25,100	\$ 15,184	\$ 9,916	\$ 16,148
Public works:				
Street preservation	35,607	24,372	11,235	758,097
Routine maintenance	106,000	105,039	961	123,918
Traffic services	15,400	12,330	3,070	13,613
Snow and ice control	372,300	364,367	7,933	298,088
Debt service	<u>51,336</u>	<u>51,335</u>	<u>1</u>	<u>44,825</u>
TOTAL EXPENDITURES	<u>\$ 605,743</u>	<u>\$ 572,627</u>	<u>\$ 33,116</u>	<u>\$1,254,689</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 110,699)</u>	<u>(\$ 73,151)</u>	<u>\$ 37,548</u>	<u>(\$ 821,438)</u>
Other financing sources(uses):				
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ 628,000
Operating transfers in	<u>76,373</u>	<u>76,373</u>	<u>-</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 76,373</u>	<u>\$ 76,373</u>	<u>\$ -</u>	<u>\$ 728,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 34,326)</u>	<u>\$ 3,222</u>	<u>\$ 37,548</u>	<u>(\$ 93,438)</u>
Fund balance, beginning of year	<u>262,607</u>	<u>262,607</u>	<u>-</u>	<u>356,045</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 228,281</u></u>	<u><u>\$ 265,829</u></u>	<u><u>\$ 37,548</u></u>	<u><u>\$ 262,607</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>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 283,733	\$ 253,178
Long-term loans	<u>92,441</u>	<u>119,129</u>
	<u>\$ 376,174</u>	<u>\$ 372,307</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 92,441	\$ 119,129
<u>FUND BALANCE</u>		
	<u>283,733</u>	<u>253,178</u>
	<u>\$ 376,174</u>	<u>\$ 372,307</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, 2018
 With Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Interest and rents	\$ 1,910	\$ 4,188	\$ 2,278	\$ 3,174
Other revenue -				
Loan repayments	<u>31,399</u>	<u>26,967</u>	<u>(4,432)</u>	<u>22,718</u>
TOTAL REVENUES	<u>\$ 33,309</u>	<u>\$ 31,155</u>	<u>(\$ 2,154)</u>	<u>\$ 25,892</u>
Expenditures:				
General government administration	\$ 900	\$ 600	\$ 300	\$ 900
Loans and contingencies	<u>550</u>	<u>-</u>	<u>550</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,450</u>	<u>\$ 600</u>	<u>\$ 850</u>	<u>\$ 900</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 31,859	\$ 30,555	(\$ 1,304)	\$ 24,992
Fund Balance, beginning of year	<u>253,178</u>	<u>253,178</u>	<u>-</u>	<u>228,186</u>
FUND BALANCE, END OF YEAR	<u><u>\$285,037</u></u>	<u><u>\$283,733</u></u>	<u><u>(\$ 1,304)</u></u>	<u><u>\$253,178</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>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash		\$ 124,082	\$ 285,573
Grants receivable		<u>36,392</u>	<u>-</u>
		<u>\$ 160,474</u>	<u>\$ 285,573</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 96,817	\$ 129,206
Due to other funds		<u>98</u>	<u>-</u>
	TOTAL LIABILITIES	<u>\$ 96,915</u>	<u>\$ 129,206</u>
	<u>FUND BALANCE</u>	<u>\$ 63,559</u>	<u>\$ 156,367</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 160,474</u>	<u>\$ 285,573</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>2018</u>	<u>2017</u>
Fund balance, July 1	\$ 156,367	\$ 75,228
Revenues for Capital Outlay:		
Grants	946,030	-
Interest	<u>1,979</u>	<u>698</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$1,104,376</u>	<u>\$ 75,926</u>
Expenditures for Capital Outlay:		
Sidewalks and Curbs	\$ 4,004	\$ -
West Houghton Park	4,986	5,134
MEDC Lakeshore	1,043,036	190,305
Portage Street Sidewalks	51,546	-
Dee Stadium Lobby	62,429	-
Dee Stadium Locker Rooms	<u>14,938</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,180,939</u>	<u>\$ 195,439</u>
Other financing sources (uses)-	(\$ 76,563)	(\$ 119,513)
Operating transfers from other funds	<u>140,122</u>	<u>275,880</u>
FUND BALANCE, JUNE 30	<u>\$ 63,559</u>	<u>\$ 156,367</u>

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2018</u>	<u>2017</u>
	<u>ASSETS</u>		
Cash		<u>\$ -</u>	<u>\$ 139</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities		\$ -	\$ -
Fund Balance		<u>-</u>	<u>139</u>
		<u>\$ -</u>	<u>\$ 139</u>

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year Ended June 30, 2018
 With Actual Amounts for Year Ended June 30, 2017

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Contributions from other funds	\$ 21,000	\$ 20,550	(\$ 450)	\$ 21,650
Interest	-	-	-	5
TOTAL REVENUES	\$ 21,000	\$ 20,550	(\$ 450)	\$ 21,655
Expenditures:				
Redemption of serial bonds	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Interest on bonds	550	550	-	1,650
TOTAL EXPENDITURES	\$ 20,550	\$ 20,550	\$ -	\$ 21,650
OTHER FINANCING SOURCES (USES)-				
Transfers out	(\$ 450)	(\$ 139)	\$ 311	\$ -
EXCESS OF REVENUES (EXPENDITURES)	\$ -	(\$ 139)	(\$ 139)	\$ 5
Fund balance, beginning of year	\$ 139	\$ 139	\$ -	\$ 134
FUND BALANCE, END OF YEAR	\$ 139	\$ -	(\$ 139)	\$ 139

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

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

	June 30,	
	2018	2017
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 304,752	\$ 189,586
Accounts receivable	66,122	85,939
TOTAL CURRENT ASSETS	\$ 370,874	\$ 275,525
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water distribution system	\$13,990,201	\$13,984,879
Less accumulated depreciation	6,147,022	5,874,053
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 7,843,179	\$ 8,110,826
<u>OTHER ASSETS</u>		
Restricted assets:		
1978 Bond and Interest Redemption Account	\$ -	\$ 50,000
1980 Bond and Interest Redemption Account	17,353	22,678
1978 Water Bond Reserve Account	-	10,476
1980 Water Bond Reserve Account	-	31,112
1980 Water/Sewer Revenue Bonds - Debt Service Account	530	525
2012 Water/Sewer Construction:		
Bond and Interest Redemption Account	108,337	89,433
Junior Lien Bond Reserve Account	120,441	118,791
Repair, Replacement and Improvement Account	54,692	171,492
2013 Refinancing Bond - Debt Service Account	2,661	805
2013 Refinancing Bond Account	159,653	159,787
TOTAL OTHER ASSETS	\$ 463,667	\$ 655,099
TOTAL ASSETS	\$ 8,677,720	\$ 9,041,450
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 29,313	\$ 25,754
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 21,047	\$ 11,124
Accrued wages and benefits	7,847	4,238
Accrued interest expense	65,447	65,875
Due to other funds	51,483	14,105
Current maturities on long-term debt	207,000	189,000
TOTAL CURRENT LIABILITIES	\$ 352,824	\$ 284,342
<u>LONG-TERM DEBT</u>		
Bonds payable	\$ 7,183,000	\$ 7,372,000
Less current maturities	207,000	189,000
Net pension liability	33,531	46,155
Net OPEB liability	49,789	-
TOTAL LONG-TERM DEBT	\$ 7,059,320	\$ 7,229,155
TOTAL LIABILITIES	\$ 7,412,144	\$ 7,513,497
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 19,032	\$ -
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 660,179	\$ 738,826
Restricted for debt service	398,220	589,224
Unrestricted	217,458	225,657
TOTAL NET POSITION	\$ 1,275,857	\$ 1,553,707

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

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenues:		
Water sales	\$1,004,857	\$1,030,086
Repairs and new customer installations	10,890	3,722
Other revenue	23,324	21,551
TOTAL OPERATING REVENUES	<u>\$1,039,071</u>	<u>\$1,055,359</u>
Operating expenses:		
Source of water	\$ 450,564	\$ 286,929
Customer installations, maintenance and repairs	255,714	184,972
Laboratory and office expense	41,896	42,214
Engineering and supervision	42,081	25,800
Other	3,871	4,595
Depreciation expense	\$ 794,126	\$ 544,510
	272,969	273,142
TOTAL OPERATING EXPENSES	<u>\$1,067,095</u>	<u>\$ 817,652</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 28,024)</u>	<u>\$ 237,707</u>
Non-operating revenues - Interest	\$ 5,988	\$ 5,046
Non-operating expenses - Interest	\$ 206,009	\$ 209,767
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(\$ 228,045)</u>	<u>\$ 32,986</u>
Other financing sources (uses)- Operating transfers out	\$ -	(\$ 50,000)
CHANGES IN NET POSITION	<u>(\$ 228,045)</u>	<u>(\$ 17,014)</u>
Net position at July 1, 2017, as previously stated	\$1,553,707	\$1,570,721
GASB 75 adjustment	(49,805)	-
Net position at July 1, 2017 as restated	<u>1,503,902</u>	<u>1,570,721</u>
Net position at June 30, 2018	<u>\$1,275,857</u>	<u>\$1,553,707</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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$1,058,888	\$1,046,779
Payments to suppliers	(607,128)	(364,927)
Payments to employees	(170,633)	(176,138)
Net cash provided (used) by operating activities	<u>\$ 281,127</u>	<u>\$ 505,714</u>
Cash flows from noncapital financing activities -		
Increase (decrease) in due to other funds	\$ 37,378	(\$ 25,759)
Transfers to other funds	<u>-</u>	<u>(50,000)</u>
Net cash flows from noncapital financing activities	<u>\$ 37,378</u>	<u>(\$ 75,759)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 5,322)	(\$ 9,850)
Reduction of long-term debt	(189,000)	(196,000)
(Increase) decrease in restricted assets	191,432	(113,552)
Interest paid on long-term debt	<u>(206,437)</u>	<u>(211,209)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 209,327)</u>	<u>(\$ 530,611)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 5,988</u>	<u>\$ 5,046</u>
Net increase (decrease) in cash and cash equivalents	\$ 115,166	(\$ 95,610)
Cash - beginning of year	<u>189,586</u>	<u>285,196</u>
Cash - end of year	<u><u>\$ 304,752</u></u>	<u><u>\$ 189,586</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 28,024)	\$ 237,707
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	272,969	273,142
Changes in assets and liabilities:		
Receivables	19,817	(8,580)
Accounts and other payables	9,923	(2,067)
Accrued expenses	3,609	1,396
Net pension liability	2,849	4,116
Net OPEB	<u>(16)</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 281,127</u></u>	<u><u>\$ 505,714</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 NET POSITION

		<u>June 30,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 694,901	\$ 808,612
Accounts receivable		138,510	168,037
Due from other governmental units		115,685	91,469
Due from other funds		<u>23,511</u>	<u>9,347</u>
	TOTAL CURRENT ASSETS	<u>\$ 972,607</u>	<u>\$1,077,465</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Underground sewage collection system		\$9,938,062	\$9,893,959
Less accumulated depreciation		<u>4,987,201</u>	<u>4,808,168</u>
		\$4,950,861	\$5,085,791
Original investment in Portage Lake Water and Sewer Authority		<u>941,313</u>	<u>941,313</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$5,892,174</u>	<u>\$6,027,104</u>
<u>OTHER ASSETS</u>			
Restricted cash:			
2012 Water/Sewer Construction:			
Junior Lien Bond Reserve Account		\$ 262,578	\$ 240,930
Repair, Replacement and Improvement Account		<u>187,793</u>	<u>161,393</u>
	TOTAL OTHER ASSETS	<u>\$ 450,371</u>	<u>\$ 402,323</u>
	TOTAL ASSETS	<u>\$7,315,152</u>	<u>\$7,506,892</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		<u>\$ 35,078</u>	<u>\$ 26,234</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 968	\$ 18,060
Accrued interest expense		37,263	37,813
Accrued wages and benefits		3,437	5,462
Due to other funds		2,101	3,926
Current maturities on long-term debt		<u>50,000</u>	<u>48,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 93,769</u>	<u>\$ 113,261</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$3,230,000	\$3,278,000
Less current maturities		50,000	48,000
Net pension liability		26,546	46,357
Total OPEB liability		<u>82,511</u>	<u>-</u>
	TOTAL LONG-TERM DEBT	<u>\$3,289,057</u>	<u>\$3,276,357</u>
	TOTAL LIABILITIES	<u>\$3,382,826</u>	<u>\$3,389,618</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		<u>\$ 27,331</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Invested in net assets - net of related debt		\$2,662,174	\$2,749,104
Restricted for debt service		413,108	363,872
Unrestricted		<u>864,791</u>	<u>1,030,532</u>
	TOTAL NET POSITION	<u>\$3,940,073</u>	<u>\$4,143,508</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>2018</u>	<u>2017</u>
Operating revenues:		
Sewer charges	\$1,833,128	\$1,902,737
Repairs and new customer installations	-	2,100
Other revenue	<u>2,373</u>	<u>334</u>
TOTAL OPERATING REVENUES	<u>\$1,835,501</u>	<u>\$1,905,171</u>
Operating expenses:		
Customer installations, maintenance and repairs	\$ 471,180	\$ 633,008
Laboratory and office expense	46,374	51,661
Engineering and supervision	112,985	88,593
City share of Portage Lake Water and Sewer Authority expense	1,112,270	1,132,626
Other	<u>-</u>	<u>7,496</u>
Depreciation expense	<u>\$1,742,809</u>	<u>\$1,913,384</u>
	<u>179,033</u>	<u>178,071</u>
TOTAL OPERATING EXPENSES	<u>\$1,921,842</u>	<u>\$2,091,455</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 86,341)</u>	<u>(\$ 186,284)</u>
Non-operating revenues - Interest	<u>\$ 9,629</u>	<u>\$ 7,979</u>
Non-operating expenses - Interest	<u>\$ 88,935</u>	<u>\$ 90,253</u>
Other financing sources (uses):		
State grant	\$ 44,750	\$ 87,093
Transfers out	<u>-</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 44,750</u>	<u>(\$ 12,907)</u>
CHANGES IN NET POSITION	<u>(\$ 120,897)</u>	<u>(\$ 281,465)</u>
Net position at July 1, 2017, as previously stated	\$4,143,508	\$4,424,973
GASB 75 adjustment	<u>(82,538)</u>	<u>-</u>
Net position at July 1, 2017 as restated	<u>4,060,970</u>	<u>4,424,973</u>
Net position at June 30, 2018	<u>\$3,940,073</u>	<u>\$4,143,508</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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$1,865,028	\$1,873,051
Payments to suppliers	(1,467,361)	(1,606,484)
Payments to employees	(320,132)	(258,922)
Net cash provided (used) by operating activities	<u>\$ 77,535</u>	<u>\$ 7,645</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	(\$ 14,164)	\$ 18,930
Increase (decrease) in due to other funds and component units	(1,825)	(7,595)
Transfers to other funds	<u>-</u>	<u>(100,000)</u>
Net cash flows from noncapital financing activities	<u>(\$ 15,989)</u>	<u>(\$ 88,665)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 44,103)	(\$ 106,388)
Reduction of long-term debt	(48,000)	(47,000)
Grant Income	44,750	87,093
(Increase) decrease in restricted assets	(48,048)	(45,470)
Interest paid on long-term debt	<u>(89,485)</u>	<u>(90,791)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 184,886)</u>	<u>(\$ 202,556)</u>
Cash flows from investing activities - Interest received	<u>\$ 9,629</u>	<u>\$ 7,979</u>
Increase (decrease) in cash and cash equivalents	(\$ 113,711)	(\$ 275,597)
Cash - beginning of year	<u>808,612</u>	<u>1,084,209</u>
Cash - end of year	<u><u>\$ 694,901</u></u>	<u><u>\$ 808,612</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 90,410)	(\$ 186,284)
Adjustments to reconcile operating income to net cash provided (used) by operating activities - Depreciation expense	179,033	178,071
Changes in assets and liabilities:		
Receivables	29,527	(32,120)
Accounts and other payables	(17,092)	(5,076)
Accrued expenses	(2,025)	(845)
Due from other governmental units	(24,216)	47,984
Net pension liability	2,734	5,915
Total OPEB liability	<u>(27)</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 77,535</u></u>	<u><u>\$ 7,645</u></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

	June 30,	
	2018	2017
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 133,372	\$ 170,837
Due to component unit	25,000	-
TOTAL CURRENT ASSETS	\$ 158,372	\$ 170,837
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$5,939,583	\$5,939,583
Less accumulated depreciation	3,789,491	3,642,931
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$2,150,092	\$2,296,652
TOTAL ASSETS	\$2,308,464	\$2,467,489
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 11,378	\$ 9,203
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 6,191	\$ 1,800
Accrued wages and benefits	287	846
Due to other funds	-	238
TOTAL CURRENT LIABILITIES	\$ 6,478	\$ 2,884
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 10,880	\$ 16,531
Total OPEB liability	26,065	-
TOTAL LONG-TERM LIABILITIES	\$ 36,945	\$ 16,531
TOTAL LIABILITIES	\$ 43,423	\$ 19,415
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 8,610	\$ -
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$2,150,092	\$2,296,652
Unrestricted	117,717	160,625
TOTAL NET POSITION	\$2,267,809	\$2,457,277

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>2018</u>	<u>2017</u>
Operating revenues:		
Parking fees - Meters	\$ 2,074	\$ 1,494
Parking space permits	101,171	113,463
Parking easement	55,000	55,002
Parking fines	31,692	31,878
Towing fees	5,925	4,065
TOTAL OPERATING REVENUES	\$ 195,862	\$ 205,902
Operating expenses:		
Parking system maintenance	\$ 133,618	\$ 194,033
Parking law enforcement	36,115	25,779
Winter maintenance	132,866	71,052
Insurance	3,453	1,876
Miscellaneous	2,756	2,825
Depreciation expense	\$ 308,808	\$ 295,565
	146,560	146,565
TOTAL OPERATING EXPENSES	\$ 455,368	\$ 442,130
NET OPERATING INCOME (LOSS)	(\$ 259,506)	(\$ 236,228)
Non-operating revenues-		
Interest	\$ 1,111	\$ 861
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(\$ 258,395)	(\$ 235,367)
Other financing sources (uses)-		
Operating transfers from other funds and component units	\$ 95,000	\$ 110,000
CHANGES IN NET POSITION	(\$ 163,395)	(\$ 125,367)
Net position at July 1, 2017, as previously stated	\$2,457,277	\$2,582,644
GASB 75 adjustment	(26,073)	-
Net position at July 1, 2017 as restated	2,431,204	2,582,644
Net position at June 30, 2018	\$2,267,809	\$2,457,277

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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$195,862	\$205,902
Payment to suppliers	(216,911)	(240,413)
Payments to employees	(87,289)	(51,884)
Net cash provided (used) by operating activities	<u>(\$108,338)</u>	<u>(\$ 86,395)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 95,000	\$110,000
(Increase) decrease in due from other funds	(25,000)	-
Increase (decrease) in due to other funds	(238)	(118)
Net cash provided (used) by noncapital financing activities	<u>\$ 69,762</u>	<u>\$109,882</u>
Cash flows from investment activities -		
Interest received	<u>\$ 1,111</u>	<u>\$ 861</u>
Net increase (decrease) in cash and cash equivalents	(\$ 37,465)	\$ 24,348
Cash - beginning of year	<u>170,837</u>	<u>146,489</u>
Cash - end of year	<u>\$133,372</u>	<u>\$170,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$259,506)	(\$236,228)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	146,560	146,565
Changes in assets and liabilities:		
Accounts and other payables	4,391	1 297
Accrued expenses	(559)	595
Net pension liability	784	1,374
Total OPEB liability	<u>(8)</u>	<u>-</u>
Net cash provided by operating activities	<u>(\$ 108,338)</u>	<u>(\$ 86,395)</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,	
	2018	2017
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 191,011	\$ 123,307
Accounts receivable	6,585	4,065
Due from other governmental units		
Federal government	24,015	32,215
State government	699	-
TOTAL CURRENT ASSETS	\$ 222,310	\$ 159,587
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,581,314	\$1,508,611
Less accumulated depreciation	1,191,772	1,114,989
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 389,542	\$ 393,622
TOTAL ASSETS	\$ 611,852	\$ 553,209
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 46,237	\$ 38,301
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 6,773	\$ 7,139
Accrued wages and benefits	4,586	5,672
Due to state - state operating assistance	55,862	23,352
Due to other funds	3,493	1,782
TOTAL CURRENT LIABILITIES	\$ 70,714	\$ 37,945
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 29,167	\$ 57,248
Net OPEB liability	105,576	-
TOTAL LONG-TERM LIABILITIES	\$ 134,743	\$ 57,248
TOTAL LIABILITIES	\$ 205,457	\$ 95,193
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 35,878	\$ 5,390
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 389,542	\$ 393,622
Unrestricted	27,212	97,305
TOTAL NET POSITION	\$ 416,754	\$ 490,927

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>2018</u>	<u>2017</u>
Operating revenues	\$ 120,727	\$ 122,058
Operating expenses	<u>552,777</u>	<u>602,338</u>
OPERATING INCOME (LOSS)	(\$ 432,050)	(\$ 480,280)
Non-operating revenues	434,791	494,525
Non-operating expenses	<u>44,008</u>	<u>50,171</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(\$ 41,267)	(\$ 35,926)
Capital contributions	<u>72,703</u>	<u>-</u>
CHANGES IN NET POSITION	<u>\$ 31,436</u>	<u>(\$ 35,926)</u>
Net position at July 1, 2017, as previously stated	\$ 490,927	\$ 526,856
GASB 75 adjustment	(<u>105,610</u>)	<u>-</u>
Net position at July 1, 2017 as restated	<u>385,317</u>	<u>526,856</u>
Net position at June 30, 2018	<u><u>\$ 416,754</u></u>	<u><u>\$ 490,927</u></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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 118,207	\$ 123,011
Payments to suppliers	(107,787)	(108,753)
Payments to employees	(375,221)	(393,044)
Net cash provided (used) by operating activities	<u>(\$ 364,801)</u>	<u>(\$ 378,786)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 114,000	\$ 123,150
(Increase) decrease in due from other governmental units	7,244	(22,798)
Increase (decrease) in due to other funds and component units	1,711	(2,167)
Increase (decrease) in due to other governmental units	31,965	(7,566)
Proceeds from grants	319,123	370,807
Insurance and other refunds	1,134	-
Specialized services grants paid	(44,008)	(50,171)
Net cash provided (used) by noncapital financing activities	<u>\$ 431,169</u>	<u>\$ 411,255</u>
Cash flows from capital and related financing activities:		
Capital contributions	\$ 72,703	\$ -
Acquisition of property, plant and equipment	(72,703)	-
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>
Cash flows from investing activities -		
Interest received	<u>\$ 1,336</u>	<u>\$ 568</u>
Net increase (decrease) in cash and cash equivalents	\$ 67,704	\$ 33,037
Cash - beginning of year	<u>123,307</u>	<u>90,270</u>
Cash - end of year	<u><u>\$ 191,011</u></u>	<u><u>\$ 123,307</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 432,050)	(\$ 480,280)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	76,783	87,607
Changes in assets and liabilities:		
Receivables	(2,520)	953
Accounts and other payables	(366)	2,777
Accrued expenses	(1,086)	366
Net pension liability	(5,528)	9,791
Net OPEB liability	(34)	-
Net cash provided (used) by operating activities	<u>(\$ 364,801)</u>	<u>(\$ 378,786)</u>

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF NET POSITION

	June 30,	
	2018	2017
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 631,035	\$ 439,762
Accounts receivable	575	3,900
Due from other funds	100,794	29,066
Due from component units	1,705	11,640
TOTAL CURRENT ASSETS	\$ 734,109	\$ 484,368
 <u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 328,229	\$ 328,229
Equipment	4,552,838	4,223,225
	\$4,881,067	\$4,551,454
Less accumulated depreciation	3,163,367	2,924,515
TOTAL LAND, BUILDINGS, AND EQUIPMENT	\$1,717,700	\$1,626,939
TOTAL ASSETS	\$2,451,809	\$2,111,307
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 24,522	\$ 27,948
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 176,607	\$ 25,280
Accrued wages and benefits	689	1,050
Accrued interest expense	4,709	5,007
Current maturities on long-term debt	27,000	26,000
TOTAL CURRENT LIABILITIES	\$ 209,005	\$ 57,337
 <u>LONG-TERM LIABILITIES</u>		
Bonds payable	\$ 411,000	\$ 437,000
Less current maturities	27,000	26,000
Net pension liability	41,430	47,172
OPEB liability	23,707	-
TOTAL LONG-TERM LIABILITIES	\$ 449,137	\$ 458,172
TOTAL LIABILITIES	\$ 658,142	\$ 515,509
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 12,203	\$ 2,081
 <u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$1,306,700	\$1,189,939
Unrestricted	499,286	431,726
TOTAL NET POSITION	\$1,805,986	\$1,621,665

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>2018</u>	<u>2017</u>
Operating revenues:		
Charges for services	\$1,207,251	\$ 939,169
Other revenue	<u>3,854</u>	<u>16,590</u>
TOTAL OPERATING REVENUES	<u>\$1,211,105</u>	<u>\$ 955,759</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 595,068	\$ 461,950
Insurance on equipment and garage	76,814	33,543
Employee benefits	<u>47,529</u>	<u>40,088</u>
	\$ 719,411	\$ 535,581
Depreciation expense	<u>264,005</u>	<u>198,652</u>
TOTAL OPERATING EXPENSES	<u>\$ 983,416</u>	<u>\$ 734,233</u>
NET INCOME FROM OPERATIONS	<u>\$ 227,689</u>	<u>\$ 221,526</u>
Non-operating income:		
Interest	\$ 4,061	\$ 3,275
Grant	14,000	-
Gain on sale of equipment	<u>6,687</u>	<u>14,600</u>
	<u>\$ 24,748</u>	<u>\$ 17,875</u>
Non-operating expenses - Interest	<u>\$ 11,720</u>	<u>\$ 9,706</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 38,018	\$ 29,699
Operating transfers to other funds	<u>(70,700)</u>	<u>(95,700)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 32,682)</u>	<u>(\$ 66,001)</u>
CHANGES IN NET POSITION	<u>\$ 208,035</u>	<u>\$ 163,694</u>
Net position, July 1, 2017 as previously reported	\$1,621,665	\$1,457,971
GASB 75 adjustment	<u>(23,714)</u>	<u>-</u>
Net position, July 1, 2017 as restated	<u>\$1,597,951</u>	<u>\$1,457,971</u>
Net position, end of year	<u>\$1,805,986</u>	<u>\$1,621,665</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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$1,148,783	\$ 959,759
Payments to suppliers	(467,928)	(504,722)
Payments to employees	(92,719)	(86,161)
Other receipts (payments)	<u>3,854</u>	<u>16,590</u>
Net cash provided (used) by operating activities	<u>\$ 591,990</u>	<u>\$ 368,172</u>
Cash flows from noncapital financing activities:		
Transfers to other funds and component units	(\$ 70,700)	(\$ 95,700)
Cash flows from capital and related financing activities		
Transfers from other funds	\$ 38,018	\$ 29,699
Proceeds from sale of equipment	6,687	14,600
Acquisition of property, plant and equipment	(354,765)	(1,301,068)
Loan proceeds	-	462,000
Grant proceeds	14,000	14,000
Reduction of long-term debt	(26,000)	(25,000)
Interest paid on long-term debt	(12,018)	(4,699)
Net cash provided (used) by capital and related financing activities	(\$ 334,078)	(\$ 824,468)
Cash flows from invest		
Interest received	<u>\$ 4,061</u>	<u>\$ 3,275</u>
Net increase (decrease) in cash and cash equivalents	\$ 191,273	(\$ 548,721)
Cash - beginning of year	<u>439,762</u>	<u>988,483</u>
Cash - end of year	<u>\$ 631,035</u>	<u>\$ 439,762</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 227,689	\$ 221,526
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	264,005	198,652
Changes in assets and liabilities:		
Accounts and other receivables	3,325	(3,900)
Accounts and other payables	151,327	(57,157)
Due from other funds and component units	(61,793)	7,195
Accrued expenses	(362)	(127)
Net pension liability	7,806	1,983
Net OPEB liability	(7)	-
Net cash provided by operating activities	<u>\$ 591,990</u>	<u>\$ 368,172</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>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ -
Investments	1,354,042	1,237,706
Loans to participants	<u>39,934</u>	<u>24,846</u>
	<u>\$1,393,976</u>	<u>\$1,262,552</u>
<u>LIABILITIES</u>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
	<u>\$1,393,976</u>	<u>\$1,262,552</u>
<u>NET POSITION</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>2018</u>	<u>2017</u>
Operating revenues:		
Employer contributions	\$ 58,692	\$ 42,340
Investment income	<u>83,650</u>	<u>116,464</u>
TOTAL OPERATING REVENUES	<u>\$ 142,342</u>	<u>\$ 208,804</u>
Operating expenses:		
Plan distributions	\$ -	\$ 93,382
Administration fees	<u>10,918</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>\$ 10,918</u>	<u>\$ 93,382</u>
NET OPERATING INCOME (LOSS)	<u>\$ 131,424</u>	<u>\$ 115,422</u>
Net position, beginning of year	<u>1,262,552</u>	<u>1,147,130</u>
Net position, end of year	<u><u>\$1,393,976</u></u>	<u><u>\$1,262,552</u></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

		<u>June 30,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash		\$ 961,928	\$1,018,822
Prepaid expense		<u>47,251</u>	<u>45,251</u>
	TOTAL ASSETS	<u>\$1,008,947</u>	<u>\$1,064,073</u>
<u>LIABILITIES</u>			
Accounts payable		\$ 810	\$ 119
Accumulated employee sick leave		63,214	86,079
Accumulated employee vacation		<u>153,706</u>	<u>131,027</u>
	TOTAL LIABILITIES	<u>\$ 217,730</u>	<u>\$ 217,225</u>
<u>NET POSITION</u>			
Restricted		<u>\$ 791,217</u>	<u>\$ 846,848</u>

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>2018</u>	<u>2017</u>
Operating revenues:		
Charges for services	\$1,530,333	\$1,526,752
Other revenue	<u>12,947</u>	<u>10,114</u>
TOTAL OPERATING REVENUES	<u>\$1,543,280</u>	<u>\$1,536,866</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 171,877	\$ 164,471
Hospitalization insurance	705,842	612,004
Sick pay	33,073	78,323
Vacation pay	174,842	180,254
Holiday pay	75,487	70,910
Funeral leave	3,580	283
Longevity pay	9,265	9,747
Workers' compensation insurance	43,903	49,593
Unemployment insurance	338	4,572
Retirement contributions	294,221	258,782
Life insurance	32,751	35,207
Disability insurance	11,356	8,115
Safety	16,093	-
Uniforms	20,978	-
Other	<u>5,305</u>	<u>21,542</u>
TOTAL OPERATING EXPENSES	<u>\$1,598,911</u>	<u>\$1,493,803</u>
CHANGES IN NET POSITION	(\$ 55,631)	\$ 43,063
Net position, beginning of year	<u>846,848</u>	<u>803,785</u>
Net position, end of year	<u>\$ 791,217</u>	<u>\$ 846,848</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

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$1,530,333	\$1,526,752
Payments to suppliers	(43,453)	(21,542)
Payments to employees	(1,556,721)	(1,471,812)
Other receipts	<u>(12,947)</u>	<u>10,114</u>
Cash flows provided (used) by operating activities	(\$ 56,894)	\$ 43,512
Cash, beginning of year	<u>1,018,822</u>	<u>975,310</u>
Cash, end of year	<u>\$ 961,928</u>	<u>\$1,018,822</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 55,631)	\$ 43,063
Changes in assets and liabilities:		
Accounts receivable	-	1,899
Prepaid expense	(1,768)	(10,321)
Accounts payable	691	(8,583)
Accumulated employee sick leave	(22,865)	6,870
Accumulated employee vacation	<u>22,679</u>	<u>10,584</u>
Net cash provided (used) by operating activities	<u>(\$ 56,894)</u>	<u>\$ 43,512</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, 2018

	<u>Balance</u> <u>07-01-17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-18</u>
<u>ASSETS</u>				
Cash	<u>\$ 22,221</u>	<u>\$5,668,657</u>	<u>\$5,643,645</u>	<u>\$ 47,233</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 375	\$ 169,566	\$ 169,941	\$ -
Tax Increment Finance Authority	-	687,784	687,784	-
Due to other governmental units	<u>21,846</u>	<u>4,811,307</u>	<u>4,785,920</u>	<u>47,233</u>
TOTAL LIABILITIES	<u>\$ 22,221</u>	<u>\$5,668,657</u>	<u>\$5,643,645</u>	<u>\$ 47,233</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
 COMBINED BALANCE SHEETS
 June 30, 2018

	Totals		General Fund	Debt Service Funds
	(Memorandum Only)			
	<u>2018</u>	<u>2017</u>		
<u>ASSETS</u>				
Cash	\$ 227,189	\$ 239,463	\$ 227,189	\$ -
Due from primary government	-	375	-	-
Amount to be provided for retirement of long-term debt	-	100,000	-	-
	<u>\$ 227,189</u>	<u>\$ 339,838</u>	<u>\$ 227,189</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 791	\$ 640	\$ 791	\$ -
Accrued wages and benefits	444	534	444	-
Due to primary government	25,000	-	25,000	-
Long-term debt	-	100,000	-	-
TOTAL LIABILITIES	\$ 26,235	\$ 101,174	\$ 26,235	\$ -
<u>FUND BALANCE (DEFICIT)</u>	<u>200,954</u>	<u>238,664</u>	<u>200,954</u>	<u>-</u>
	<u>\$ 227,189</u>	<u>\$ 339,838</u>	<u>\$ 227,189</u>	<u>\$ -</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

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

Year ended June 30, 2018

	<u>Totals</u>			
	<u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u>
	<u>2018</u>	<u>2017</u>	<u>Fund</u>	<u>Service</u>
				<u>Funds</u>
Revenues:				
Taxes	\$176,933	\$307,696	\$176,933	\$ -
Grants	6,000	-	6,000	-
Interest and rents	2,387	1,769	2,364	23
Miscellaneous	<u>863</u>	<u>1,200</u>	<u>863</u>	<u>-</u>
TOTAL REVENUES	<u>\$186,183</u>	<u>\$310,665</u>	<u>\$186,160</u>	<u>\$ 23</u>
Expenditures:				
Administration	\$ 23,761	\$ 20,992	\$ 23,761	\$ -
Public works	19,529	38,096	19,529	-
Recreation and parks	52,103	32,154	52,103	-
Debt service:				
Principal	100,000	100,000	-	100,000
Interest	<u>3,500</u>	<u>7,000</u>	<u>-</u>	<u>3,500</u>
TOTAL EXPENDITURES	<u>\$198,893</u>	<u>\$198,242</u>	<u>\$ 95,393</u>	<u>\$103,500</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 12,710)</u>	<u>\$112,423</u>	<u>\$ 90,767</u>	<u>(\$103,477)</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 25,000)	(\$ 40,000)	(\$ 25,000)	\$ -
Operating transfers from other funds	103,652	107,000	152	103,500
Operating transfers to other funds	<u>(103,652)</u>	<u>(107,000)</u>	<u>(103,500)</u>	<u>(152)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 25,000)</u>	<u>(\$ 40,000)</u>	<u>(\$128,348)</u>	<u>\$103,348</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 37,710)</u>	<u>\$ 72,423</u>	<u>(\$ 37,581)</u>	<u>(\$ 129)</u>
Fund balance (deficit), beginning of year	<u>238,664</u>	<u>166,241</u>	<u>238,535</u>	<u>129</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$200,954</u></u>	<u><u>\$ 238,664</u></u>	<u><u>\$200,954</u></u>	<u><u>\$ -</u></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
 BALANCE SHEETS

		June 30,	
		2018	2017
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 227,189	\$ 239,334
Due from primary government		-	375
		<u>\$ 227,189</u>	<u>\$ 239,709</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 791	\$ 640
Accrued wages and benefits		444	534
Due to primary government		25,000	-
	TOTAL LIABILITIES	\$ 26,235	\$ 1,174
<u>FUND BALANCE</u>		200,954	238,535
		<u>\$ 227,189</u>	<u>\$ 239,709</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, 2018
 With Actual Amounts for Year Ended June 30, 2017

	2018		Variance	2017
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$181,400	\$176,933	(\$ 4,467)	\$307,696
Interest and rents	2,000	2,364	364	1,765
Grants	7,500	6,000	(1,500)	-
Miscellaneous	-	863	863	1,200
TOTAL REVENUES	<u>\$190,900</u>	<u>\$186,160</u>	<u>(\$ 4,740)</u>	<u>\$310,661</u>
Expenditures:				
General government administration	\$ 25,000	\$ 23,761	\$ 1,239	\$ 20,992
Public works	32,900	19,529	13,371	38,096
Recreation and parks	70,450	52,103	18,347	32,154
TOTAL EXPENDITURES	<u>\$128,350</u>	<u>\$ 95,393</u>	<u>\$ 32,957</u>	<u>\$ 91,242</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 62,550</u>	<u>\$ 90,767</u>	<u>\$ 28,217</u>	<u>\$219,419</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 25,000)	(\$ 25,000)	\$ -	(\$ 40,000)
Operating transfers from other funds	-	152	152	-
Operating transfers to other funds	(103,500)	(103,500)	-	(107,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$128,500)</u>	<u>(\$128,348)</u>	<u>\$ 152</u>	<u>(\$147,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 65,950)</u>	<u>(\$ 37,581)</u>	<u>\$ 28,369</u>	<u>\$ 72,419</u>
Fund balance (deficit), beginning of year	<u>238,535</u>	<u>238,535</u>	<u>-</u>	<u>166,116</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$172,585</u>	<u>\$200,954</u>	<u>\$ 28,369</u>	<u>\$238,535</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
 DEBT SERVICE FUND
 2011 DDA REFUNDING BONDS
 BALANCE SHEETS

	June 30,	
	2018	2017
<u>ASSETS</u>		
Cash	\$ -	\$ 129
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities	\$ -	\$ -
Fund Equity	-	129
	\$ -	\$ 129

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
 DEBT SERVICE FUND
 2011 DDA REFUNDING BONDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

	Year Ended June 30,	
	2018	2017
Revenues:		
Interest and rents	\$ 23	\$ 4
Contributions from other funds	<u>103,500</u>	<u>107,000</u>
TOTAL REVENUES	<u>\$103,523</u>	<u>\$107,004</u>
Expenditures:		
Debt service:		
Redemption of serial bonds	\$100,000	\$100,000
Contributions to other funds	152	-
Interest on bonds	<u>3,500</u>	<u>7,000</u>
TOTAL EXPENDITURES	<u>\$103,652</u>	<u>\$107,000</u>
EXCESS OF REVENUES (\$ 129)	\$ 129	\$ 4
Fund equity, beginning of year	<u>129</u>	<u>125</u>
FUND EQUITY, END OF YEAR	<u>\$ -</u>	<u>\$ 129</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
STATEMENTS OF GENERAL LONG-TERM DEBT

June 30,
2018 2017

AMOUNT TO BE PROVIDED FOR THE
RETIREMENT OF GENERAL LONG-TERM DEBT

Amounts to be provided for the retirement
of long-term debt

\$ - \$ 100,000

GENERAL LONG-TERM DEBT PAYABLE

2011 Refunding Bonds

\$ - \$ 100,000

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, 2018

	<u>Totals</u>		<u>General</u>	<u>Debt</u>	<u>Long-Term</u>
	<u>(Memorandum Only)</u>				
	<u>2018</u>	<u>2017</u>	<u>Fund</u>	<u>Service</u>	<u>Debt</u>
				<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 55,147	\$ 392,462	\$ 55,058	\$ 89	\$ -
Taxes receivable	-	1,043	-	-	-
Amount to be provided for retirement of long-term debt	<u>55,000</u>	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
	<u>\$ 110,147</u>	<u>\$ 498,505</u>	<u>\$ 55,058</u>	<u>\$ 89</u>	<u>\$ 55,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 10,325	\$ 28,885	\$ 10,325	\$ -	\$ -
Accrued wages and benefits	603	5,407	603	-	-
Due to primary government	1,705	11,640	1,705	-	-
Deferred revenue	-	1,043	-	-	-
Long-term debt	<u>55,000</u>	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
TOTAL LIABILITIES	\$ 67,633	\$ 151,975	\$ 12,633	\$ -	\$ 55,000
<u>FUND BALANCE</u>	<u>42,514</u>	<u>346,530</u>	<u>42,425</u>	<u>89</u>	<u>-</u>
	<u>\$ 110,147</u>	<u>\$ 498,505</u>	<u>\$ 55,058</u>	<u>\$ 89</u>	<u>\$ 55,000</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, 2018

	Totals (Memorandum Only)		General Fund	Debt Service Funds
	2018	2017		
Revenues:				
Taxes	\$ 687,784	\$ 671,113	\$ 687,784	\$ -
Interest and rents	<u>2,809</u>	<u>3,482</u>	<u>2,796</u>	<u>13</u>
TOTAL REVENUES	<u>\$ 690,593</u>	<u>\$ 674,595</u>	<u>\$ 690,580</u>	<u>\$ 13</u>
Expenditures:				
General government administration	\$ 184,187	\$ 194,654	\$ 184,187	\$ -
Public safety	120,000	120,000	120,000	-
Capital outlay	591,522	247,020	591,522	-
Debt Service:				
Principal	50,000	45,000	-	50,000
Interest	<u>6,300</u>	<u>9,000</u>	<u>-</u>	<u>6,300</u>
TOTAL EXPENDITURES	<u>\$ 952,009</u>	<u>\$ 615,674</u>	<u>\$ 895,709</u>	<u>\$ 56,300</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 261,416)	\$ 58,921	(\$ 205,129)	(\$ 56,287)
Other financing sources (uses):				
Operating transfers to primary government	(\$ 42,600)	\$ -	(\$ 42,600)	\$ -
Operating transfers from other funds	56,300	54,000	-	56,300
Operating transfers to other funds	<u>(56,300)</u>	<u>(54,000)</u>	<u>(56,300)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 42,600)</u>	<u>\$ -</u>	<u>(\$ 98,900)</u>	<u>\$ 56,300</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 304,016)	\$ 58,921	(\$ 304,029)	\$ 13
Fund balance (deficit), beginning of year	<u>346,530</u>	<u>287,609</u>	<u>346,454</u>	<u>76</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 42,514</u></u>	<u><u>\$ 346,530</u></u>	<u><u>\$ 42,425</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
 GENERAL FUND
 BALANCE SHEETS

		<u>June 30,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 55,058	\$392,386
Taxes receivable		-	1,043
		<u>\$ 55,058</u>	<u>\$393,429</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 10,325	\$ 28,885
Accrued wages and benefits		603	5,407
Due to primary government		1,705	11,640
Deferred revenue		-	1,043
	TOTAL LIABILITIES	\$ 12,633	\$ 46,975
<u>FUND BALANCE</u>		<u>42,425</u>	<u>346,454</u>
		<u>\$ 55,058</u>	<u>\$393,429</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, 2018

With Actual Amounts for Year Ended June 30, 2017

	2018		Variance	2017
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 686,967	\$ 687,784	\$ 817	\$ 671,113
Interest and rents	2,000	2,796	796	3,480
TOTAL REVENUES	\$ 688,967	\$ 690,580	\$ 1,613	\$ 674,593
Expenditures:				
General government administration	\$ 200,400	\$ 184,187	\$ 16,213	\$ 194,654
Public safety	120,000	120,000	-	120,000
Capital outlay	791,742	591,522	200,220	247,020
TOTAL EXPENDITURES	\$1,112,142	\$ 895,709	\$ 216,433	\$ 561,674
EXCESS OF REVENUES (EXPENDITURES)	(\$ 423,175)	(\$ 205,129)	\$ 218,046	\$ 112,919
Other financing sources (uses) -				
Operating transfers to other fund	(98,900)	(98,900)	-	(54,000)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 522,075)	(\$ 304,029)	\$ 218,046	\$ 58,919
Fund balance (deficit), beginning of year	346,454	346,454	-	287,535
FUND BALANCE (DEFICIT), END OF YEAR	(\$ 175,621)	\$ 42,425	\$ 218,046	\$ 346,454

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

		<u>June 30,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash		<u>\$ 89</u>	<u>\$ 76</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities		\$ -	\$ -
Fund Equity		<u>89</u>	<u>76</u>
		<u>\$ 89</u>	<u>\$ 76</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
 DEBT SERVICE FUND
 1999 LTD REFUNDING BONDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

	Year Ended June 30,	
	2018	2017
Revenues:		
Interest and rents	\$ 13	\$ 2
Contributions from other funds	56,300	55,000
TOTAL REVENUES	\$ 56,313	\$ 54,002
Expenditures:		
Redemption of serial bonds	\$ 50,000	\$ 45,000
Interest on bonds	6,300	9,000
TOTAL EXPENDITURES	\$ 56,300	\$ 54,000
EXCESS OF REVENUES	\$ 13	\$ 2
Fund equity, beginning of year	76	74
FUND EQUITY, END OF YEAR	\$ 89	\$ 76

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,	
	2018	2017
<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>\$ 55,000</u>	<u>\$ 105,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
1999 Bluffs Project Bonds	<u>\$ 55,000</u>	<u>\$ 105,000</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>2018</u>	<u>2017</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,427,608	\$1,404,176
Personal property taxes	49,326	45,579
Payments in lieu of taxes	6,705	6,818
Local Community Stabilization Share Tax	35,744	40,881
Previously written off	2,899	1,161
Administration fees and interest	<u>38,259</u>	<u>46,140</u>
	TOTAL TAXES	<u>\$ 1,560,541</u> <u>\$1,544,755</u>
Licenses and permits	<u>\$ 1,350</u>	<u>\$ 2,720</u>
Federal grant - FEMA	<u>\$ -</u>	<u>\$ 89,943</u>
State grants:		
Sales and use tax	\$ 826,861	\$ 805,133
Liquor licenses	10,525	10,621
Fire protection	17,297	23,978
Other	<u>9,610</u>	<u>2,228</u>
	TOTAL STATE GRANTS	<u>\$ 864,293</u> <u>\$ 841,960</u>
Charges for service:		
Accident reports	\$ 1,211	\$ 1,097
Lighting - MTU	4,371	4,371
Dee Stadium	155,615	153,420
Sanitation	274,005	287,781
Charges to users	<u>390,703</u>	<u>381,722</u>
	TOTAL CHARGES FOR SERVICES	<u>\$ 825,905</u> <u>\$ 828,391</u>
Interest and rents		
Interest income	<u>\$ 8,083</u>	<u>\$ 8,775</u>
Other revenue:		
Sale of assets	\$ -	\$ 3,550
Fines and forfeits	1,884	2,985
Public safety	120,000	120,000
Grants	123,517	113,354
Contributions	1,900	11,654
Miscellaneous	<u>19,205</u>	<u>46,861</u>
	TOTAL OTHER REVENUE	<u>\$ 266,506</u> <u>\$ 298,404</u>
	TOTAL REVENUES	<u>\$ 3,526,678</u> <u>\$3,614,948</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 27,807	\$ 28,754
City manager	110,304	116,386
Elections	8,009	13,593
Assessor	53,853	38,412
Planning and professional services	64,209	40,849
Clerk	118,296	123,979
Treasurer	49,111	46,551
Accounting and auditing	19,500	20,500
Building and grounds	179,173	205,881
Community promotion	105,101	58,149
Capital outlay	<u>81,694</u>	<u>59,525</u>
	TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>\$ 817,057</u> <u>\$ 752,579</u>

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE (CONTINUED)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Public safety:		
Police	\$ 950,336	\$ 931,440
Fire	114,238	122,152
Task force	121,826	114,011
Capital outlay	23,606	107,315
TOTAL PUBLIC SAFETY	<u>\$1,210,006</u>	<u>\$1,274,918</u>
Public works:		
Department of public works	\$ 398,890	\$ 211,966
Building inspection	54,155	80,188
Sidewalks and curbs	34,038	27,873
Street lighting	112,078	118,519
Tree trimming	20,105	26,287
Security cameras	8,478	23,662
Signs	15,625	14,706
Refuse collections	239,533	239,379
TOTAL PUBLIC WORKS	<u>\$ 882,902</u>	<u>\$ 742,580</u>
Recreation and parks:		
Beach	\$ 49,681	\$ 57,919
Dee Stadium	143,293	147,934
Parks	254,739	162,814
Capital outlay	-	20,486
TOTAL RECREATION AND PARKS	<u>\$ 447,713</u>	<u>\$ 389,153</u>
Debt service:		
Principal	\$ 122,631	\$ 115,449
Interest	66,706	70,633
TOTAL DEBT SERVICE	<u>\$ 189,337</u>	<u>\$ 186,082</u>
Other expenditures:		
City beautification	\$ 29,092	\$ 28,548
Insurance and bonds	51,238	48,956
Miscellaneous	10,649	1,845
TOTAL OTHER EXPENDITURES	<u>\$ 90,979</u>	<u>\$ 79,349</u>
TOTAL EXPENDITURES	<u>\$3,637,994</u>	<u>\$3,424,661</u>
EXCESS REVENUES OVER EXPENDITURES	<u>(\$ 111,316)</u>	<u>\$ 190,287</u>
Other financing sources (uses):		
Operating transfers in	\$ 5,839	\$ 6,700
Operating transfers out	(371,463)	(481,379)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 365,624)</u>	<u>(\$ 474,679)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 476,940)</u>	<u>(\$ 284,392)</u>
Fund balance, beginning of year	943,006	1,227,398
FUND BALANCE, END OF YEAR	<u>\$ 466,066</u>	<u>\$ 943,006</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

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Expenditures:		
Traffic signals	\$ 9,783	\$ 11,119
Surface maintenance	1,468	8,040
Sweep and flush	721	-
Culvert/underdrain	-	3,160
Signs	963	-
Catch basins	2,362	-
Snow and ice control	524,772	371,782
Shoulder maintenance	158	-
Emergency storm repairs	5,133	-
Other	-	8,266
	<u>\$545,360</u>	<u>\$402,367</u>
Reimbursements -		
Michigan Department of Highways and Transportation	<u>554,368</u>	<u>416,044</u>
	<u>\$ 9,008</u>	<u>\$ 13,677</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, 2018

	<u>07-01-17</u> to <u>09-30-17</u>	<u>10-01-17</u> to <u>06-30-18</u>	<u>Total</u>
Fare box	\$ 9,613	\$ 87,336	\$ 96,949
Special contract fares	6,570	16,455	23,025
RTAP reimbursement	<u>-</u>	<u>753</u>	<u>753</u>
TOTAL OPERATING REVENUES	<u>\$ 16,183</u>	<u>\$104,544</u>	<u>\$120,727</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, 2018

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 176,793	\$ -	\$ -	\$176,793
Other salaries and wages	-	28,895	28,683	57,578
Fringe benefits	89,809	17,439	16,571	123,819
Pension	3,646	2,897	2,665	9,208
Services:				
Contracted services	180	6,514	-	6,694
Printing and publishing	-	-	270	270
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	27,411	-	-	27,411
Other materials and supplies	7,739	33,303	-	41,042
Utilities	551	10,731	-	11,282
Casualty and liability cost - Premiums for public liability and property damage insurance	-	11,576	-	11,576
Miscellaneous expenses	4,894	981	1,946	7,821
Depreciation	<u>51,443</u>	<u>16,645</u>	<u>8,695</u>	<u>76,783</u>
TOTAL OPERATING EXPENSES	<u>\$ 362,466</u>	<u>\$ 128,981</u>	<u>\$ 61,330</u>	<u>\$552,777</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, 2018

Non-operating revenues:

Operating transfers in - General Fund	\$114,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	186,294
Specialized Services -	
Contract 07-0226	44,008
Federal Operating Grant - U.S. DOT Operating Grant - Section 5311	88,019
Miscellaneous - insurance refund	1,134
Interest Income	<u>1,336</u>
TOTAL NON-OPERATING REVENUES	<u>\$434,791</u>

Non-operating expenses:

Specialized Services Grants -	
Contract 07-0226	<u>\$ 44,008</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, 2018

	07-01-17 to 09-30-17	10-01-17 to 06-30-18	<u>Total</u>
Fare box	\$ 9,613	\$ 87,336	\$ 96,949
Special contract fares	<u>6,570</u>	<u>16,455</u>	<u>23,025</u>
TOTAL REVENUES	<u>\$ 16,183</u>	<u>\$103,791</u>	<u>\$119,974</u>

Based on a September 30, 2017 Year End

	10-01-16 to 06-30-17	07-01-17 to 09-30-17	<u>Total</u>
Fare box	\$ 61,943	\$ 9,613	\$ 71,556
Special contract fares	<u>23,610</u>	<u>6,570</u>	<u>30,180</u>
TOTAL REVENUES	<u>\$ 85,553</u>	<u>\$ 16,183</u>	<u>\$101,736</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, 2018

	07-01-17 to 09-30-17	10-01-17 to 06-30-18	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 38,926	\$147,368	\$186,294
Federal Transit Administration Section 5311	18,467	69,552	88,019
RTAP	-	753	753
TOTAL	<u>\$ 57,393</u>	<u>\$217,673</u>	<u>\$275,066</u>

Based on a September 30, 2017 year end

	10-01-16 to 06-30-17	07-01-17 to 09-30-17	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$155,433	\$ 38,926	\$194,359
Federal Transit Administration Section 5311	73,739	18,467	92,206
RTAP	530	-	530
TOTAL	<u>\$229,702</u>	<u>\$ 57,393</u>	<u>\$287,095</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, 2018

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant No./ Authorization Number</u>
U.S. Department of Transportation: Passed through Michigan Department of Transportation Federal Transit Capital Grants:	
Operating Assistance:	2012-0099/P14
FY16 Section 5311	2012-0099/P13
FY17 Section 5311	2012-0065/P1
Michigan Department of Transportation:	
Operating Assistance - Act 51 - Nonurban	N/A
Specialized Services	12-0099/P12
Specialized Services	12-0065/P3
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS	

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

Program Award Amount	<u>Current Year's Expenditures</u>				Prior Year's Expenditures	Award Amount Remaining
	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>		
\$ 86,878	\$ 72,703	\$ 58,162	\$ 14,541	\$ -	\$ -	\$ 14,174
18,467	18,467	18,467	-	-	-	-
69,552	69,552	69,552	-	-	-	-
186,294	186,294	-	186,294	-	-	-
10,460	10,460	-	10,460	-	-	-
33,548	33,548	-	33,548	-	-	-
<u>\$ 584,111</u>	<u>\$391,024</u>	<u>\$ 146,181</u>	<u>\$ 244,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,174</u>

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 OPERATING AND CONTRACT EXPENSES
 Year ended June 30, 2018

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 234,371	\$ -	\$ -	\$234,371
Fringe benefits	123,819	-	-	123,819
Pension	9,208	-	-	9,208
Services	9,464	-	-	9,464
Materials and supplies	68,453	-	-	68,453
Utilities	11,282	-	-	11,282
Casualty and liability costs	11,576	-	-	11,576
Purchased services	-	44,008	-	44,008
Miscellaneous expenses	7,821	-	-	7,821
Depreciation	<u>76,783</u>	<u>-</u>	<u>-</u>	<u>76,783</u>
TOTAL EXPENSES	<u>\$ 552,777</u>	<u>\$ 44,008</u>	<u>\$ -</u>	<u>\$596,785</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, 2018

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	
	<u>7-1-17 to 9-30-17</u>	<u>10-1-17 to 6-30-18</u>	<u>Total</u>
Expenses:			
Labor	\$ 43,407	\$190,964	\$234,371
Fringe benefits	25,798	107,229	133,027
Services	1,881	7,583	9,464
Materials and supplies	20,011	48,442	68,453
Utilities	1,564	9,718	11,282
Casualty and liability costs	2,894	8,682	11,576
Miscellaneous expenses	4,892	2,929	7,821
Depreciation	<u>19,196</u>	<u>57,587</u>	<u>76,783</u>
TOTAL OPERATING EXPENSES	<u>\$119,643</u>	<u>\$433,134</u>	<u>\$552,777</u>
Less ineligible expenses:			
Audit	\$ 625	\$ 1,875	\$ 2,500
RTAP reimbursement	-	753	753
Insurance reimbursement	-	1,134	1,134
GASB68 and GASB75 adjustments	-	(4,172)	(4,172)
Depreciation	<u>19,196</u>	<u>57,587</u>	<u>76,783</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 19,821</u>	<u>\$ 57,177</u>	<u>\$ 76,998</u>
NET ELIGIBLE EXPENSES	<u>\$ 99,822</u>	<u>\$375,957</u>	<u>\$475,779</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 18,467</u>		
18.50%		<u>\$ 69,552</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

38.9955% of eligible expenses for non-urbanized areas (rate based on reconcile)
(.389955 x \$99,822)

39.1981% of eligible expenses for non-urbanized areas (rate based on budget)
(.391981 x \$375,957)

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>7-1-17 to 9-30-17</u>	<u>10-1-17 to 6-30-18</u>	<u>Total</u>
\$ 43,407	\$190,964	\$234,371
25,798	107,229	133,027
1,881	7,583	9,464
20,011	48,442	68,453
1,564	9,718	11,282
2,894	8,682	11,576
4,892	2,929	7,821
<u>19,196</u>	<u>57,587</u>	<u>76,783</u>
<u>\$119,643</u>	<u>\$433,134</u>	<u>\$552,777</u>
\$ 625	\$ 1,875	\$ 2,500
-	753	753
-	1,134	1,134
-	(4,172)	(4,172)
<u>19,196</u>	<u>57,587</u>	<u>76,783</u>
<u>\$ 19,821</u>	<u>\$ 57,177</u>	<u>\$ 76,998</u>
<u>\$ 99,822</u>	<u>\$375,957</u>	<u>\$475,779</u>

\$ 38,926

\$147,368

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2017 year end

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z4		
	<u>10-1-16 to 6-30-17</u>	<u>7-1-17 to 9-30-17</u>	<u>Total</u>
Expenses:			
Labor	\$187,793	\$ 43,407	\$231,200
Fringe benefits	127,723	25,798	153,521
Services	16,947	1,881	18,828
Materials and supplies	44,554	20,011	64,565
Utilities	10,012	1,564	11,576
Casualty and liability costs	8,154	2,894	11,048
Miscellaneous expenses	5,813	4,892	10,705
Depreciation	<u>65,705</u>	<u>19,196</u>	<u>84,901</u>
TOTAL OPERATING EXPENSES	<u>\$466,701</u>	<u>\$119,643</u>	<u>\$586,344</u>
Less ineligible expenses:			
Audit	\$ 1,875	\$ 625	\$ 2,500
RTAP reimbursements	530	-	530
Insurance reimbursements	-	-	-
Finance fees	-	-	-
Association dues	-	-	-
Depreciation	<u>65,705</u>	<u>19,196</u>	<u>84,901</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 68,110</u>	<u>\$ 19,821</u>	<u>\$ 97,931</u>
NET ELIGIBLE EXPENSES	<u>\$398,591</u>	<u>\$ 99,822</u>	<u>\$498,413</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 73,739</u>		
18.50%		<u>\$ 18,467</u>	

State Statutory Operating Assistance -

Reimbursement Amount:

38.9955% of eligible expenses for nonurbanized areas (rate based on reconcile)

38.9955% 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

<u>10-1-16 to 6-30-17</u>	<u>7-1-17 to 9-30-17</u>	<u>Total</u>
\$187,793	\$ 43,407	\$ 231,200
127,723	25,798	153,521
16,947	1,881	18,828
44,554	20,011	64,565
10,012	1,564	11,576
8,154	2,894	11,048
5,813	4,892	10,705
<u>65,705</u>	<u>19,196</u>	<u>84,901</u>
<u>\$466,701</u>	<u>\$119,643</u>	<u>\$ 586,344</u>
\$ 1,875	\$ 625	\$ 2,500
530		530
-	-	-
-	-	-
-	-	-
<u>65,705</u>	<u>19,196</u>	<u>84,901</u>
<u>\$ 68,110</u>	<u>\$ 19,821</u>	<u>\$ 97,931</u>
<u>\$398,591</u>	<u>\$ 99,822</u>	<u>\$ 498,413</u>

\$155,433

\$ 38,926

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 NONURBAN OPERATING EXPENSES
 Year ended June 30, 2018

	07-01-17 to <u>09-30-17</u>	10-01-17 to <u>06-30-18</u>	<u>Total</u>
Expenses:			
Labor	\$ 43,407	\$190,964	\$234,371
Fringe benefits	25,798	107,229	133,027
Services	1,881	7,583	9,464
Materials and supplies	20,011	48,442	68,453
Utilities	1,564	9,718	11,282
Casualty and liability costs	2,894	8,682	11,576
Miscellaneous expenses	4,892	2,929	7,821
Depreciation	<u>19,196</u>	<u>57,587</u>	<u>76,783</u>
TOTAL OPERATING EXPENSES	<u>\$119,643</u>	<u>\$433,134</u>	<u>\$552,777</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, 2017

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 174,422	\$ -	\$ -	\$174,422
Other salaries and wages	-	28,470	28,308	56,778
Fringe benefits	90,109	23,211	18,747	132,067
Pension	16,186	2,914	2,354	21,454
Services:				
Audit cost	-	-	2,500	2,500
Contracted services	-	15,983	-	15,983
Printing and publishing	-	-	345	345
Materials and supplies:				
Fuel and lubricants	21,964	-	-	21,964
Tires and tubes	3,383	-	-	3,383
Other materials and supplies	1,673	37,545	-	39,218
Utilities	282	11,294	-	11,576
Casualty and liability insurance	-	11,048	-	11,048
Miscellaneous expenses:				
Travel, meetings, and training	357	-	6,133	6,490
Other miscellaneous expenses	1,060	2,352	804	4,216
Depreciation	<u>61,138</u>	<u>15,067</u>	<u>8,696</u>	<u>84,901</u>
TOTAL EXPENSES	<u>\$ 370,574</u>	<u>\$ 147,884</u>	<u>\$ 67,887</u>	<u>\$586,345</u>
Ineligible expenses:				
Audit cost	\$ -	\$ -	\$ 2,500	\$ 2,500
RTAP reimbursements	530	-	-	530
Insurance reimbursement	-	-	-	-
Finance fees	-	-	-	-
Association dues	-	-	-	-
Depreciation	<u>61,138</u>	<u>15,067</u>	<u>8,696</u>	<u>84,901</u>
TOTAL INELIGIBLE EXPENSES	<u>\$ 61,668</u>	<u>\$ 15,067</u>	<u>\$ 11,196</u>	<u>\$ 87,931</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 308,906</u>	<u>\$ 132,817</u>	<u>\$ 56,691</u>	<u>\$498,414</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, 2017

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	29,050
Second Quarter	31,708
Third Quarter	26,390
Fourth Quarter	<u>23,557</u>
	<u>110,705</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, 2017 year end

Farebox revenue:	
Passenger fares	\$ 71,556
Contract fares	30,180
State formula and contracts -	
State operating assistance	194,359
Federal contracts -	
Section 5311	<u>92,206</u>
TOTAL NONURBAN REGULAR SERVICE REVENUES	<u>\$388,301</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 13, 2018

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, 2018, 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 13, 2018.

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 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

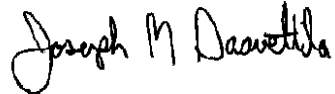
As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 13, 2018

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE

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, 2018. 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.

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, 2018.

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.

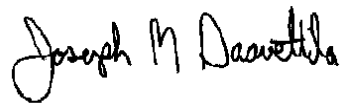
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City of Houghton, Michigan as of and for the year ended June 30, 2018, and have issued our report thereon dated December 13, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant No./ Authorization Number</u>
State of Michigan Strategic Fund	14.228	MSC 216001-ICE
U.S. Department of Transportation: Passed through Michigan Department of Transportation Federal Transit Capital Grants:		2012-0099/P14
Operating Assistance: FY16 Section 5311		2012-0099/P13
FY17 Section 5311		2012-0065/P1

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>
\$ 877,120	\$ 852,288	\$ -
86,878	72,703	-
18,467	18,467	-
<u>69,552</u>	<u>69,552</u>	<u>-</u>
<u>\$1,052,017</u>	<u>\$ 1,013,010</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, 2018</u>
Grant Revenue	\$ 3,965,203
Less State of Michigan Local Bus Operating Assistance	(186,294)
Less State of Michigan Street Funds Operation Grants	(1,709,250)
Less local grant matching funds	(24,831)
Less miscellaneous state grants and revenue sharing	(987,810)
Less federal grants received not administered by the City	(<u>44,008</u>)
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,013,010</u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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, 2018. 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, 2017. 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, 2018

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:

City of Houghton 2016 ICE Project - MSC 216001-ICE
- 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

2018-001 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.

2018-002 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 13, 2018

City Council
City of Houghton
Houghton, MI 49931

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, 2018. 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 July 13, 2016 and during our audit planning meetings with the Treasurer and City Manager.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The financial statements do not include financial data for the City of Houghton's legally separate component unit, Houghton Housing Commission, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City of Houghton Michigan's primary government.

We reported two significant deficiencies in our "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 Standard*" and as described in the Schedule of Findings and Responses as items 2018-001 and 2018-002 during the audit.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Houghton are described in Note B to the financial statements. We noted no transactions entered into by City of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the City of Houghton's financial statements were recording of historical costs of fixed assets, setting of the useful lives of fixed assets, accumulated depreciation to date on the fixed assets, salvage values on fixed assets, the recording of accumulated compensated absences liabilities and the liability for other post-employment benefits payable and pension related items.

Management's estimate of the useful lives, related depreciation expense and salvage values is based on historical experience and lives commonly used by governments and the straight-line method of depreciation.

Management's estimate for the accumulated compensated absences is based on the amount of hours accrued to June 30, 2018 for each employee times their current rate of pay and adjusting for any pay-out percentage determined by years of service as stated in employees contracts or as approved by the City Council.

Management's estimate for the other post-employment benefits payable is based on an actuarial valuation of other post-employment benefits available to employees at the date of the actuarial valuation.

Management's estimate for pension related items are based on information and actuarial calculations provided by the plan administrator.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Other Post-employment Benefits Payable and the required disclosures of the retirement system.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, and were made to properly accrue revenues and expenditures and to record capital asset activity.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City of Houghton's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

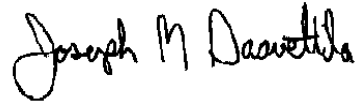
Other Matters

We adopted certain limited procedures to the required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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, 2018

Current Year
Over (Under)
Revenues and
Expenditures/Expenses
and Changes in
Fund Balance/Equity

Unadjusted audit differences	None
Prior year unadjusted audit differences	None