

FINANCIAL STATEMENTS  
CITY OF HOUGHTON, MICHIGAN  
June 30, 2017

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Houghton, Michigan 49931

December 20, 2017

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, 2017, 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 57 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

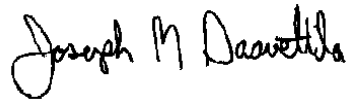
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houghton's basic financial statements. The Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 2016 financial statements and, in our report dated December 27, 2016, 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 20, 2017, 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 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 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, 2017  
(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, 2017. 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, 2017 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,647,100	\$ 3,409,064	\$ 2,829,628	\$ 2,919,773
Capital assets	<u>10,240,600</u>	<u>9,103,136</u>	<u>16,828,204</u>	<u>17,397,351</u>
Total assets	<u>\$12,887,700</u>	<u>\$12,512,200</u>	<u>\$19,657,832</u>	<u>\$20,317,124</u>
Deferred outflows of resources	<u>\$ 324,778</u>	<u>\$ 377,743</u>	<u>\$ 99,492</u>	<u>\$ 95,131</u>
Long-term liabilities	\$ 3,517,450	\$ 2,561,919	\$10,579,291	\$10,781,884
Other liabilities	<u>584,575</u>	<u>456,780</u>	<u>423,158</u>	<u>430,482</u>
Total liabilities	<u>\$ 4,102,025</u>	<u>\$ 3,018,699</u>	<u>\$11,002,449</u>	<u>\$11,212,366</u>
Deferred inflows of resources	<u>\$ 2,081</u>	<u>\$ 76,152</u>	<u>\$ 5,390</u>	<u>\$ 19,240</u>
Net position:				
Invested in capital assets, net of related debt	\$ 7,332,681	\$ 7,090,768	\$ 6,178,204	\$ 6,504,351
Restricted	-	-	953,096	792,732
Unrestricted	<u>1,775,691</u>	<u>2,704,324</u>	<u>1,618,185</u>	<u>1,883,566</u>
Total net position	<u>\$ 9,108,372</u>	<u>\$ 9,795,092</u>	<u>\$ 8,749,485</u>	<u>\$ 9,180,649</u>

Total Primary  
Government

<u>2017</u>	<u>2016</u>
\$ 5,476,728	\$ 6,328,837
<u>27,068,804</u>	<u>26,500,487</u>
<u>\$32,545,832</u>	<u>\$32,829,324</u>
\$ 424,270	\$ 472,874
\$14,096,741	\$13,343,803
<u>1,007,733</u>	<u>887,262</u>
<u>\$15,104,474</u>	<u>\$14,231,065</u>
\$ 7,471	\$ 95,392
\$13,510,885	\$13,595,119
953,096	792,732
<u>3,393,876</u>	<u>4,587,890</u>
<u>\$17,857,857</u>	<u>\$18,975,741</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

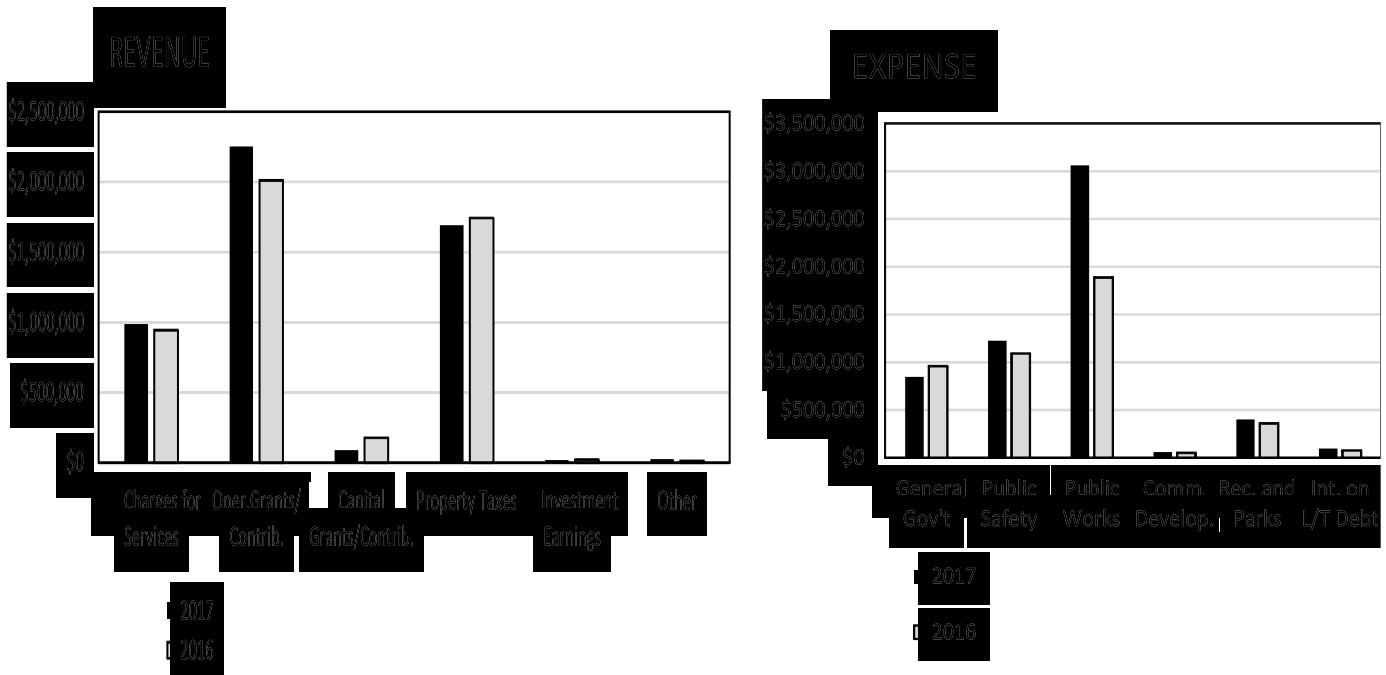
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Program revenues:				
Charges for services	\$ 986,431	\$ 944,083	\$3,288,490	\$3,308,565
Operating grants and contributions	2,268,362	2,011,384	366,030	311,155
Capital grants and contributions	89,943	176,220	87,093	194,654
General revenues:				
Property taxes	1,689,945	1,744,584	-	-
Investment earnings	19,402	21,083	14,454	14,112
Gain (loss) on sale of assets	18,150	5,500	-	-
Miscellaneous	5,805	6,018	-	1,190
Total revenues	<u>\$5,078,038</u>	<u>\$4,908,872</u>	<u>\$3,756,067</u>	<u>\$3,829,676</u>
Expenses:				
General government	\$ 881,773	\$ 958,639	\$ -	\$ -
Public safety	1,225,896	1,090,446	-	-
Public works	3,060,362	1,887,942	-	-
Community development	58,329	50,071	-	-
Recreation and parks	401,623	361,005	-	-
Interest on long-term debt	93,625	76,548	-	-
Water	-	-	1,019,103	1,094,350
Sewer	-	-	2,172,197	1,842,096
Parking	-	-	432,531	319,682
Transit	-	-	646,550	612,712
Total expenses	<u>\$5,721,608</u>	<u>\$4,424,651</u>	<u>\$4,270,381</u>	<u>\$3,868,840</u>
Increase (decrease) in net position before transfers	(\$ 643,570)	\$ 484,221	(\$ 514,314)	(\$ 39,164)
Transfers	( 43,150)	( 163,842)	83,150	173,842
Increase in net position	(\$ 686,720)	\$ 320,379	(\$ 431,164)	\$ 134,678
Net position, beginning of year	<u>9,795,092</u>	<u>9,474,713</u>	<u>9,180,649</u>	<u>9,045,971</u>
Net position, end of year	<u>\$9,108,372</u>	<u>\$9,795,092</u>	<u>\$8,749,485</u>	<u>\$9,180,649</u>

Total Primary  
Government

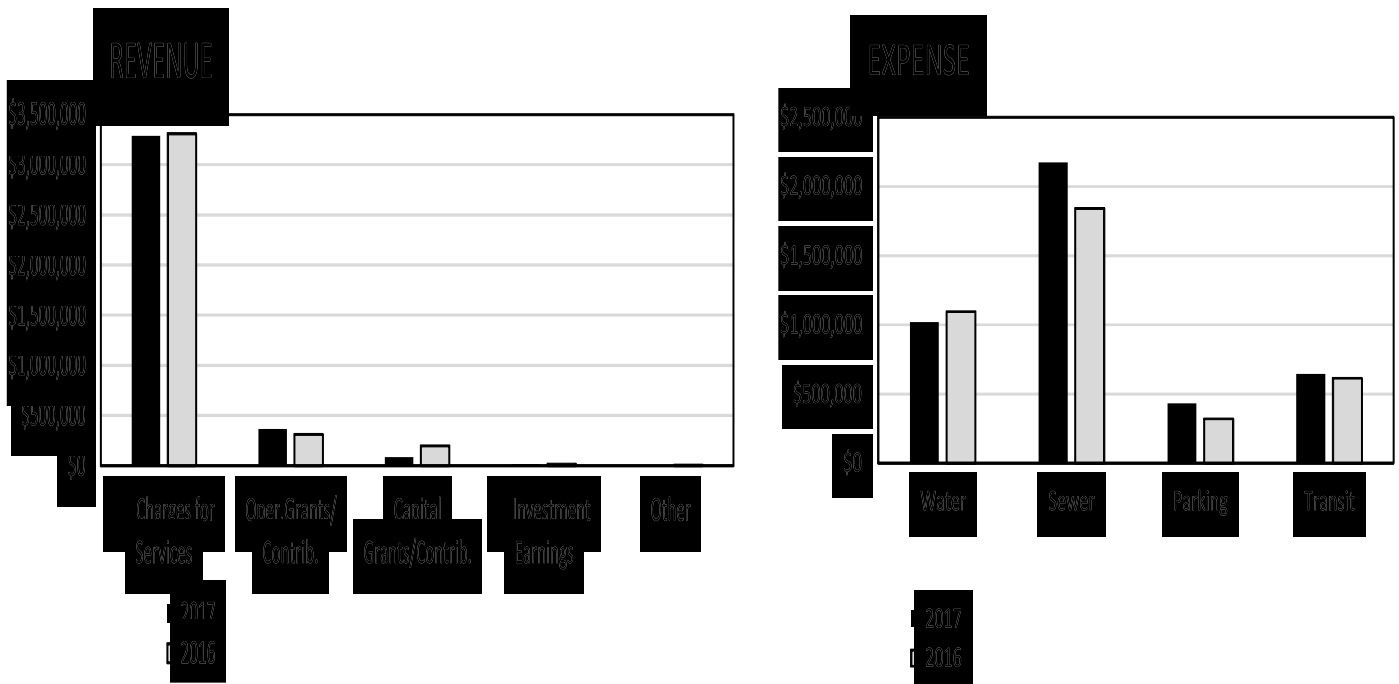
2017	2016
\$ 4,274,921	\$ 4,252,648
2,634,392	2,322,539
177,036	370,874
1,689,945	1,744,584
33,856	35,195
18,150	5,500
5,805	7,208
<u>\$ 8,834,105</u>	<u>\$ 8,738,548</u>
\$ 881,773	\$ 958,639
1,225,896	1,090,446
3,060,362	1,887,942
58,329	50,071
401,623	361,005
93,625	76,548
1,019,103	1,094,350
2,172,197	1,842,096
432,531	319,682
646,550	612,712
<u>\$ 9,991,989</u>	<u>\$ 8,293,491</u>
(\$ 1,157,884)	\$ 445,057
40,000	10,000
<u>(\$ 1,117,884)</u>	<u>\$ 455,057</u>
18,975,741	18,520,684
<u>\$17,857,857</u>	<u>\$18,975,741</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities Comparison FY 2017 - FY 2016



Business-type Activities Comparison FY 2017 - FY 2016



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

The City's Governmental Activities net position decreased in FY 2017. Total Governmental Activity liabilities increased markedly (36%) with long-term borrowing for the purchase of new equipment and for street repair. Total Revenue was up 3% overall due to the increase from a Federal Grant (FEMA for Fire Department). Real Property Tax revenue was up 2.5%. Personal Property Tax revenue decreased slightly as more exemptions were being taken. The 2017 Local Community Stabilization funds from the State decreased from the 2016 amount as there were 2 payments made in 2016 because of the timing of the new program. Payment in Lieu of Taxes was also down due to timing of payments in FY 2017. In total, the net position decreased by about 7%.

Governmental Activities expenses increased significantly. Public Safety was up with the contribution to UPSET for increased area drug enforcement as well as the expense of fielding a Task Force Police Officer to work with the UPSET Team. Public Works was up 62% because of the major paving work throughout the city completed this year and a pass through project the city administered for MDOT. The City did spend more on Parks and Recreation (+11%) in making some major repairs at Kestner Park. Overall General Expenditures were up and the end-of-year Fund Balance was down as the City used fund balance to pay for infrastructure, park, and road repairs.

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

The City's Business-Type Activities net position decreased by 4.7% with major repairs done in the parking and sewer systems. Overall liabilities decreased because of payments made on long-term debt.

Revenues for services saw a 2% decrease which was due to the reduction of income with the reimbursable SAW Grant activities decreasing in 2017. Regular fluctuations in water/sewer use, parking fines, and transit ridership continue, but their net effect on revenue was minimal. Sewer expenses were up by 18% with major pipe repair work needed to maintain system integrity. Water system expenses decreased again as the previous winter was less severe than that before. Overall Parking expenses were up with the replacement of railings on the west deck with snow removal actually lower for the year. Transit expenses were up 5.5% primarily due to increased wages and benefits, though they were offset by State Operating funds.

**CITY FUNDS**

**General Fund**

Overall Revenue increased in 2017 by 3.3% with the largest single revenue increase being a FEMA Grant to purchase new equipment for the fire department. Charges for Services were up primarily due to increased Dee Stadium income and Charges to Users. Overall home and business property tax values have increased by the still low inflation rate. Sales studies show that property values continue to increase slightly in the City of Houghton with several commercial sales occurring in 2017.

Overall Expenditures increased by 9.8%. General Government spending decreased 7% due only to the previous year's increased Capital Outlay spending on an emergency generator and heating unit which were partially funded by our City Center tenant. In 2017 the City spent additional funds in Public Safety (18%) for a grant-funded Task Force officer and grant-funded fire department equipment. Public Works (+35%) and Recreation/Parks (+10%) spending were also up with the City using fund balance to make much-needed repairs to the seawall at Kestner Park and making use of new Public Works employees to improve public spaces.

**Major Street Fund**

State Act 51 money was up again over the previous year. Street Preservation spending was triple 2016 with the major paving project done in the late calendar year 2016. Snow Removal income and expense, a large portion of that being reimbursement, were both up from the previous year. Routine Maintenance expenses increased with limited sections of the major street system receiving pavement repairs to maintain traffic.

**Local Street Fund**

The State Grant Act 51 was increased slightly from last year. Overall spending in Local Street was considerably higher this year with the major bonded street paving project which repaved nearly 14% of Houghton's roads under Street Preservation. The bond funds were combined with fund balance reserved from 2016 to leverage a large project and take advantage of the economy of scale. 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" income was higher than budgeted.

**Revolving Loan Fund**

Fund Balance increased only slightly. Revenue expected from loan repayments was lower than originally budgeted as some borrowers got behind in payments.

**Public Improvement Fund**

The fund balance grew as it was put back into use to hold and disburse City matching funds for grant-funded projects. Most notable this year was the MEDC grant for the utility and street work on West Lakeshore Drive throughout downtown. A list of these projects is on page 77.

**Debt Service Fund**

This account had little activity, and thus little change, as the City did not incur any new debt in 2017 that would require the use of a separate fund for debt service.

**Water Fund**

Overall Water Sales was within 1% of 2016 which is statistically unchanged given the typical yearly variances in water sold. Source expense was down after the expense of significant work done to the pumps and controls the previous year. System Maintenance costs were up slightly with only routine maintenance. No major capital projects were done in-house, though the water fund did contribute to the matching funds for the lakeshore Drive MEDC Grant Project as the project replaced some mains and installed several new mains downtown. The net position decreased by 1% with the cash outlay, but revenues continue to cover operating expenses.

**Sewer Fund**

Sewer charges increased slightly from the previous year. The fluctuations in "sewer sales" can differ from water sales because some water customers are not sewer customers and vice versa. Being the City has a large sewer customer (Portage Township) which has their own water source, sewer charges can increase faster than water charges. The sewer fund did expend fund balance in 2017 as a cash contribution toward the Lakeshore Drive MEDC Grant match toward the project sewer work. The overall sewer system maintenance expense was up with additional work done to replace two major sewer runs.

The Portage Lake Water and Sewage Authority disposal cost decreased by another 0.9% with the system maintenance and replacements keeping the Houghton flow percentage of total plant flow decreasing. The remaining MEDQ SAW Grant-related asset management plan compilation was completed this year. The asset management work will prioritize future sewer improvements. That work will increase maintenance costs in coming years, but is necessary to keep the efficiencies gained in recent years by reinvesting revenues back into the system.

Overall the Net Position decreased by about 6% largely due to less grant income (MEDQ SAW Grant coming to an end), major sewer replacements, and the contribution to the Lakeshore Drive Grant match.

**Parking Fund**

Parking system revenue was up 4.5%, mostly related to permit sales for which the prices were increased part way through the previous year. Overall expenses increased with further deck railing maintenance work, but there was a decrease in winter snow removal costs over the previous year. The net position decreased by 4.8% this year.

**Transit Fund**

Revenue was statistically the same as 2016. Operating expenses were up just over 6%, but offset by increased non-operating revenues from the State. The overall Net Position decreased about 6.8% from last year which is due in part to depreciation.

**Equipment Fund**

Operating Revenue was up with increased use of equipment in maintaining and improving the City. Operating expenses, before depreciation expense, decreased by about 8% with the Motor Vehicle Pool, the largest expense, dropping the same percentage. Wages, Benefits and Fuel were lower again in 2017. The City made major equipment purchases in 2017 of a new aerial apparatus for the Fire Department and a new sander truck; as well as replacement of some pickup trucks using cash. The net position increased with the new equipment assets.

**Employee Benefit Fund**

Operating Revenue was up 21% with several new employees added in 2017. Overall health insurance, retirement, and benefit expenses rose commensurately with the additional employees. Employees received a 3.0% raise. Overall the net position increased by 5%.

**General Fund Budgetary Highlights**

Revenue

Revenue from Real Property Taxes grew by 2.5% though the audit shows a 3.5% decrease in Total Taxes from 2016, though that decrease was due to the timing of the City receiving payments in lieu of taxes and a "double" payment of Local Community Stabilization funds from the State in 2016. Personal Property tax revenue was down with more taxpayers utilizing the exemption, though the rate of decrease is less than the previous year. The State grant for fire protection, based on a formula, increased back to the expected level. Revenue sharing was at the expected level, up from the previous year. Contributions were down considering previous years' work at the City Center partially funded by our tenant. 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 up by 3.3%.

Expenses

General Fund:

- a. Overall expenses increased by 9.8% as the City used fund balance to make major repairs at Kestner Park, provide a portion of the grant match for the Lakeshore Drive project, and other public works projects.
- b. Public Safety spending increased with the addition of a police officer and the grant-reimbursable expenses of having a Houghton Police officer on the drug task force.
- c. Public Works expenses increased markedly with City crews performing a lot of improvement projects.
- d. Dee Stadium costs were down as part of an ongoing effort to improve overall operational efficiency.
- e. Street Lighting costs again reflect increased electrical rates.
- f. Recreational spending was up with additional funds put into parks, docks, and beach.
- g. Debt Service spending decreased slightly from the prior year.
- h. The Transit contribution increased by about \$10,000 to make up for lowered overall grant revenue.



**Capital Asset and Debt Administration**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>CAPITAL ASSETS</b>				
Land	\$ 655,759	\$ 655,759	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	2,515,460	2,583,696	106,277	113,112
Improvements	1,423,262	1,468,107	50,515	52,376
Equipment	1,926,199	757,550	354,514	431,791
Infrastructure	<u>3,719,920</u>	<u>3,638,024</u>	<u>15,375,585</u>	<u>15,858,759</u>
<b>Total</b>	<b><u>\$10,240,600</u></b>	<b><u>\$ 9,103,136</u></b>	<b><u>\$16,828,204</u></b>	<b><u>\$17,397,351</u></b>
<b>DEBT</b>				
General Obligation Bonds	\$ 2,189,000	\$ 1,670,000	\$ -	\$ -
Revenue Bonds	-	-	10,650,000	10,893,000
Installment Purchase Contracts	203,919	250,368	-	-
Limited Tax Investment Notes	<u>78,000</u>	<u>92,000</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,470,919</u></b>	<b><u>\$ 2,012,368</u></b>	<b><u>\$10,650,000</u></b>	<b><u>\$10,893,000</u></b>

Overall Capital Assets increased less than 5.5% with the purchase of a new aerial ladder truck and repairs to city infrastructure in FY 2017. 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 incurred to partially finance the purchase of the new aerial ladder truck for the fire department and to finance a portion of the major paving project completed this year.

**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 Sheldon Avenue, Houghton, Michigan 49931

Total Primary  
Government

<u>2017</u>	<u>2016</u>
\$ 655,759	\$ 655,759
941,313	941,313
2,621,737	2,696,808
1,473,777	1,520,483
2,280,713	1,189,341
<u>19,095,505</u>	<u>19,496,783</u>
<u>\$27,068,804</u>	<u>\$26,500,487</u>
\$ 2,189,000	\$ 1,670,000
10,650,000	10,893,000
203,919	250,368
<u>78,000</u>	<u>92,000</u>
<u>\$13,120,919</u>	<u>\$12,905,368</u>

CITY OF HOUGHTON, MICHIGAN  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total	
<u>ASSETS</u>				
Cash	\$ 2,297,829	\$ 1,292,342	\$ 3,590,171	\$ 631,925
Accounts receivable	187,769	258,041	445,810	-
Taxes receivable	11,663	-	11,663	1,043
Due from other governmental units	111,715	123,684	235,399	-
Internal balances	( 98,139)	98,139	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	1,057,422	1,057,422	-
Investments	11,580	-	11,580	-
Long-term loans	119,129	-	119,129	-
Capital assets - net	<u>10,240,600</u>	<u>16,828,204</u>	<u>27,068,804</u>	<u>5,699,439</u>
TOTAL ASSETS	<u>\$ 12,887,700</u>	<u>\$19,657,832</u>	<u>\$32,545,532</u>	<u>\$6,332,407</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	<u>\$ 324,778</u>	<u>\$ 99,492</u>	<u>\$ 424,270</u>	<u>\$ 20,778</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 251,847	\$ 38,123	\$ 289,970	\$ 29,525
Accrued expenses	59,866	119,906	179,772	7,574
Due to other governmental units	-	28,129	28,129	-
Due to component unit	9,152	-	9,152	( 9,556)
Noncurrent liabilities:				
Due within one year	263,710	237,000	500,710	150,000
Due in more than one year	2,939,413	10,413,000	13,352,413	55,000
Net pension liability	<u>578,037</u>	<u>166,291</u>	<u>744,328</u>	<u>36,399</u>
TOTAL LIABILITIES	<u>\$ 4,102,025</u>	<u>\$11,002,449</u>	<u>\$15,104,474</u>	<u>\$ 268,942</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pension	<u>\$ 2,081</u>	<u>\$ 5,390</u>	<u>\$ 7,471</u>	<u>\$ 311</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	\$ 7,332,681	\$ 6,178,204	\$13,510,885	\$5,594,439
Restricted for debt service	-	953,096	953,096	-
Unrestricted	<u>1,775,691</u>	<u>1,618,185</u>	<u>3,393,876</u>	<u>489,493</u>
TOTAL NET POSITION	<u>\$ 9,108,372</u>	<u>\$ 8,749,485</u>	<u>\$17,857,857</u>	<u>\$6,083,932</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, 2017

	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	\$ 881,773	\$ 371,313	\$ 950,322	\$ -
Public safety	1,225,896	124,031	26,206	89,943
Public works	3,060,362	337,667	1,291,834	-
Community development	58,329	-	-	-
Recreation and parks	401,623	153,420	-	-
Interest on long-term debt	93,625	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$5,721,608</b>	<b>\$ 986,431</b>	<b>\$ 2,268,362</b>	<b>\$ 89,943</b>
Business-type activities:				
Water	\$1,019,103	\$1,055,359	\$ -	\$ -
Sewer	2,172,197	1,905,171	-	87,093
Parking	432,531	205,902	-	-
Transit	646,550	122,058	366,030	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$4,270,381</b>	<b>\$3,288,490</b>	<b>\$ 366,030</b>	<b>\$ 87,093</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$9,991,989</b>	<b>\$4,274,921</b>	<b>\$ 2,634,392</b>	<b>\$ 177,036</b>
Component Units:				
DDA	\$ 116,610	\$ -	\$ -	\$ -
TIFA	454,012	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 570,622</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, beginning of year

Net position, end of year

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>
\$ 439,862	\$ -	\$ 439,862	
( 985,716)	-	( 985,716)	
( 1,430,861)	-	( 1,430,861)	
( 58,329)	-	( 58,329)	
( 248,203)	-	( 248,203)	
( 93,625)	-	( 93,625)	
<u>(\$2,376,872)</u>	<u>\$ -</u>	<u>(\$ 2,376,872)</u>	
\$ -	\$ 36,256	\$ 36,256	
-	( 179,933)	( 179,933)	
-	( 226,629)	( 226,629)	
<u>-</u>	<u>( 158,462)</u>	<u>( 158,462)</u>	
<u>\$ -</u>	<u>(\$ 528,768)</u>	<u>(\$ 528,768)</u>	
<u>(\$2,376,872)</u>	<u>(\$ 528,768)</u>	<u>(\$ 2,905,640)</u>	
\$ -	\$ -	\$ -	(\$ 116,610)
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 454,012)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 570,622)</u>
\$1,689,945	\$ -	\$ 1,689,945	\$ 976,517
19,402	14,454	33,856	5,251
5,805	-	5,805	1,200
18,150	-	18,150	-
( 43,150)	83,150	40,000	( 40,000)
<u>\$1,690,152</u>	<u>\$ 97,604</u>	<u>\$ 1,787,756</u>	<u>\$ 942,968</u>
<u>(\$ 686,720)</u>	<u>(\$ 431,164)</u>	<u>(\$ 1,117,884)</u>	<u>\$ 372,346</u>
<u>\$9,795,092</u>	<u>\$9,180,649</u>	<u>\$18,975,741</u>	<u>\$5,711,586</u>
<u>\$9,108,372</u>	<u>\$8,749,485</u>	<u>\$17,857,857</u>	<u>\$6,083,932</u>

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2017

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 868,046	\$ 210,076	\$ 241,055
Accounts receivable	183,869	-	-
Taxes receivable	11,663	-	-
Inventories	5,554	-	-
Due from other funds	2,468	-	2,778
Due from other governmental units	-	78,595	33,120
Long-term loan	-	-	-
Investments	<u>11,580</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$1,083,180</u>	<u>\$ 288,671</u>	<u>\$ 276,953</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 90,880	\$ 3,366	\$ 3,115
Accrued expenses	32,403	1,964	3,824
Due to other funds	<u>5,228</u>	<u>10,973</u>	<u>7,407</u>
TOTAL LIABILITIES	<u>\$ 128,511</u>	<u>\$ 16,303</u>	<u>\$ 14,346</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes and other	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCES</u>			
Assigned for inventory	\$ 5,554	\$ -	\$ -
Unassigned, reported in:			
General fund	937,452	-	-
Special revenue funds	-	272,368	262,607
Capital project fund	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>\$ 943,006</u>	<u>\$ 272,368</u>	<u>\$ 262,607</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,083,180</u>	<u>\$ 288,671</u>	<u>\$ 276,953</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>
\$ 253,178	\$ 285,573	\$ 139	\$1,858,067
-	-	-	183,869
-	-	-	11,663
-	-	-	5,554
-	-	-	5,246
-	-	-	111,715
119,129	-	-	119,129
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,580</u>
<u>\$ 372,307</u>	<u>\$ 285,573</u>	<u>\$ 139</u>	<u>\$2,306,823</u>

\$ -	\$ 129,206	\$ -	\$ 226,567
-	-	-	38,191
<u>-</u>	<u>-</u>	<u>-</u>	<u>23,608</u>
<u>\$ -</u>	<u>\$ 129,206</u>	<u>\$ -</u>	<u>\$ 288,366</u>

<u>\$ 119,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,792</u>
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\$ -	\$ -	\$ -	\$ 5,554
-	-	-	937,452
253,178	-	-	788,153
-	156,367	-	156,367
<u>-</u>	<u>-</u>	<u>139</u>	<u>139</u>
<u>\$ 253,178</u>	<u>\$ 156,367</u>	<u>\$ 139</u>	<u>\$1,887,665</u>
<u>\$ 372,307</u>	<u>\$ 285,573</u>	<u>\$ 139</u>	<u>\$2,306,823</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017

Total fund balance - total governmental funds	\$ 1,887,665
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.	8,613,661
Deferred outflow of resources - related to pension	296,830
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	130,792
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.	1,492,030
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.	( 15,618)
Net pension liability	( 530,865)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	( <u>2,766,123</u> )
Net position of governmental activities	<u>\$ 9,108,372</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, 2017

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,544,755	\$ -	\$ 146,351
License and permits	2,720	-	-
State and federal grants	931,903	1,006,966	284,868
Charges for services	828,391	-	-
Interest and rents	8,775	1,442	2,032
Other revenue	<u>298,404</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$3,614,948</u>	<u>\$1,008,408</u>	<u>\$ 433,251</u>
EXPENDITURES:			
General government	\$ 693,054	\$ 14,439	\$ 16,148
Public safety	1,167,603	-	-
Public works	742,580	1,098,401	1,193,716
Recreation and parks	368,667	-	-
Other expenditures	79,349	-	-
Capital outlay	187,326	-	-
Debt service:			
Principal	115,449	-	34,000
Interest and other charges	<u>70,633</u>	<u>-</u>	<u>10,825</u>
TOTAL EXPENDITURES	<u>\$3,424,661</u>	<u>\$1,112,840</u>	<u>\$1,254,689</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 190,287</u>	<u>(\$ 104,432)</u>	<u>(\$ 821,438)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt	\$ -	\$ -	\$ 628,000
Transfers in	6,700	100,000	100,000
Transfers out	<u>( 481,379)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 474,679)</u>	<u>\$ 100,000</u>	<u>\$ 728,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 284,392)</u>	<u>(\$ 4,432)</u>	<u>(\$ 93,438)</u>
Fund balances, beginning of year	<u>\$1,227,398</u>	<u>\$ 276,800</u>	<u>\$ 356,045</u>
Fund balances, end of year	<u>\$ 943,006</u>	<u>\$ 272,368</u>	<u>\$ 262,607</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>
\$ -	\$ -	\$ -	\$1,691,106
-	-	-	2,720
-	-	-	2,223,737
-	-	-	828,391
3,174	698	5	16,126
<u>22,718</u>	<u>-</u>	<u>-</u>	<u>321,122</u>
<u>\$ 25,892</u>	<u>\$ 698</u>	<u>\$ 5</u>	<u>\$5,083,202</u>
\$ 900	\$ -	\$ -	\$ 724,541
-	-	-	1,168,603
-	-	-	3,034,697
-	-	-	367,667
-	-	-	79,349
-	195,439	-	382,765
-	-	20,000	169,449
-	-	<u>1,650</u>	<u>83,108</u>
<u>\$ 900</u>	<u>\$ 195,439</u>	<u>\$ 21,650</u>	<u>\$6,010,179</u>
<u>\$ 24,992</u>	<u>(\$ 194,741)</u>	<u>(\$ 21,645)</u>	<u>(\$ 926,977)</u>
\$ -	\$ -	\$ -	\$ 628,000
-	275,880	21,650	504,230
-	-	-	( 481,379)
<u>\$ -</u>	<u>\$ 275,880</u>	<u>\$ 21,650</u>	<u>\$ 650,851</u>
<u>\$ 24,992</u>	<u>\$ 81,139</u>	<u>\$ 5</u>	<u>(\$ 276,126)</u>
<u>\$ 228,186</u>	<u>\$ 75,228</u>	<u>\$ 134</u>	<u>\$2,163,791</u>
<u><u>\$ 253,178</u></u>	<u><u>\$ 156,367</u></u>	<u><u>\$ 139</u></u>	<u><u>\$1,887,665</u></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, 2017

Net change in fund balances - total governmental funds		(\$ 276,126)
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.		382,765
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.		( 50,508)
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 \$198,652.		( 546,368)
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.		134,024
Issuance of long-term debt is recorded as revenue in the governmental funds but not in the statement of activities.		( 628,000)
Repayments of revolving loan fund loan principal, in the amount of \$21,879 are recorded as revenue in the governmental funds.		( 21,879)
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.		( 1,161)
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.		( 811)
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	\$ 163,694	
Pension adjustment		
Net of amount allocated to business-type and component unit activities	( 41,002)	
Depreciation expense	198,652	<u>321,344</u>
Change in net position of governmental activities		<u>(\$ 686,720)</u>

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

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2017

		<u>Business-Type Activities - Enterprise Funds</u>			
		<u>Water</u>	<u>Sewer</u>	<u>Parking</u>	<u>Transit</u>
		<u>Supply</u>	<u>Disposal</u>	<u>System</u>	<u>System</u>
		<u>Fund</u>	<u>System</u>	<u>Fund</u>	<u>Fund</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash		\$ 189,586	\$ 808,612	\$ 170,837	\$ 123,307
Accounts receivable		85,939	168,037	-	4,065
Due from other funds		-	9,347	-	-
Due from component units		-	-	-	-
Due from other governmental units		-	91,469	-	32,215
	TOTAL CURRENT ASSETS	<u>\$ 275,525</u>	<u>\$1,077,465</u>	<u>\$ 170,837</u>	<u>\$ 159,587</u>
<u>NONCURRENT ASSETS</u>					
Restricted assets		\$ 655,099	\$ 402,323	\$ -	\$ -
Capital assets:					
Property and equipment		13,984,879	9,893,959	5,939,583	1,508,611
Less accumulated depreciation		( 5,874,053)	( 4,808,168)	( 3,642,931)	( 1,114,989)
Investment in Portage Lake Water and Sewer Authority		-	941,313	-	-
	TOTAL NONCURRENT ASSETS	<u>\$ 8,765,925</u>	<u>\$6,429,427</u>	<u>\$2,296,652</u>	<u>\$ 393,622</u>
	TOTAL ASSETS	<u>\$ 9,041,450</u>	<u>\$7,506,892</u>	<u>\$2,467,489</u>	<u>\$ 553,209</u>
Deferred outflows of resources - related to pensions		<u>\$ 25,754</u>	<u>\$ 26,234</u>	<u>\$ 9,203</u>	<u>\$ 38,301</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable		\$ 11,124	\$ 18,060	\$ 1,800	\$ 7,139
Accrued wages and benefits		4,238	5,462	846	5,672
Accrued expenses		65,875	37,813	-	-
Due to other funds		14,105	3,926	238	1,782
Due to other governmental units		-	-	-	28,129
Current maturities on long-term debt		189,000	48,000	-	-
	TOTAL CURRENT LIABILITIES	<u>\$ 284,342</u>	<u>\$ 113,261</u>	<u>\$ 2,884</u>	<u>\$ 42,722</u>
<u>NONCURRENT LIABILITIES</u>					
Bonds payable		\$ 7,372,000	\$3,278,000	\$ -	\$ -
Less current maturities		189,000	48,000	-	-
Net pension liability		46,155	46,357	16,531	57,248
	TOTAL NONCURRENT LIABILITIES	<u>\$ 7,229,155</u>	<u>\$3,276,357</u>	<u>\$ 16,531</u>	<u>\$ 57,248</u>
	TOTAL LIABILITIES	<u>\$ 7,513,497</u>	<u>\$3,389,618</u>	<u>\$ 19,415</u>	<u>\$ 99,970</u>
Deferred inflows of resources - related to pensions		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,390</u>
<u>NET POSITION</u>					
Invested in capital assets - net of related debt		\$ 738,826	\$2,749,104	\$2,296,652	\$ 393,622
Restricted for debt service		589,224	363,872	-	-
Unrestricted		225,657	1,030,532	160,625	92,528
	TOTAL NET POSITION	<u>\$ 1,553,707</u>	<u>\$4,143,508</u>	<u>\$2,457,277</u>	<u>\$ 486,150</u>

Reconciliation to government-wide statement of net position:  
Adjustment to reflect the consolidation of Internal Service Fund's activities  
related to enterprise funds.  
Net position of business-type activities.

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

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$ 1,292,342	\$ 439,762
258,041	3,900
9,347	29,066
-	11,640
<u>123,684</u>	<u>-</u>
<u>\$ 1,683,414</u>	<u>\$ 484,368</u>
\$ 1,057,422	\$ -
31,327,032	4,551,454
( 15,440,141)	( 2,924,515)
<u>941,313</u>	<u>-</u>
<u>\$17,885,626</u>	<u>\$ 1,626,939</u>
<u>\$19,569,040</u>	<u>\$ 2,111,307</u>
<u>\$ 99,492</u>	<u>\$ 27,948</u>
\$ 38,123	\$ 25,280
16,218	1,050
103,688	5,007
20,051	-
28,129	-
<u>237,000</u>	<u>26,000</u>
<u>\$ 443,209</u>	<u>\$ 57,337</u>
\$10,650,000	\$ 437,000
237,000	26,000
<u>166,291</u>	<u>47,172</u>
<u>\$10,579,291</u>	<u>\$ 458,172</u>
<u>\$11,022,500</u>	<u>\$ 515,509</u>
<u>\$ 5,390</u>	<u>\$ 2,081</u>
\$ 6,178,204	\$ 1,189,939
953,096	-
<u>1,509,342</u>	<u>431,726</u>
<u>\$ 8,640,642</u>	<u>\$ 1,621,665</u>
<u>108,843</u>	
<u>\$ 8,749,485</u>	

CITY OF HOUGHTON, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Parking</u>	<u>Transit</u>
	<u>Supply</u>	<u>Disposal</u>	<u>System</u>	<u>System</u>
	<u>Fund</u>	<u>System</u>	<u>Fund</u>	<u>Fund</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Operating revenues:				
Utility Services	\$1,033,808	\$1,904,837	\$ -	\$ -
Parking revenues	-	-	205,902	-
Transit fares	-	-	-	122,058
Rents and other revenues	<u>21,551</u>	<u>334</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$1,055,359</u>	<u>\$1,905,171</u>	<u>\$ 205,902</u>	<u>\$122,058</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 544,510	\$1,913,384	\$ 295,565	\$514,731
Depreciation	<u>273,142</u>	<u>178,071</u>	<u>146,565</u>	<u>87,607</u>
TOTAL OPERATING EXPENSES	<u>\$ 817,652</u>	<u>\$2,091,455</u>	<u>\$ 442,130</u>	<u>\$602,338</u>
OPERATING INCOME (LOSS)	<u>\$ 237,707</u>	<u>(\$ 186,284)</u>	<u>(\$ 236,228)</u>	<u>(\$480,280)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 5,046	\$ 7,979	\$ 861	\$ 568
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,030</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 5,046</u>	<u>\$ 7,979</u>	<u>\$ 861</u>	<u>\$366,598</u>
Non-operating expenses:				
Interest	\$ 209,767	\$ 90,253	\$ -	\$ -
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,171</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 209,767</u>	<u>\$ 90,253</u>	<u>\$ -</u>	<u>\$ 50,171</u>
INCOME (LOSS) BEFORE				
CONTRIBUTIONS AND TRANSFERS	\$ 32,986	(\$ 268,558)	(\$ 235,367)	(\$163,853)
Capital contributions	-	87,093	-	-
Transfers in (out)	<u>(50,000)</u>	<u>(100,000)</u>	<u>110,000</u>	<u>123,150</u>
CHANGE IN NET POSITION	<u>(\$ 17,014)</u>	<u>(\$ 281,465)</u>	<u>(\$ 125,368)</u>	<u>(\$ 40,703)</u>
Net position at July 1, 2016	<u>\$1,570,721</u>	<u>\$4,424,973</u>	<u>\$2,582,644</u>	<u>\$526,853</u>
Net position at June 30, 2017	<u>\$1,553,707</u>	<u>\$4,143,508</u>	<u>\$2,457,277</u>	<u>\$486,150</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>
\$2,938,645	\$ -
205,902	-
122,058	-
<u>21,885</u>	<u>955,759</u>
<u>\$3,288,490</u>	<u>\$ 955,759</u>
\$3,268,190	\$ 535,581
<u>685,385</u>	<u>198,652</u>
<u>\$3,953,575</u>	<u>\$ 734,233</u>
<u>(\$ 665,085)</u>	<u>\$ 221,526</u>
\$ 14,454	\$ 3,275
-	14,600
<u>366,030</u>	<u>-</u>
<u>\$ 380,484</u>	<u>\$ 17,875</u>
\$ 300,020	\$ 9,706
<u>50,171</u>	<u>-</u>
<u>\$ 350,191</u>	<u>\$ 9,706</u>
(\$ 634,792)	\$ 229,695
87,093	-
<u>83,150</u>	<u>(66,001)</u>
(\$ 464,549)	<u>\$ 163,694</u>
	<u>\$ 1,457,971</u>
	<u><u>\$ 1,621,665</u></u>
<u>33,385</u>	
<u><u>(\$ 431,164)</u></u>	

CITY OF HOUGHTON, MICHIGAN  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 Year ended June 30, 2017

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$1,046,779	\$1,873,051	\$205,902
Payments to suppliers	( 364,927)	( 1,606,484)	( 240,413)
Payments to employees	( 176,138)	( 258,922)	( 51,884)
Other receipts (payments)	<u>          -</u>	<u>          -</u>	<u>          -</u>
Net cash provided (used) by operating activities	<u>\$ 505,714</u>	<u>\$ 7,645</u>	<u>(\$ 86,395)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ -	\$ 18,930	\$ -
(Increase) decrease in due from other governmental units	( 25,759)	-	-
Increase (decrease) in due to other funds and component units	-	( 7,595)	( 118)
Increase (decrease) in due to other governmental units	-	-	-
Transfers (to) from other funds and component units	( 50,000)	( 100,000)	110,000
Proceeds from grants	-	-	-
Specialized services grants paid	<u>          -</u>	<u>          -</u>	<u>          -</u>
Net cash provided (used) by noncapital financing activities	<u>(\$ 75,759)</u>	<u>(\$ 88,665)</u>	<u>\$109,882</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ 87,093	\$ -
Transfers from other funds	-	-	-
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	( 9,850)	( 106,388)	-
Loan proceeds	-	-	-
Reduction of long-term debt	( 196,000)	( 47,000)	-
(Increase) decrease in restricted assets	( 113,552)	( 45,470)	-
Interest paid on long-term debt	<u>( 211,209)</u>	<u>( 90,791)</u>	<u>          -</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 530,611)</u>	<u>(\$ 202,556)</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 Fund
\$ 123,011	\$3,248,743	\$ 942,464
( 108,753)	( 2,320,577)	( 512,635)
( 393,044)	( 879,988)	( 78,247)
-	-	16,590
<u>(\$ 378,786)</u>	<u>\$ 48,178</u>	<u>\$ 368,172</u>
\$ -	\$ 18,930	\$ -
( 22,798)	( 48,557)	-
( 2,167)	( 9,880)	-
( 2,789)	( 2,789)	-
123,150	83,150	( 95,700)
366,030	366,030	-
<u>( 50,171)</u>	<u>( 50,171)</u>	<u>-</u>
<u>\$ 411,255</u>	<u>\$ 356,713</u>	<u>(\$ 95,700)</u>
\$ -	\$ 87,093	\$ -
-	-	29,699
-	-	14,600
-	( 116,238)	( 1,301,068)
-	-	462,000
-	( 243,000)	( 25,000)
-	( 159,022)	-
-	<u>( 302,000)</u>	<u>( 4,699)</u>
<u>\$ -</u>	<u>(\$ 733,167)</u>	<u>(\$ 824,468)</u>

CITY OF HOUGHTON, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year ended June 30, 2017

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
	Cash flows from investing activities - Interest received	\$ 5,046	\$ 7,979
Net increase (decrease) in cash and cash equivalents	(\$ 95,610)	(\$ 275,597)	\$ 24,348
Cash - beginning of year	<u>285,196</u>	<u>1,084,209</u>	<u>146,489</u>
Cash - end of year	<u>\$ 189,586</u>	<u>\$ 808,612</u>	<u>\$ 170,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 237,707	(\$ 186,284)	(\$ 236,228)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	273,142	178,071	146,565
Changes in assets and liabilities:			
Receivables	( 8,580)	( 32,120)	-
Due from other funds and component units	-	-	-
Accounts and other payables	( 2,067)	( 5,076)	1,297
Accrued expenses	1,396	( 845)	597
Due to other governmental units	-	47,984	-
Net pension liability	<u>4,116</u>	<u>5,915</u>	<u>1,374</u>
Net cash provided by operating activities	<u>\$ 505,714</u>	<u>\$ 7,645</u>	<u>(\$ 86,395)</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>
\$ 568	\$ 14,454	\$ 3,275
\$ 33,037	(\$ 313,822)	(\$ 548,721)
<u>90,270</u>	<u>1,606,164</u>	<u>988,483</u>
<u>\$ 123,307</u>	<u>\$1,292,342</u>	<u>\$ 439,762</u>
(\$ 480,280)	(\$ 665,085)	\$ 221,526
87,607	685,385	198,652
953	( 39,747)	( 3,900)
-	-	7,195
2,777	( 3,069)	( 57,157)
366	1,514	( 127)
-	47,984	-
<u>9,791</u>	<u>21,196</u>	<u>1,983</u>
<u>(\$ 378,786)</u>	<u>\$ 48,178</u>	<u>\$ 368,172</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES  
STATEMENT OF NET POSITION  
June 30, 2017

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ -	\$1,018,822	\$ 22,221
Accounts receivable	-	-	-
Investments - at fair value	1,237,706	-	-
Prepaid expenses	-	45,251	-
Loans to retirement plan participants	<u>24,846</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,262,552</u>	<u>\$1,064,073</u>	<u>\$ 22,221</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 119	\$ -
Due to other governmental units	-	-	21,846
Due to component units	-	-	375
Accumulated employee sick leave	-	86,079	-
Accumulated employee vacation	<u>-</u>	<u>131,027</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 217,225</u>	<u>\$ 22,221</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	\$1,262,552	\$ -	\$ -
Restricted for employee benefits	<u>-</u>	<u>846,848</u>	<u>-</u>
TOTAL NET POSITION	<u>\$1,262,552</u>	<u>\$ 846,848</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, 2017

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 42,340	\$ -
Investment income (loss)	166,464	-
Charges for services	-	1,526,752
Other revenue	-	10,114
	<u>          </u>	<u>          </u>
TOTAL OPERATING REVENUES	\$ <u>208,804</u>	\$ <u>1,536,866</u>
Operating expenses:		
Plan distributions	\$ 93,382	\$ -
Payroll taxes - employer share	-	164,471
Hospitalization insurance	-	612,004
Sick pay	-	78,323
Vacation pay	-	180,254
Holiday pay	-	70,910
Funeral leave	-	283
Longevity pay	-	9,747
Workers' compensation insurance	-	49,593
Unemployment insurance	-	4,572
Retirement contributions	-	258,782
Life insurance	-	35,207
Disability insurance	-	8,115
Other	-	21,542
	<u>          </u>	<u>          </u>
TOTAL OPERATING EXPENSES	\$ <u>93,382</u>	\$ <u>1,493,803</u>
OPERATING INCOME (LOSS)	\$ 115,422	\$ 43,063
Net position, beginning of year	<u>1,147,130</u>	<u>803,785</u>
Net position, end of year	<u>\$1,262,552</u>	<u>\$ 846,848</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, 2017

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 239,463	\$ 392,462	\$ 631,925
Taxes receivable	-	1,043	1,043
Due from primary government	7,011	14,185	21,196
Capital assets-net	<u>751,638</u>	<u>4,947,801</u>	<u>5,699,439</u>
TOTAL ASSETS	<u>\$ 998,112</u>	<u>\$5,355,491</u>	<u>\$6,353,603</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pension	<u>\$ 3,181</u>	<u>\$ 17,597</u>	<u>\$ 20,778</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 640	\$ 28,885	\$ 29,525
Accrued expenses	1,117	6,457	7,574
Due to primary government	-	11,640	11,640
Noncurrent liabilities:			
Due within one year	100,000	50,000	150,000
Due in more than one year	-	55,000	55,000
Net pension liability	<u>5,012</u>	<u>31,387</u>	<u>36,399</u>
TOTAL LIABILITIES	<u>\$ 106,769</u>	<u>\$ 183,369</u>	<u>\$ 290,138</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pension	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ 311</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 751,638	\$4,842,801	\$5,594,439
Unrestricted	<u>142,575</u>	<u>346,918</u>	<u>489,493</u>
TOTAL NET POSITION	<u>\$ 894,213</u>	<u>\$5,189,719</u>	<u>\$6,083,932</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, 2017

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs			
Downtown Development			
Authority:			
General government	\$ 27,257	\$ -	\$ -
Parks and recreation	32,410	-	-
Public works	56,943	-	-
TOTAL DOWNTOWN DEVELOPMENT AUTHORITY	\$ 116,610	\$ -	\$ -
Tax Increment			
Finance Authority:			
General government	\$ 198,077	\$ -	\$ -
Public safety	120,000	-	-
Public works	135,935	-	-
TOTAL TAX INCREMENT FINANCE AUTHORITY	\$ 454,012	\$ -	\$ -

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

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

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

Net (Expenses) Revenues  
and Changes in Net Assets

Downtown Development Authority	Tax Increment Finance Authority	Total
(\$ 27,257)	\$ -	(\$ 27,257)
( 32,410)	-	( 32,410)
( 56,943)	-	( 56,943)
(\$ 116,610)	\$ -	(\$ 116,610)
\$ -	(\$ 198,077)	(\$ 198,077)
-	( 120,000)	( 120,000)
-	( 135,935)	( 135,935)
\$ -	(\$ 454,012)	(\$ 454,012)
\$ 305,404	\$ 671,113	\$ 976,517
1,769	3,482	5,251
1,200	-	1,200
( 40,000)	-	( 40,000)
\$ 268,373	\$ 674,595	\$ 942,968
\$ 151,763	\$ 220,583	\$ 372,346
\$ 742,450	\$ 4,969,136	\$5,711,586
\$ 894,213	\$ 5,189,719	\$6,083,932



CITY OF HOUGHTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2017

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, 2016, is as follows:

Assets:	
Current assets	\$ 335,906
Net capital assets	<u>3,422,641</u>
Total Assets	<u>\$3,758,547</u>
Liabilities:	
Current liabilities	\$ 88,203
Other	<u>8,248</u>
Total Liabilities	<u>\$ 96,451</u>
Net Assets:	
Net investment in capital assets	\$3,422,641
Restricted	-
Unrestricted net assets	<u>239,455</u>
Total Net Assets	<u>\$3,662,096</u>
Operating Revenues:	
Tenant revenue	\$ 297,812
Program grants - subsidies	92,477
Other	<u>143,281</u>
Total Operating Revenues	<u>\$ 533,570</u>
Operating Expenses:	
General operations	\$ 511,415
Depreciation	<u>227,463</u>
Total Operating Expenses	<u>\$ 738,878</u>
Operating Income (Loss)	(\$ 205,308)
Nonoperating Revenues (Expenses)	<u>\$ 3,672</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(\$ 201,636)
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital grant contributions	\$ 57,400
Extraordinary maintenance	<u>(2,320)</u>
Total Other Revenues, Expenses, Gains, Losses and transfers	<u>\$ 55,080</u>
Change in Net Position	(\$ 146,556)
Net Position, Beginning of Period	<u>3,808,652</u>
Net Position, End of Period	<u>\$3,662,096</u>

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

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

Audited financial information for the joint venture as of June 30, 2017:

Total Assets	<u>\$13,195,758</u>
Liabilities:	
Current liabilities	\$ 1,340,091
Non-current liabilities	<u>3,565,667</u>
	<u>\$ 4,905,758</u>
Net Position:	
Net investment in capital assets	\$ 7,093,417
Unrestricted	<u>1,196,583</u>
Total net position	<u>\$ 8,290,000</u>
Total revenues	\$ 2,273,496
Total expenditures	<u>2,009,030</u>
Change in net assets	\$ 264,466
Net assets, beginning of the year	<u>8,025,534</u>
Net assets, end of year	<u>\$ 8,290,000</u>

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

General Obligation Debt Retirement Fund

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

Capital Projects Funds

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

PROPRIETARY FUNDS

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned, including unbilled water and sewer services which are accrued, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2016 was \$15.00 on each 1,000.00 of tax valuation.

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

GRANTING OF CREDIT

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

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

BANK DEPOSITS AND INVESTMENTS

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

BANK DEPOSITS AND INVESTMENTS (CONTINUED)

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

RECEIVABLES AND PAYABLES

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

INVENTORIES AND PREPAID ITEMS

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest has not been capitalized on fixed assets.

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

DEFINED BENEFIT PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System of Michigan (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM OBLIGATIONS

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

FUND EQUITY

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

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

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

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

The liability recorded in the Statement of Net Assets for other post-employment benefits payable is based on an actuarially determined amount less amounts paid in the current year for active members receiving the post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2017, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental</u>	<u>Business-</u>	<u>Fiduciary</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Type</u>	<u>Funds</u>	<u>Primary</u>	<u>Units</u>
		<u>Activities</u>		<u>Government</u>	
Cash and cash equivalents	\$ 2,297,829	\$1,292,342	\$ -	\$3,590,171	\$ 631,925
Investments	11,580	-	1,237,706	1,249,286	-
Restricted assets	-	<u>1,057,422</u>	-	<u>1,057,422</u>	-
Total	<u>\$ 2,309,409</u>	<u>\$2,349,764</u>	<u>\$1,237,706</u>	<u>\$5,896,879</u>	<u>\$ 631,925</u>

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

	<u>Bank Balances</u>		
<u>Deposits</u>	<u>Primary</u>	<u>Component</u>	
	<u>Government</u>	<u>Unit</u>	<u>Total</u>
Insured or collateralized	\$ 5,853,921	\$ 632,089	\$ 6,486,010
Uninsured	-	-	-
Total Deposits	<u>\$ 5,853,921</u>	<u>\$ 632,089</u>	<u>\$ 6,486,010</u>

At year end, the carrying amount of cash was \$4,631,214 and \$631,925 for the primary government and component units respectively. Deposits totaling \$1,057,422 are included with Restricted Assets. Included with Cash was petty cash of \$2,115. The total carrying amount of deposits in these accounts is \$5,263,139 and \$631,925 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).



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized Cash equivalents	\$ 11,580	\$ -	\$ -	\$ 11,580	\$ 11,580
Nonrisk-Categorized Investments				\$1,237,706	\$1,237,706
Total investments				<u>\$1,249,286</u>	<u>\$1,249,286</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.

NOTE D - RECEIVABLES

Receivables as of June 30, 2017 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 11,663	\$ -	\$ -	\$ -
Accounts	183,869	-	85,939	168,037
Long-term loans	-	119,129	-	-
Intergovernmental	-	111,715	-	91,469
Total receivables	<u>\$195,532</u>	<u>\$230,844</u>	<u>\$ 85,939</u>	<u>\$ 259,506</u>

	<u>Transit Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 11,663
Accounts	4,065	-	441,910
Long-term loans	-	24,816	143,945
Intergovernmental	32,215	-	235,399
Total receivables	<u>\$ 36,280</u>	<u>\$ 24,816</u>	<u>\$ 832,917</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	\$ 11,663
Long-term loans receivable	<u>119,129</u>
Total	<u>\$ 130,792</u>

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$119,129 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.

NOTE D - RECEIVABLES (CONTINUED)

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, 2017. 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	( 54)
2016-17	( <u>3,448</u> )
	<u>(\$ 28,129)</u>

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

b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the statement of net position at June 30, 2017. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable ( Payable )</u>
1998-99	(\$ 167)
1999-00	( 3,070)
2000-01	( 72)
2001-02	( 28)
2003-04	( 654)
2004-05	( 2,263)
2005-06	8
2006-07	( 3,223)
2007-08	2,663
2009-10	( 9,825)
2010-11	( 493)
2011-12	( 443)
2012-13	( 88)
2013-14	462
2014-15	( 263)
2015-16	1,056
2016-17	<u>48,614</u>
	<u>\$ 32,214</u>

c. The amount of the 2016-17 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	<u>State Operating Assistance</u>	<u>Federal Section 5311 Funds</u>
Maximum allowable per computation	\$ 155,433	\$ 73,739
2016-17 receipts	158,881	<u>25,125</u>
Amount receivable (payable)	<u>(\$ 3,448)</u>	<u>\$ 48,614</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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	4,473,934	50,267
Equipment	4,385,049	1,438,126
Infrastructure	<u>6,171,765</u>	<u>195,439</u>
Total capital assets being depreciated	<u>\$18,904,723</u>	<u>\$1,683,832</u>
Less accumulated depreciation for:		
Buildings	(\$ 1,290,279)	(\$ 68,236)
Improvements	( 3,005,827)	( 95,112)
Equipment	( 3,627,499)	( 269,477)
Infrastructure	<u>( 2,533,741)</u>	<u>( 113,543)</u>
Total accumulated depreciation	<u>(\$10,457,346)</u>	<u>(\$ 546,368)</u>
Total capital assets, being depreciated, net	<u>\$ 8,447,377</u>	<u>(\$1,137,464)</u>
Governmental activities capital assets, net	<u>\$ 9,103,136</u>	<u>(\$1,137,464)</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 276,443	\$ -
Improvements	74,334	-
Equipment	1,655,221	21,085
Infrastructure	<u>29,204,793</u>	<u>95,153</u>
Total capital assets being depreciated	<u>\$31,210,791</u>	<u>\$ 116,238</u>
Less accumulated depreciation for:		
Buildings	(\$ 163,331)	(\$ 6,835)
Improvements	( 21,958)	( 1,861)
Equipment	( 1,223,430)	( 98,362)
Infrastructure	<u>( 13,346,034)</u>	<u>( 578,327)</u>
Total accumulated depreciation	<u>(\$14,754,753)</u>	<u>(\$ 685,385)</u>
Total capital assets being depreciated, net	<u>\$16,456,038</u>	<u>(\$ 569,147)</u>
Business-type activities capital assets, net	<u>\$17,397,351</u>	<u>(\$ 569,147)</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>7,106,244</u>	<u>255,301</u>
Total capital assets being depreciated	<u>\$ 7,741,814</u>	<u>\$ 255,301</u>
Less accumulated depreciation for:		
Buildings	(\$ 242,805)	(\$ 12,713)
Infrastructure	<u>( 1,945,958)</u>	<u>( 148,311)</u>
Total accumulated depreciation	<u>(\$ 2,188,763)</u>	<u>(\$ 161,024)</u>
Total capital assets being depreciated, net	<u>\$ 5,553,051</u>	<u>\$ 94,277</u>
Component unit activities capital assets, net	<u>\$ 5,605,162</u>	<u>\$ 94,277</u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	\$ 655,759
\$ -	\$ 3,873,975
-	4,524,201
( 247,406)	5,575,769
-	6,367,204
(\$ 247,406)	\$20,341,149
\$ -	(\$ 1,358,515)
-	( 3,100,939)
247,406	( 3,649,570)
-	( 2,647,284)
\$ 247,406	(\$10,756,308)
\$ -	\$ 9,584,841
\$ -	\$10,240,600
\$ -	\$ 941,313
\$ -	\$ 276,443
-	74,334
-	1,676,306
-	29,299,946
-	\$31,327,029
\$ -	(\$ 170,166)
-	( 23,819)
-	( 1,321,792)
-	( 13,924,361)
\$ -	(\$15,440,138)
\$ -	\$15,886,893
\$ -	\$16,828,204
\$ -	\$ 52,111
\$ -	\$ 635,570
-	7,361,545
-	\$ 7,997,115
\$ -	(\$ 255,518)
-	( 2,094,269)
-	(\$ 2,349,787)
\$ -	\$ 5,647,328
\$ -	\$ 5,699,439

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	\$ 115,704
Public works	308,126
Public safety	103,178
Recreation and parks	<u>19,360</u>
Total depreciation expense - Governmental activities	<u>\$ 546,368</u>
Business-type activities:	
Water	\$ 273,142
Sewer	178,071
Parking	146,565
Transit	<u>87,607</u>
Total depreciation expense - Business-type activities	<u>\$ 685,385</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ <u>2,468</u>	Water	\$ <u>2,468</u>
Local Street	\$ <u>2,778</u>	Major Street	\$ <u>2,778</u>
Sewer Disposal	\$ 9,347	General	\$ 1
		Water	<u>9,346</u>
SUBTOTAL	\$ <u>9,347</u>	SUBTOTAL	\$ <u>9,347</u>
Equipment	\$ 29,066	General	\$ 5,227
		Major Street	8,195
		Local Street	7,407
		Water	2,291
		Sewer	3,926
		Transit	1,782
		Parking System	<u>238</u>
SUBTOTAL	\$ <u>29,066</u>	SUBTOTAL	\$ <u>29,066</u>
TOTALS	\$ <u>43,569</u>	TOTALS	\$ <u>43,569</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, 2017 are as follows:

	Receivable from Primary <u>Government</u>	Payable to Primary <u>Government</u>		Receivable from Component <u>Unit</u>	Payable to Component <u>Unit</u>
Downtown Development Authority - General	\$ 375	\$ -	Tax Collection	\$ -	\$ 375
Tax Increment Finance Authority - General	\$ -	\$ 11,640	Equipment	\$ 11,640	\$ -
TOTALS	<u>\$ 375</u>	<u>\$ 11,640</u>	TOTALS	<u>\$ 11,640</u>	<u>\$ 375</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, 2017 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, 2018 through May 1, 2019, with interest at 5.00 % per annum.	\$ -	\$ 33,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2017 through August 13, 2052, with interest at 2.125% per annum.	-	3,859,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2017 through August 1, 2052 with interest at 2.75% per annum.	-	3,278,000
Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2017 through October 1, 2035 with interest ranging from 2.0% to 4.0%	1,575,000	3,480,000
Limited Tax General Obligation Bonds dated July 19, 2005, mature annually on November 1, 2017 through November 1, 2034, with interest at 4.25% per annum.	20,000	-
Michigan Transportation Fund General Obligation Bonds dated July 25, 2016, mature annually on June 1, 2017 through June 1, 2031, with interest at 2.75% per annum.	<u>594,000</u>	<u>-</u>
Total bonds payable	<u>\$ 2,189,000</u>	<u>\$10,650,000</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, 2017 through July 1, 2021 with interest at 4.25% per annum.	\$ 78,000	\$ -
2016 Rural Development Service Installment note, matures annually on February 1, 2018 through February 1, 2031 with interest at 2.75% per annum.	<u>437,000</u>	<u>-</u>
Total installment notes	<u>\$ 515,000</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>\$ 203,919</u>	<u>\$ -</u>
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The long-term portion of employee compensated absences, totaling \$206,298, other post-retirement benefits payable of \$88,906 are paid through the Employee Benefits Fund, and 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, 2017, 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>
2018	\$ 203,631	\$ 95,610	\$ 237,000	\$ 298,611
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
2032-2053	<u>530,000</u>	<u>54,600</u>	<u>6,393,000</u>	<u>1,727,405</u>
	<u>\$ 2,907,919</u>	<u>\$ 893,269</u>	<u>\$10,650,000</u>	<u>\$5,197,803</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>06-30-16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-17</u>
<u>PROPRIETARY ACTIVITIES</u>				
REVENUE BONDS				
Water Supply and Sewage Disposal System Bonds(1978)	\$ 10,000	\$ -	\$ 10,000	\$ -
Water Supply and Sewage Disposal System Bonds (1980)	48,000	-	15,000	33,000
Construction Bonds (2012)	3,925,000	-	66,000	3,859,000
Junior Lien Sewage Disposal System Construction Bonds (2012)	3,325,000	-	47,000	3,278,000
2013 Refunding Bonds	<u>3,585,000</u>	<u>-</u>	<u>105,000</u>	<u>3,480,000</u>
	<u>\$10,893,000</u>	<u>\$ -</u>	<u>\$ 243,000</u>	<u>\$10,650,000</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
GENERAL OBLIGATION BONDS				
Building Authority Bonds (1997)	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
2016 Michigan Transportation Fund Bonds	-	628,000	34,000	594,000
INSTALLMENT PURCHASE CONTRACTS				
Building Improvements	250,368	-	46,449	203,919
INSTALLMENT NOTES				
2006 Rural Development Loan	92,000	-	14,000	78,000
2016 Rural Development Loan	-	462,000	25,000	437,000
LIMITED TAX GENERAL OBLIGATION BONDS				
2013 Refunding Bonds	<u>1,630,000</u>	<u>-</u>	<u>55,000</u>	<u>1,575,000</u>
Accrued compensated absences payable	\$ 2,012,368	\$ 1,090,000	\$ 194,449	\$ 2,907,919
Less current portion, included in Employee Benefit Fund	370,525	52,879	-	423,404
Other post-employment benefits payable	199,652	17,454	-	217,106
	<u>88,906</u>	<u>-</u>	<u>-</u>	<u>88,906</u>
	<u>\$ 2,272,147</u>	<u>\$ 1,125,425</u>	<u>\$ 194,449</u>	<u>\$ 3,203,123</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1999 Tax Increment Bond	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 105,000</u>
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
2011 Refunding Bonds	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
	<u>\$13,515,147</u>	<u>\$ 1,125,425</u>	<u>\$ 582,449</u>	<u>\$14,058,123</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 annually on May 1, 2018 through May 1, 2019, with interest at 5.00% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>November 1</u>	<u>May 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 825	\$ 16,000	\$ 825	\$ 17,650
2019	425	17,000	425	17,850
	<u>\$ 1,250</u>	<u>\$ 33,000</u>	<u>\$ 1,250</u>	<u>\$ 35,500</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 \$3,859,000 outstanding), dated August 13, 2012, mature annually on August 1, 2017 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.

<u>Due</u> <u>Year Ended</u> <u>June 30</u>	<u>August 1</u>		<u>February 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2018	\$ 68,000	\$ 41,353	\$ 41,353	\$ 150,706
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	127,000	1,700	1,700	130,400
	<u>\$3,859,000</u>	<u>\$873,493</u>	<u>\$ 873,494</u>	<u>\$5,605,987</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 \$3,278,000 outstanding), dated August 13, 2012, mature annually on August 1, 2017 through August 1, 2052 with an interest rate of 2.75% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

Due Year Ended <u>June 30</u>	August 1		February 1	Total
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2018	\$ 48,000	\$ 45,375	\$ 45,375	\$ 138,750
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>\$3,278,000</u>	<u>\$ 999,006</u>	<u>\$ 999,007</u>	<u>\$5,276,013</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 \$5,055,000 outstanding), dated June 20, 2013, mature annually on October 1, 2017 through October 1, 2035 with interest rates ranging from 2.00% to 4.00% per annum.

Due Year Ended <u>June 30</u>	October 1		April 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2018	\$ 165,000	\$ 90,240	\$ 88,590	\$ 343,830
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>\$5,055,000</u>	<u>\$1,090,015</u>	<u>\$ 999,775</u>	<u>\$7,144,790</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 outstanding), dated July 25, 2016, mature annually on June 1, 2017 through June 1, 2031 with an interest rate of 2.75% per annum.

Due Year Ended <u>June 30</u>	December 1	June 1		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 8,168	\$ 35,000	\$ 8,168	\$ 51,336
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>\$ 64,969</u>	<u>\$ 594,000</u>	<u>\$ 64,969</u>	<u>\$ 723,938</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)

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds (\$955,000 originally issued and \$20,000 outstanding), dated September 1, 1997, mature on October 1, 2017.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>October 1</u> <u>Principal</u>	<u>Interest</u>	<u>April 1</u> <u>Interest</u>	<u>Total</u>
2018	5.50	<u>\$ 20,000</u>	<u>\$ 550</u>	<u>\$ -</u>	<u>\$ 20,550</u>

Bonds or portions of bonds in multiples of \$5,000 of this issue are subject to redemption prior to maturity, at the option of the Authority, in such order of maturity as the Authority shall determine and within any maturity by lot, at par plus accrued interest to the date fixed for redemption.

2011 DOWNTOWN DEVELOPMENT REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds (\$385,000 originally issued and \$100,000 outstanding) dated August 2, 2011, mature on May 1, 2018 with an interest rate of 3.5% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>November 1</u> <u>Interest</u>	<u>May 1</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 1,750</u>	<u>\$ 100,000</u>	<u>\$ 1,750</u>	<u>\$ 103,500</u>

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, \$105,000 outstanding) dated October 1, 1999, mature annually on May 1, 2018 through 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>
2018	6.00	\$ 3,150	\$ 50,000	\$ 3,150	\$ 56,300
2019	6.00	<u>1,650</u>	<u>55,000</u>	<u>1,650</u>	<u>58,300</u>
		<u>\$ 4,800</u>	<u>\$ 105,000</u>	<u>\$ 4,800</u>	<u>\$ 114,600</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 \$78,000 outstanding) matures annually on July 1, 2017 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>		
2018	\$ 14,000	\$ 1,657	\$ 1,360	\$ 17,017
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	17,000	361	-	17,361
	<u>\$ 78,000</u>	<u>\$ 5,120</u>	<u>\$ 3,463</u>	<u>\$ 86,583</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2016 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$462,000 originally received and \$437,000 outstanding) matures annually on February 1, 2017 through February 1, 2031 with interest at the rate of 2.75% per annum.

Year Ended <u>June 30</u>	February 1 <u>Principal</u>	February 1 <u>Interest</u>	August 1 <u>Interest</u>	<u>Total</u>
2018	\$ 26,000	\$ 6,009	\$ 6,009	\$ 38,018
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	37,000	509	509	38,018
	<u>\$ 437,000</u>	<u>\$ 47,700</u>	<u>\$ 47,700</u>	<u>\$ 532,400</u>

NOTE H - RISK MANAGEMENT

RISKS OF LOSS

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

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

SHARE OF LOSSES

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2017 was \$2,269,265. The City's contributions to the money purchase plan were calculated using the base salary amount of \$395,866. The City made the required contribution of \$42,340.

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%.

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](http://www.mersofmich.com).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

BENEFITS PROVIDED

01 - All Full Time Employees: Open Division

	<u>2016 Valuation</u>	<u>2015 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:	1.90%	0.97%
Act 88:	Yes (Adopted 3/8/2010)	Yes (Adopted 3/8/2010)

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2016 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>23</u> <u>30</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, 2016 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, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2016 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)  
ACTUARIAL ASSUMPTIONS (CONTINUED)

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 2016. 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 12/31/15	\$ 3,737,046	\$ 3,074,999	\$ 662,047
Changes for the year			
Service cost	145,464	-	145,464
Interest on total pension liability	301,089	-	301,089
Changes in benefits	( 5,719)	-	( 5,719)
Difference between expected and actual experience	215,784	-	215,784
Changes in assumptions	-	-	-
Employer contributions	-	186,248	( 186,248)
Net investment income	-	358,762	( 358,762)
Benefit payments, including employee refunds	( 92,338)	( 92,338)	-
Administrative expense	-	( 7,073)	7,073
Net changes	\$ 564,280	\$ 445,599	\$ 118,681
Balances as of 12/31/16	\$ 4,301,326	\$ 3,520,598	\$ 780,728

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 (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability 12/31/16		\$ 780,778	
Change in net pension Liability as of 12/31/16	\$ 625,221		(\$ 519,763)
Calculated Net Pension Liability	\$ 1,405,949	\$ 780,779	\$ 260,965

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)  
ACTUARIAL ASSUMPTIONS (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2017 the employer recognized pension expense of \$274,502. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 102,763	\$ -
Differences in assumptions	142,320	-
Excess (deficit) investment returns	97,291	-
Contribution subsequent to the measurement date*	94,890	-
Total	\$ 437,264	\$ -

\*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, 2017	\$	76,068
2018		76,068
2019		76,065
2020		14,494
2021		36,351
Thereafter		63,328
Total		\$342,374

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Houghton Retirement Hospitalization 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, 2017, membership of the plan consisted of 23 active plan members, and 19 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		1,103
Total normal cost	\$	28,673
Amortization component		
Actuarial accrued liability	\$1,039,987	
Less - assets		-
Unfunded actuarial accrued liability	\$1,039,987	
Divided by present value factor		26.1695
Amortization payment	\$	39,740
Interest		1,590
Total amortization payment	\$	41,330
Annual required contribution	\$	70,003

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$70,003
Interest on Net OPEB obligation	1,810
Adjustments to ARC	( 1,745)
Annual OPEB cost (expense)	\$70,068
Contributions made	<u>26,400</u>
Increase in net OPEB obligation	\$43,668
Net OPEB obligation - beginning of year	<u>45,238</u>
Net OPEB obligation - end of year	<u><u>\$88,906</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 is as follows:

Annual OPEB costs	\$70,003
Percentage contributed	22.4%
Net OPEB obligation	\$88,906

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2016, the actuarial accrued liability was \$1,039,987. The plan had no assets set aside in trust, resulting in an unfunded actuarial accrued liability of \$1,039,987.

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Under certain circumstances, a single employer that operates a plan with less than 100 total members may apply a simplified measurement method in lieu of obtaining an actuarial valuation.

ALTERNATIVE MEASUREMENT METHOD AND ASSUMPTIONS

In the June 30, 2016 valuation of the annual required contribution, the City used the alternative measurement method in lieu of obtaining an actuarial valuation. This alternate calculation requires the same broad measurement steps as would be necessary in the actuarial process, but allows an organization to utilize a set of predetermined assumptions that simplify the calculations necessary to determine the OPEB liability. Assumptions used in the preparation of the alternate calculation included a discount rate of 4% and post retirement interest rate of 4%.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2017.

	<u>Required Reserve</u>	<u>Reserve Balance</u>
Water Fund:		
Junior Lien Bond Redemption	\$ 82,015	\$ 118,791
Junior Lien Bond Reserve	<u>78,850</u>	<u>88,227</u>
	<u>\$ 160,865</u>	<u>\$ 207,018</u>
Sewer Fund:		
Junior Lien Bond Redemption	\$ 76,000	\$ 97,263
Junior Lien Bond Reserve	<u>123,500</u>	<u>161,393</u>
	<u>\$ 199,500</u>	<u>\$ 258,656</u>
	<u>\$ 360,365</u>	<u>\$ 465,674</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.

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

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>
Total pension liability		
Service cost	\$ 106,558	\$ 145,464
Interest	283,264	308,477
Benefit changes	( 700)	( 5,719)
Difference between expected and actual experience	( 114,732)	215,784
Changes of assumptions	189,760	( 92,338)
Benefits paid and refunds	( 214,647)	( 7,388)
Net change in total pension liability	<u>\$ 249,503</u>	<u>\$ 564,280</u>
Total pension liability - Beginning	<u>\$3,487,543</u>	<u>\$3,737,046</u>
Total pension liability - Ending	<u>\$3,737,046</u>	<u>\$4,301,326</u>
Plan fiduciary net position		
Contributions - employer	\$ 141,688	\$ 186,248
Net investment income	( 47,007)	358,762
Benefit payments including employee refunds	( 214,647)	( 92,338)
Administrative expense	( 7,018)	( 7,073)
Net change in plan fiduciary net position	<u>(\$ 126,984)</u>	<u>\$ 445,599</u>
Plan fiduciary net position - Beginning	<u>\$3,201,983</u>	<u>\$3,074,999</u>
Plan fiduciary net position - Ending	<u>\$3,074,999</u>	<u>\$3,520,598</u>
Employer net pension liability	<u>\$ 662,047</u>	<u>\$ 780,728</u>
Plan fiduciary net position as a percentage of total pension liability	82%	82%
Covered employee payroll	\$ 989,398	\$1,290,717
Employer's net pension liability as a percentage of covered employee payroll	67%	60%

CITY OF HOUGHTON, MICHIGAN  
GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,569,505	\$1,525,900	\$1,544,755	\$ 18,855
Licenses and permits	3,300	3,300	2,720	( 580)
Grants	841,307	931,307	931,903	596
Interest	10,000	10,000	8,775	( 1,225)
Charges for services	825,100	834,300	828,391	( 5,909)
Other revenues	290,500	312,500	298,404	( 14,096)
TOTAL REVENUES	\$3,539,712	\$3,617,307	\$3,614,948	(\$ 2,359)
Expenditures:				
General government administration	\$ 770,400	\$ 838,200	\$ 752,579	\$ 85,621
Public safety	1,156,900	1,325,500	1,274,918	50,582
Public works	587,700	786,605	742,580	44,025
Recreation and parks	386,700	411,300	389,153	22,147
Debt service	185,087	185,087	186,082	( 995)
Other expenditures	75,000	92,900	79,349	13,551
TOTAL EXPENDITURES	\$3,161,787	\$3,639,592	\$3,424,661	\$ 214,931
EXCESS OF REVENUES (EXPENDITURES)	\$ 377,925	(\$ 22,285)	\$ 190,287	\$ 212,572
Other financing sources(uses):				
Operating transfers in	\$ 9,700	\$ 8,700	\$ 6,700	(\$ 2,000)
Operating transfers out	( 322,300)	( 489,680)	( 481,379)	8,301
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 312,600)	(\$ 480,980)	(\$ 474,679)	\$ 6,301
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 65,325	(\$ 503,265)	(\$ 284,392)	\$ 218,873
Fund balance, beginning of year	1,227,398	1,227,398	1,227,398	-
FUND BALANCE, END OF YEAR	\$1,292,723	\$ 724,133	\$ 943,006	\$ 218,873

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 506,200	\$ 588,700	\$ 590,922	\$ 2,222
Interest and rents	<u>1,500</u>	<u>1,500</u>	<u>1,442</u>	( <u>58</u> )
TOTAL REVENUES	<u>\$ 507,700</u>	<u>\$ 590,200</u>	<u>\$ 592,364</u>	<u>\$ 2,164</u>
Expenditures:				
General government administration	\$ 40,700	\$ 40,700	\$ 14,439	\$ 26,261
Public works:				
Street preservation	127,000	227,000	222,329	4,671
Routine maintenance	56,400	103,000	94,872	8,128
Shoulder maintenance	-	69,930	69,930	-
Traffic services	24,200	27,200	17,458	9,742
Snow and ice control	258,000	278,500	273,977	4,523
Roadway inspections	<u>21,400</u>	<u>21,400</u>	<u>17,468</u>	<u>3,932</u>
TOTAL EXPENDITURES	<u>\$ 527,700</u>	<u>\$ 767,730</u>	<u>\$ 710,473</u>	<u>\$ 57,257</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 20,000)</u>	<u>(\$ 177,530)</u>	<u>(\$ 118,109)</u>	<u>\$ 59,421</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ -</u>	<u>(\$ 6,500)</u>	<u>\$ 13,677</u>	<u>\$ 20,177</u>
Other financing sources (uses)- Operating transfers in	<u>\$ 20,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 84,030)</u>	<u>(\$ 4,432)</u>	<u>\$ 79,598</u>
Fund balance, beginning of year	<u>276,800</u>	<u>276,800</u>	<u>276,800</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 276,800</u></u>	<u><u>\$ 192,770</u></u>	<u><u>\$ 272,368</u></u>	<u><u>\$ 79,598</u></u>

See accompanying note to budgetary comparison schedules.



CITY OF HOUGHTON, MICHIGAN  
LOCAL STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 140,000	\$ 140,000	\$ 146,351	\$ 6,351
State grants	262,608	262,608	284,868	22,260
Interest and rents	<u>1,000</u>	<u>1,000</u>	<u>2,032</u>	<u>1,032</u>
TOTAL REVENUES	<u>\$ 403,608</u>	<u>\$ 403,608</u>	<u>\$ 433,251</u>	<u>\$ 29,643</u>
Expenditures:				
General government administration	\$ 21,800	\$ 22,800	\$ 16,148	\$ 6,652
Public works:				
Street preservation	707,600	762,470	758,097	4,373
Routine maintenance	65,800	124,400	123,918	482
Traffic services	13,200	14,200	13,613	587
Snow and ice removal	259,300	302,500	298,088	4,412
Debt service	33,460	44,965	44,825	140
Contingency	<u>30,448</u>	<u>448</u>	<u>-</u>	<u>448</u>
TOTAL EXPENDITURES	<u>\$1,131,608</u>	<u>\$1,271,783</u>	<u>\$1,254,689</u>	<u>\$ 17,094</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 728,000)	(\$ 868,175)	(\$ 821,438)	\$ 46,737
Other financing sources (uses):				
Proceeds from long-term debt	\$ 628,000	\$ 628,000	\$ 628,000	\$ -
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 728,000</u>	<u>\$ 728,000</u>	<u>\$ 728,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 140,175)	(\$ 93,438)	\$ 46,737
Fund balance, beginning of year	<u>356,045</u>	<u>356,045</u>	<u>356,045</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 356,045</u>	<u>\$ 215,870</u>	<u>\$ 262,607</u>	<u>\$ 46,737</u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN  
 REVOLVING FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues:				
Interest and rents	\$ 1,700	\$ 1,700	\$ 3,174	\$ 1,474
Other revenue -				
Loan repayments	<u>32,156</u>	<u>32,156</u>	<u>22,718</u>	( <u>9,438</u> )
TOTAL REVENUES	<u>\$ 33,856</u>	<u>\$ 33,856</u>	<u>\$ 25,892</u>	( <u>\$ 7,964</u> )
Expenditures -				
General government administration	\$ 900	\$ 900	\$ 900	\$ -
Loans and contingencies	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
TOTAL EXPENDITURES	<u>\$ 900</u>	<u>\$ 1,900</u>	<u>\$ 900</u>	<u>\$ 1,000</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 32,956	\$ 31,956	\$ 24,992	( \$ 6,964 )
Fund balance, beginning of year	<u>228,186</u>	<u>228,186</u>	<u>228,186</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$261,142</u></u>	<u><u>\$260,142</u></u>	<u><u>\$253,178</u></u>	( <u><u>\$ 6,964</u></u> )

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2017

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>2017</u>	<u>2016</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 868,046	\$1,229,833
Accounts receivable		183,869	75,980
Inventory		5,554	5,554
Taxes receivable		11,663	12,824
Due from other funds		<u>2,468</u>	<u>6,077</u>
	TOTAL CURRENT ASSETS	<u>\$1,071,600</u>	<u>\$1,330,268</u>
<u>OTHER ASSETS</u>			
Investments		<u>\$ 11,580</u>	<u>\$ 11,165</u>
		<u>\$1,083,180</u>	<u>\$1,341,433</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 90,880	\$ 70,097
Accrued wages and benefits		32,403	24,456
Due to other funds		<u>5,228</u>	<u>6,658</u>
	TOTAL CURRENT LIABILITIES	\$ 128,511	\$ 101,211
<u>OTHER LIABILITIES</u>			
Deferred revenues		<u>11,663</u>	<u>12,824</u>
	TOTAL LIABILITIES	<u>\$ 140,174</u>	<u>\$ 114,035</u>
<u>FUND BALANCE</u>			
Unreserved		\$ 937,452	\$1,221,844
Reserved		<u>5,554</u>	<u>5,554</u>
	TOTAL FUND BALANCE	<u>\$ 943,006</u>	<u>\$1,227,398</u>
		<u>\$1,083,180</u>	<u>\$1,341,433</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, 2017

With Actual Amounts for Year Ended June 30, 2016

	2017		Variance	2016
	Budget	Actual	Favorable	Actual
			(Unfavorable)	
Revenues:				
Taxes	\$1,525,900	\$1,544,755	\$ 18,855	\$1,600,229
Licenses and permits	3,300	2,720	( 580)	4,805
Grants	931,307	931,903	596	811,232
Interest	10,000	8,775	( 1,225)	10,169
Charges for services	834,300	828,391	( 5,909)	814,830
Other revenues	<u>312,500</u>	<u>298,404</u>	<u>( 14,096)</u>	<u>258,892</u>
TOTAL REVENUES	<u>\$3,617,307</u>	<u>\$3,614,948</u>	<u>(\$ 2,359)</u>	<u>\$3,500,157</u>
Expenditures:				
General government administration	\$ 838,200	\$ 752,579	\$ 85,621	\$ 812,764
Public safety	1,325,500	1,274,918	50,582	1,074,918
Public works	786,605	742,580	44,025	550,362
Recreation and parks	411,300	389,153	22,147	355,408
Debt service	185,087	186,082	( 995)	191,806
Other expenditures	<u>92,900</u>	<u>79,349</u>	<u>13,551</u>	<u>134,266</u>
TOTAL EXPENDITURES	<u>\$3,639,592</u>	<u>\$3,424,661</u>	<u>\$ 214,931</u>	<u>\$3,119,524</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 22,285)</u>	<u>\$ 190,287</u>	<u>\$ 212,572</u>	<u>\$ 380,633</u>
Other financing sources (uses):				
Operating transfers in	\$ 8,700	\$ 6,700	(\$ 2,000)	\$ 5,700
Operating transfers out	<u>( 489,680)</u>	<u>( 481,379)</u>	<u>8,301</u>	<u>( 381,455)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 480,980)</u>	<u>(\$ 474,679)</u>	<u>\$ 6,301</u>	<u>(\$ 375,755)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 503,265)</u>	<u>(\$ 284,392)</u>	<u>\$ 218,873</u>	<u>\$ 4,878</u>
Fund balance, beginning of year	<u>1,227,398</u>	<u>1,227,398</u>	<u>-</u>	<u>1,222,520</u>
FUND BALANCE, END OF YEAR	<u>\$ 724,133</u>	<u>\$ 943,006</u>	<u>\$ 218,873</u>	<u>\$1,227,398</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, 2017  
With Totals for June 30, 2016

	<u>Totals</u>		<u>Major</u>	<u>Local</u>	<u>Revolving</u>
	<u>(Memorandum Only)</u>		<u>Street</u>	<u>Street</u>	<u>Fund</u>
	<u>2017</u>	<u>2016</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>ASSETS</u>					
Cash	\$ 704,309	\$ 805,649	\$210,076	\$241,055	\$253,178
Due from other governmental units	111,715	104,339	78,595	33,120	-
Due from other funds	2,778	1,167	-	2,778	-
Long-term loans	<u>119,129</u>	<u>141,008</u>	<u>-</u>	<u>-</u>	<u>119,129</u>
	<u>\$ 937,931</u>	<u>\$1,052,163</u>	<u>\$288,671</u>	<u>\$276,953</u>	<u>\$ 372,307</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 6,481	\$ 26,733	\$ 3,366	\$ 3,115	\$ -
Accrued wages and benefits	5,788	2,829	1,964	3,824	-
Due to other funds	18,380	20,562	10,973	7,407	-
Deferred revenue	<u>119,129</u>	<u>141,008</u>	<u>-</u>	<u>-</u>	<u>119,129</u>
TOTAL LIABILITIES	\$ 149,778	\$ 191,132	\$ 16,303	\$ 14,346	\$ 119,129
<u>FUND BALANCE</u>	<u>788,153</u>	<u>861,031</u>	<u>272,368</u>	<u>262,607</u>	<u>253,178</u>
	<u>\$ 937,931</u>	<u>\$1,052,163</u>	<u>\$288,671</u>	<u>\$276,953</u>	<u>\$ 372,307</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, 2017

With Totals for June 30, 2016

	Totals (Memorandum Only)		Major Street Fund	Local Street Fund	Revolving Fund
	2017	2016			
Revenues:					
Taxes	\$ 146,351	\$ 145,778	\$ -	\$ 146,351	\$ -
State grants	1,291,834	1,128,515	1,006,966	284,868	-
Interest and rents	6,648	7,077	1,442	2,032	3,174
Other revenue	<u>22,718</u>	<u>26,186</u>	<u>-</u>	<u>-</u>	<u>22,718</u>
TOTAL REVENUES	<u>\$1,467,551</u>	<u>\$1,307,556</u>	<u>\$1,008,408</u>	<u>\$ 433,251</u>	<u>\$ 25,892</u>
Expenditures:					
General government administration	\$ 31,487	\$ 46,310	\$ 14,439	\$ 16,148	\$ 900
Public works	2,292,117	1,276,833	1,098,401	1,193,716	-
Debt service	44,825	-	-	44,825	-
Loans and contingencies	<u>-</u>	<u>9,913</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$2,368,429</u>	<u>\$1,333,056</u>	<u>\$1,112,840</u>	<u>\$1,254,689</u>	<u>\$ 900</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 900,878)</u>	<u>(\$ 25,500)</u>	<u>(\$ 104,432)</u>	<u>(\$ 821,438)</u>	<u>\$ 24,992</u>
Other financing sources (uses):					
Proceeds from long-term debt	\$ 628,000	\$ -	\$ -	\$ 628,000	\$ -
Operating transfers from other funds	<u>200,000</u>	<u>120,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 828,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	<u>(\$ 72,878)</u>	<u>\$ 94,500</u>	<u>(\$ 4,432)</u>	<u>(\$ 93,438)</u>	<u>\$ 24,992</u>
Fund balance, beginning of year	<u>861,031</u>	<u>766,531</u>	<u>276,800</u>	<u>356,045</u>	<u>228,186</u>
FUND BALANCE, END OF YEAR	<u>\$ 788,153</u>	<u>\$ 861,031</u>	<u>\$ 272,368</u>	<u>\$ 262,607</u>	<u>\$ 253,178</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,	
	2017	2016
<u>ASSETS</u>		
Cash	\$210,076	\$240,937
Due from other governmental units	<u>78,595</u>	<u>60,491</u>
	<u>\$288,671</u>	<u>\$301,428</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 3,366	\$ 13,188
Accrued wages and benefits	1,964	1,101
Due to other funds	<u>10,973</u>	<u>10,339</u>
TOTAL LIABILITIES	\$ 16,303	\$ 24,628
<u>FUND BALANCE</u>	<u>272,368</u>	<u>276,800</u>
	<u>\$288,671</u>	<u>\$301,428</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, 2017  
 With Actual Amounts for Year Ended June 30, 2016

	2017		Variance	2016
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
State grants	\$588,700	\$590,922	\$ 2,222	\$431,970
Interest and rents	<u>1,500</u>	<u>1,442</u>	( 58)	<u>1,482</u>
TOTAL REVENUES	<u>\$590,200</u>	<u>\$592,364</u>	<u>\$ 2,164</u>	<u>\$433,452</u>
Expenditures:				
General government administration	\$ 40,700	\$ 14,439	\$ 26,261	\$ 23,891
Public works:				
Street preservation	227,000	222,329	4,671	73,401
Routine maintenance	103,000	94,872	8,128	85,736
Shoulder maintenance	69,930	69,930	-	-
Traffic services	27,200	17,458	9,742	20,645
Snow and ice control	278,500	273,977	4,523	251,077
Roadway inspection	<u>21,400</u>	<u>17,468</u>	<u>3,932</u>	<u>17,354</u>
TOTAL EXPENDITURES	<u>\$767,730</u>	<u>\$710,473</u>	<u>\$ 57,257</u>	<u>\$472,104</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	(\$177,530)	(\$118,109)	\$ 59,421	(\$ 38,652)
State trunkline maintenance -				
Excess of revenues (expenditures)	(\$ 6,500)	\$ 13,677	\$ 20,177	\$ 5,579
Other financing sources (uses)-				
Operating transfers in	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 84,030)	(\$ 4,432)	\$ 79,598	(\$ 33,073)
Fund balance, beginning of year	<u>276,800</u>	<u>276,800</u>	<u>-</u>	<u>309,873</u>
FUND BALANCE, END OF YEAR	<u><u>\$192,770</u></u>	<u><u>\$272,368</u></u>	<u><u>\$ 79,598</u></u>	<u><u>\$276,800</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>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$241,055	\$336,526
Due from other funds	2,778	1,167
Due from other governmental units	<u>33,120</u>	<u>43,848</u>
	<u>\$276,953</u>	<u>\$381,541</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 3,115	\$ 13,545
Accrued wages and benefits	3,824	1,728
Due to other funds	<u>7,407</u>	<u>10,223</u>
	TOTAL LIABILITIES \$ 14,346	\$ 25,496
<u>FUND BALANCE</u>	<u>262,607</u>	<u>356,045</u>
	<u>\$276,953</u>	<u>\$381,541</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, 2017  
 With Actual Amounts for Year Ended June 30, 2016

	2017		Variance Favorable	2016
	Budget	Actual	(Unfavorable)	Actual
Revenues:				
Taxes	\$ 140,000	\$ 146,351	\$ 6,351	\$145,778
State grants	262,608	284,868	22,260	283,857
Interest and rents	<u>1,000</u>	<u>2,032</u>	<u>1,032</u>	<u>2,924</u>
TOTAL REVENUES	<u>\$ 403,608</u>	<u>\$ 433,251</u>	<u>\$ 29,643</u>	<u>\$432,559</u>
Expenditures:				
General government administration	\$ 22,800	\$ 16,148	\$ 6,652	\$ 21,519
Public works:				
Street preservation	762,470	758,097	4,373	74,938
Routine maintenance	124,400	123,918	482	67,077
Traffic services	14,200	13,613	587	11,943
Snow and ice control	302,500	298,088	4,412	267,553
Debt service	44,965	44,825	140	-
Contingency	<u>448</u>	<u>-</u>	<u>448</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,271,783</u>	<u>\$1,254,689</u>	<u>\$ 17,094</u>	<u>\$443,030</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 868,175)</u>	<u>(\$ 821,438)</u>	<u>\$ 46,737</u>	<u>(\$ 10,471)</u>
Other financing sources(uses):				
Proceeds from long-term debt	\$ 628,000	\$ 628,000	\$ -	\$ -
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>120,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 728,000</u>	<u>\$ 728,000</u>	<u>\$ -</u>	<u>\$120,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 140,175)</u>	<u>(\$ 93,438)</u>	<u>\$ 46,737</u>	<u>\$109,529</u>
Fund balance, beginning of year	<u>356,045</u>	<u>356,045</u>	<u>-</u>	<u>246,516</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 215,870</u></u>	<u><u>\$ 262,607</u></u>	<u><u>\$ 46,737</u></u>	<u><u>\$356,045</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>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 253,178	\$ 228,186
Long-term loans	<u>119,129</u>	<u>141,008</u>
	<u>\$ 372,307</u>	<u>\$ 369,194</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 119,129	\$ 141,008
<u>FUND BALANCE</u>	<u>253,178</u>	<u>228,186</u>
	<u>\$ 372,307</u>	<u>\$ 369,194</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, 2017  
 With Actual Amounts for Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Interest and rents	\$ 1,700	\$ 3,174	\$ 1,474	\$ 2,671
Other revenue -				
Loan repayments	<u>32,156</u>	<u>22,718</u>	( <u>9,438</u> )	<u>26,186</u>
TOTAL REVENUES	<u>\$ 33,856</u>	<u>\$ 25,892</u>	<u>(\$ 7,964)</u>	<u>\$ 28,857</u>
Expenditures:				
General government administration	\$ 900	\$ 900	\$ -	\$ 900
Loans and contingencies	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>9,913</u>
TOTAL EXPENDITURES	<u>\$ 1,900</u>	<u>\$ 900</u>	<u>\$ 1,000</u>	<u>\$ 10,813</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 31,956	\$ 24,992	(\$ 6,964)	\$ 18,044
Fund Balance, beginning of year	<u>228,186</u>	<u>228,186</u>	<u>-</u>	<u>210,142</u>
FUND BALANCE, END OF YEAR	<u><u>\$260,142</u></u>	<u><u>\$253,178</u></u>	<u><u>(\$ 6,964)</u></u>	<u><u>\$228,186</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>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash		\$ 285,573	\$ 4,089
Grants receivable		<u>-</u>	<u>77,753</u>
		<u>\$ 285,573</u>	<u>\$ 81,842</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 129,206	\$ 6,400
Due to other funds		<u>-</u>	<u>214</u>
	TOTAL LIABILITIES	<u>\$ 129,206</u>	<u>\$ 6,614</u>
	<u>FUND BALANCE</u>	<u>\$ 156,367</u>	<u>\$ 75,228</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 285,573</u>	<u>\$ 81,842</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>2017</u>	<u>2016</u>
Fund balance, July 1	\$ 75,228	\$ 59,017
Revenues for Capital Outlay:		
Grants	-	100,853
Copper Country Audubon Contributions	-	19,227
Interest	<u>698</u>	<u>680</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$ 75,926</u>	<u>\$ 179,777</u>
Expenditures for Capital Outlay:		
Dock Repair	\$ -	\$ 7,055
Central Houghton Nature Park	-	104,330
Nara	-	6,316
Park Improvement	-	34,165
Sidewalks and Curbs	-	32,683
West Houghton Park	5,134	-
MEDC Lakeshore	<u>190,305</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 195,439</u>	<u>\$ 184,549</u>
	(\$ 119,513)	(\$ 4,772)
Other financing sources (uses)-		
Operating transfers from other funds	<u>275,880</u>	<u>80,000</u>
FUND BALANCE, JUNE 30	<u>\$ 156,367</u>	<u>\$ 75,228</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>2017</u>	<u>2016</u>
Cash	<u>ASSETS</u>	<u>\$ 139</u>	<u>\$ 134</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities		\$ -	\$ -
Fund Balance		<u>139</u>	<u>134</u>
		<u>\$ 139</u>	<u>\$ 134</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, 2017  
With Actual Amounts for Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Contributions from other funds	\$ 21,650	\$ 21,650	\$ -	\$ 17,613
Interest	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 21,650</u>	<u>\$ 21,655</u>	<u>\$ 5</u>	<u>\$ 17,613</u>
Expenditures:				
Redemption of serial bonds	\$ 20,000	\$ 20,000	\$ -	\$ 15,000
Interest on bonds	<u>1,650</u>	<u>1,650</u>	<u>-</u>	<u>2,613</u>
TOTAL EXPENDITURES	<u>\$ 21,650</u>	<u>\$ 21,650</u>	<u>\$ -</u>	<u>\$ 17,613</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>
Fund balance, beginning of year	<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ 134</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 134</u></u>	<u><u>\$ 139</u></u>	<u><u>\$ 139</u></u>	<u><u>\$ 134</u></u>

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

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

	June 30,	
	2017	2016
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 189,586	\$ 285,196
Accounts receivable	85,939	77,359
	TOTAL CURRENT ASSETS	\$ 362,555
	\$ 275,525	\$ 362,555
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water distribution system	\$13,984,879	\$13,975,029
Less accumulated depreciation	5,874,053	5,600,911
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 8,374,118
	\$ 8,110,826	\$ 8,374,118
<u>OTHER ASSETS</u>		
Restricted assets:		
1978 Bond and Interest Redemption Account	\$ 50,000	\$ -
1980 Bond and Interest Redemption Account	22,678	22,678
1978 Water Bond Reserve Account	10,476	10,315
1980 Water Bond Reserve Account	31,112	30,635
1978 Water/Sewer Revenue Bonds - Debt Service Account	-	501
1980 Water/Sewer Revenue Bonds - Debt Service Account	525	510
2012 Water/Sewer Construction:		
Bond and Interest Redemption Account	89,433	69,905
Junior Lien Bond Reserve Account	118,791	118,350
Repair, Replacement and Improvement Account	171,492	128,868
2013 Refinancing Bond - Debt Service Account	805	501
2013 Refinancing Bond Account	159,787	159,284
	TOTAL OTHER ASSETS	\$ 541,547
	\$ 655,099	\$ 541,547
	TOTAL ASSETS	\$ 9,278,220
	\$ 9,041,450	\$ 9,278,220
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 25,754	\$ 30,379
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 30,379
	\$ 25,754	\$ 30,379
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 11,124	\$ 13,191
Accrued wages and benefits	4,238	2,842
Accrued interest expense	65,875	67,317
Due to other funds	14,105	39,864
Current maturities on long-term debt	189,000	191,000
	TOTAL CURRENT LIABILITIES	\$ 314,214
	\$ 284,342	\$ 314,214
<u>LONG-TERM DEBT</u>		
Bonds payable	\$ 7,372,000	\$ 7,568,000
Less current maturities	189,000	191,000
Net pension liability	46,155	40,520
	TOTAL LONG-TERM DEBT	\$ 7,417,520
	\$ 7,229,155	\$ 7,417,520
	TOTAL LIABILITIES	\$ 7,731,734
	\$ 7,513,497	\$ 7,731,734
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ -	\$ 6,144
	TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 6,144
	\$ -	\$ 6,144
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 738,826	\$ 806,118
Restricted for debt service	589,224	474,230
Unrestricted	225,657	290,373
	TOTAL NET POSITION	\$ 1,570,721
	\$ 1,553,707	\$ 1,570,721

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>2017</u>	<u>2016</u>
Operating revenues:		
Water sales	\$1,030,086	\$1,038,671
Repairs and new customer installations	3,722	6,105
Other revenue	<u>21,551</u>	<u>40,917</u>
TOTAL OPERATING REVENUES	<u>\$1,055,359</u>	<u>\$1,085,693</u>
Operating expenses:		
Source of water	\$ 286,929	\$ 340,474
Customer installations, maintenance and repairs	184,972	176,024
Laboratory and office expense	42,214	48,629
Meter reading	-	20,056
Engineering and supervision	25,800	28,017
Other	<u>4,595</u>	<u>4,502</u>
Depreciation expense	\$ 544,510	\$ 617,702
	<u>273,142</u>	<u>273,096</u>
TOTAL OPERATING EXPENSES	<u>\$ 817,652</u>	<u>\$ 890,798</u>
NET OPERATING INCOME (LOSS)	<u>\$ 237,707</u>	<u>\$ 194,895</u>
Non-operating revenues - Interest	<u>\$ 5,046</u>	<u>\$ 5,154</u>
Non-operating expenses - Interest	<u>\$ 209,767</u>	<u>\$ 214,494</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 32,986</u>	<u>(\$ 14,445)</u>
Other financing sources (uses)- Operating transfers out	( <u>\$ 50,000</u> )	<u>\$ -</u>
CHANGES IN NET POSITION	(\$ 17,014)	(\$ 14,445)
Net position, beginning of year	<u>1,570,721</u>	<u>1,585,166</u>
Net position, end of year	<u><u>\$1,553,707</u></u>	<u><u>\$1,570,721</u></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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$1,046,779	\$1,093,696
Payments to suppliers	( 364,927)	( 458,161)
Payments to employees	( 176,138)	( 184,930)
Net cash provided (used) by operating activities	<u>\$ 505,714</u>	<u>\$ 450,605</u>
Cash flows from noncapital financing activities -		
Increase (decrease) in due to other funds	(\$ 25,759)	(\$ 14,147)
Transfers to other funds	( 50,000)	-
Net cash flows from noncapital financing activities	<u>(\$ 75,759)</u>	<u>(\$ 14,147)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 9,850)	(\$ 6,485)
Reduction of long-term debt	( 196,000)	( 190,000)
(Increase) decrease in restricted assets	( 113,552)	86,921
Interest paid on long-term debt	( 211,209)	( 215,902)
Net cash provided (used) by capital and related financing activities	<u>(\$ 530,611)</u>	<u>(\$ 325,466)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 5,046</u>	<u>\$ 5,154</u>
Net increase (decrease) in cash and cash equivalents	(\$ 95,610)	\$ 116,146
Cash - beginning of year	<u>285,196</u>	<u>169,050</u>
Cash - end of year	<u><u>\$ 189,586</u></u>	<u><u>\$ 285,196</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 237,707	\$ 194,895
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	273,142	273,096
Changes in assets and liabilities:		
Receivables	( 8,580)	8,003
Accounts and other payables	( 2,067)	( 15,531)
Accrued expenses	1,396	( 13,001)
Net pension liability	<u>4,116</u>	<u>3,143</u>
Net cash provided by operating activities	<u><u>\$ 505,714</u></u>	<u><u>\$ 450,605</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>2017</u>	<u>2016</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 808,612	\$1,084,209
Accounts receivable		168,037	135,917
Due from other governmental units		91,469	139,453
Due from other funds and component units		<u>9,347</u>	<u>28,277</u>
	TOTAL CURRENT ASSETS	<u>\$1,077,465</u>	<u>\$1,387,856</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Underground sewage collection system		\$9,893,959	\$9,787,571
Less accumulated depreciation		<u>4,808,168</u>	<u>4,630,097</u>
		\$5,085,791	\$5,157,474
Original investment in Portage Lake Water and Sewer Authority		<u>941,313</u>	<u>941,313</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$6,027,104</u>	<u>\$6,098,787</u>
<u>OTHER ASSETS</u>			
Restricted cash:			
2012 Water/Sewer Construction:			
Junior Lien Bond Reserve Account		\$ 240,930	\$ 221,464
Repair, Replacement and Improvement Account		<u>161,393</u>	<u>135,389</u>
	TOTAL OTHER ASSETS	<u>\$ 402,323</u>	<u>\$ 356,853</u>
	TOTAL ASSETS	<u>\$7,506,892</u>	<u>\$7,843,496</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		\$ 26,234	\$ 26,508
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 18,060	\$ 23,136
Accrued interest expense		37,813	38,351
Accrued wages and benefits		5,462	6,307
Due to other funds		3,926	11,521
Current maturities on long-term debt		<u>48,000</u>	<u>47,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 113,261</u>	<u>\$ 126,315</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$3,278,000	\$3,325,000
Less current maturities		48,000	47,000
Net pension liability		<u>46,357</u>	<u>35,355</u>
	TOTAL LONG-TERM DEBT	<u>\$3,276,357</u>	<u>\$3,313,355</u>
	TOTAL LIABILITIES	<u>\$3,389,618</u>	<u>\$3,439,670</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		\$ -	\$ 5,361
<u>NET POSITION</u>			
Invested in net assets - net of related debt		\$2,749,104	\$2,773,787
Restricted for debt service		363,872	318,502
Unrestricted		<u>1,030,532</u>	<u>1,332,684</u>
	TOTAL NET POSITION	<u>\$4,143,508</u>	<u>\$4,424,973</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>2017</u>	<u>2016</u>
Operating revenues:		
Sewer charges	\$1,902,737	\$1,897,426
Repairs and new customer installations	2,100	2,800
Other revenue	<u>334</u>	<u>3,106</u>
TOTAL OPERATING REVENUES	<u>\$1,905,171</u>	<u>\$1,903,332</u>
Operating expenses:		
Customer installations, maintenance and repairs	\$ 633,008	\$ 314,844
Laboratory and office expense	51,661	50,204
Engineering and supervision	88,593	78,371
City share of Portage Lake Water and Sewer Authority expense	1,132,626	1,142,277
Other	<u>7,496</u>	<u>3,977</u>
Depreciation expense	<u>\$1,913,384</u>	<u>\$1,589,673</u>
	<u>178,071</u>	<u>174,911</u>
TOTAL OPERATING EXPENSES	<u>\$2,091,455</u>	<u>\$1,764,584</u>
NET OPERATING INCOME (LOSS)	(\$ 186,284)	\$ 138,748
Non-operating revenues - Interest	<u>\$ 7,979</u>	<u>\$ 7,791</u>
Non-operating expenses - Interest	<u>\$ 90,253</u>	<u>\$ 91,540</u>
Other financing sources (uses):		
State grant	\$ 87,093	\$ 191,704
Transfers out	<u>( 100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 12,907)	\$ 191,704
CHANGES IN NET POSITION	(\$ 281,465)	\$ 246,703
Net position, beginning of year	<u>4,424,973</u>	<u>4,178,270</u>
Net position, end of year	<u>\$4,143,508</u>	<u>\$4,424,973</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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$1,873,051	\$1,922,737
Payments to suppliers	( 1,606,484)	( 1,394,763)
Payments to employees	( 258,922)	( 259,291)
Net cash provided (used) by operating activities	<u>\$ 7,645</u>	<u>\$ 268,683</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	\$ 18,930	\$ 5,591
Increase (decrease) in due to other funds and component units	( 7,595)	3,713
Transfers to other funds	( 100,000)	-
Net cash flows from noncapital financing activities	<u>(\$ 88,665)</u>	<u>\$ 9,304</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 106,388)	(\$ 197,903)
Issuance of long-term debt	-	-
Reduction of long-term debt	( 47,000)	( 45,000)
(Increase) decrease in due from other governmental units	-	109,492
Grant Income	87,093	191,704
(Increase) decrease in restricted assets	( 45,470)	( 30,214)
Interest paid on long-term debt	( 90,791)	( 91,540)
Net cash provided (used) by capital and related financing activities	<u>(\$ 202,556)</u>	<u>(\$ 63,461)</u>
Cash flows from investing activities - Interest received	<u>\$ 7,979</u>	<u>\$ 7,275</u>
Increase (decrease) in cash and cash equivalents	(\$ 275,597)	\$ 221,801
Cash - beginning of year	<u>1,084,209</u>	<u>862,408</u>
Cash - end of year	<u><u>\$ 808,612</u></u>	<u><u>\$1,084,209</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 186,284)	\$ 138,748
Adjustments to reconcile operating income to net cash provided (used) by operating activities - Depreciation expense	178,071	174,911
Changes in assets and liabilities:		
Receivables	( 32,120)	19,405
Accounts and other payables	( 5,076)	( 50,271)
Accrued expenses	( 845)	( 7,771)
Due from other governmental units	47,984	( 9,080)
Net pension liability	<u>5,915</u>	<u>2,741</u>
Net cash provided by operating activities	<u><u>\$ 7,645</u></u>	<u><u>\$ 268,683</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

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 170,837	\$ 146,489
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$5,939,583	\$5,939,583
Less accumulated depreciation	<u>3,642,931</u>	<u>3,496,366</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$2,296,652</u>	<u>\$2,443,217</u>
TOTAL ASSETS	<u>\$2,467,489</u>	<u>\$2,589,706</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 9,203	\$ 11,109
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 1,800	\$ 503
Accrued wages and benefits	846	249
Due to other funds	<u>238</u>	<u>356</u>
TOTAL CURRENT LIABILITIES	<u>\$ 2,884</u>	<u>\$ 1,108</u>
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	<u>\$ 16,531</u>	<u>\$ 14,816</u>
TOTAL LIABILITIES	<u>\$ 19,415</u>	<u>\$ 15,924</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ -	\$ 2,247
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$2,296,652	\$2,443,217
Unrestricted	<u>160,625</u>	<u>139,427</u>
TOTAL NET POSITION	<u>\$2,457,277</u>	<u>\$2,582,644</u>

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

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

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenues:		
Parking fees - Meters	\$ 1,494	\$ 1,474
Parking space permits	113,463	102,072
Parking easement	55,002	55,002
Parking fines	31,878	32,900
Towing fees	<u>4,065</u>	<u>4,772</u>
TOTAL OPERATING REVENUES	<u>\$ 205,902</u>	<u>\$ 196,220</u>
Operating expenses:		
Parking system maintenance	\$ 194,033	\$ 62,664
Parking law enforcement	25,779	23,210
Winter maintenance	71,052	93,819
Insurance	1,876	1,805
Miscellaneous	<u>2,825</u>	<u>2,367</u>
Depreciation expense	<u>\$ 295,565</u>	<u>\$ 183,865</u>
TOTAL OPERATING EXPENSES	<u>\$ 442,130</u>	<u>\$ 330,078</u>
NET OPERATING INCOME (LOSS)	( <u>\$ 236,228</u> )	( <u>\$ 133,858</u> )
Non-operating revenues-		
Interest	<u>\$ 861</u>	<u>\$ 705</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	( <u>\$ 235,367</u> )	( <u>\$ 133,153</u> )
Other financing sources (uses)-		
Operating transfers from other funds and component units	<u>\$ 110,000</u>	<u>\$ 60,000</u>
CHANGES IN NET POSITION	( <u>\$ 125,367</u> )	( <u>\$ 73,153</u> )
Net position, beginning of year	<u>2,582,644</u>	<u>2,655,797</u>
Net position, end of year	<u><u>\$2,457,277</u></u>	<u><u>\$2,582,644</u></u>

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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$205,902	\$196,220
Payment to suppliers	( 240,413)	( 112,741)
Payments to employees	( 51,884)	( 71,413)
Net cash provided (used) by operating activities	<u>(\$ 86,395)</u>	<u>\$ 12,066</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$110,000	\$ 60,000
Increase (decrease) in due to other funds	( 118)	( 29,375)
Net cash provided (used) by noncapital financing activities	<u>\$109,882</u>	<u>\$ 30,625</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	\$ -	( \$ 14,050)
Cash flows from investment activities -		
Interest received	<u>\$ 861</u>	<u>\$ 705</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,348	\$ 29,346
Cash - beginning of year	<u>146,489</u>	<u>117,143</u>
Cash - end of year	<u>\$170,837</u>	<u>\$146,489</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$236,228)	(\$133,858)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	146,565	146,213
Changes in assets and liabilities:		
Accounts and other payables	1,297	403
Accrued expenses	595	( 1,840)
Net pension liability	<u>1,374</u>	<u>1,148</u>
Net cash provided by operating activities	<u>(\$ 86,395)</u>	<u>\$ 12,066</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,	
	2017	2016
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 123,307	\$ 90,270
Accounts receivable	4,065	5,018
Due from federal government	32,215	9,417
TOTAL CURRENT ASSETS	\$ 159,587	\$ 104,705
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,508,611	\$1,508,611
Less accumulated depreciation	1,114,989	1,027,382
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 393,622	\$ 481,229
TOTAL ASSETS	\$ 553,209	\$ 585,934
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 38,301	\$ 27,135
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 7,139	\$ 4,362
Accrued wages and benefits	5,672	5,306
Due to state - state operating assistance	23,352	30,918
Due to other funds	1,782	3,949
TOTAL CURRENT LIABILITIES	\$ 37,945	\$ 44,535
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 57,248	\$ 36,193
TOTAL LIABILITIES	\$ 95,193	\$ 80,728
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 5,390	\$ 5,488
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 393,622	\$ 481,229
Unrestricted	97,305	45,624
TOTAL NET POSITION	\$ 490,927	\$ 526,853

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>2017</u>	<u>2016</u>
Operating revenues		\$ 122,058	\$ 123,320
Operating expenses		<u>602,338</u>	<u>565,754</u>
	OPERATING INCOME (LOSS)	(\$ 480,280)	(\$ 442,434)
Non-operating revenues		494,525	426,649
Non-operating expenses		<u>50,171</u>	<u>51,454</u>
	INCOME (LOSS) BEFORE CONTRIBUTIONS	(\$ 35,926)	(\$ 67,239)
Capital contributions		<u>-</u>	<u>2,950</u>
	CHANGES IN NET POSITION	(\$ 35,926)	(\$ 64,289)
Net position, beginning of year		<u>\$ 526,853</u>	<u>\$ 591,142</u>
Net position, end of year		<u>\$ 490,927</u>	<u>\$ 526,853</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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 123,011	\$ 122,824
Payments to suppliers	( 108,753)	( 101,488)
Payments to employees	( 393,044)	( 383,024)
Net cash provided (used) by operating activities	<u>(\$ 378,786)</u>	<u>(\$ 361,688)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 123,150	\$ 113,842
(Increase) decrease in due from other governmental units	( 22,798)	( 1,977)
Increase (decrease) in due to other funds and component units	( 2,167)	557
Increase (decrease) in due to other governmental units	( 7,566)	( 21,866)
Proceeds from grants	370,807	311,155
Insurance and other refunds	-	1,190
Specialized services grants paid	( 50,171)	( 51,454)
Net cash provided (used) by noncapital financing activities	<u>\$ 411,255</u>	<u>\$ 351,447</u>
Cash flows from capital and related financing activities:		
Capital contributions	\$ -	\$ 2,950
Acquisition of property, plant and equipment	<u>-</u>	<u>( 2,950)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>
Cash flows from investing activities -		
Interest received	<u>\$ 568</u>	<u>\$ 462</u>
Net increase (decrease) in cash and cash equivalents	\$ 33,037	(\$ 9,779)
Cash - beginning of year	<u>90,270</u>	<u>100,049</u>
Cash - end of year	<u><u>\$ 123,307</u></u>	<u><u>\$ 90,270</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 480,280)	(\$ 442,434)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	87,607	88,646
Changes in assets and liabilities:		
Receivables	953	( 496)
Accounts and other payables	2,777	2,133
Accrued expenses	366	( 12,344)
Net pension liability	<u>9,791</u>	<u>2,807</u>
Net cash provided (used) by operating activities	<u>(\$ 378,786)</u>	<u>(\$ 361,688)</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,	
	2017	2016
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 439,762	\$ 988,483
Accounts receivable	3,900	-
Due from other funds	29,066	47,603
Due from component units	11,640	298
TOTAL CURRENT ASSETS	\$ 484,368	\$1,036,384
 <u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 328,229	\$ 328,229
Equipment	4,223,225	3,169,564
	\$4,551,454	\$3,497,793
Less accumulated depreciation	2,924,515	2,973,269
TOTAL LAND, BUILDINGS, AND EQUIPMENT	\$1,626,939	\$ 524,524
TOTAL ASSETS	\$2,111,307	\$1,560,908
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 27,948	\$ 36,046
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 25,280	\$ 82,437
Accrued wages and benefits	1,050	1,178
Accrued interest expense	5,007	-
Current maturities on long-term debt	26,000	-
TOTAL CURRENT LIABILITIES	\$ 57,337	\$ 83,615
 <u>LONG-TERM LIABILITIES</u>		
Bonds payable	\$ 437,000	\$ -
Less current maturities	26,000	-
Net pension liability	47,172	48,078
TOTAL LONG-TERM LIABILITIES	\$ 458,172	\$ 48,078
TOTAL LIABILITIES	\$ 515,509	\$ 131,693
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 2,081	\$ 7,290
 <u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$1,189,939	\$ 524,524
Unrestricted	431,726	933,447
TOTAL NET POSITION	\$1,621,665	\$1,457,971

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>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services	\$ 939,169	\$ 918,000
Other revenue	<u>16,590</u>	<u>14,255</u>
TOTAL OPERATING REVENUES	<u>\$ 955,759</u>	<u>\$ 932,255</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 461,950	\$ 501,198
Insurance on equipment and garage	33,543	32,366
Employee benefits	<u>40,088</u>	<u>49,933</u>
	\$ 535,581	\$ 583,497
Depreciation expense	<u>198,652</u>	<u>185,769</u>
TOTAL OPERATING EXPENSES	<u>\$ 734,233</u>	<u>\$ 769,266</u>
NET INCOME FROM OPERATIONS	<u>\$ 221,526</u>	<u>\$ 162,989</u>
Non-operating income:		
Interest	\$ 3,275	\$ 3,157
Gain on sale of equipment	<u>14,600</u>	<u>5,500</u>
	<u>\$ 17,875</u>	<u>\$ 8,657</u>
Non-operating expenses - Interest	<u>\$ 9,706</u>	<u>\$ -</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 29,699	\$ -
Operating transfers to other funds	<u>(95,700)</u>	<u>(5,700)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 66,001)</u>	<u>(\$ 5,700)</u>
CHANGES IN NET POSITION	\$ 163,694	\$ 165,946
Net position, beginning of year	<u>1,457,971</u>	<u>1,292,025</u>
Net position, end of year	<u>\$1,621,665</u>	<u>\$1,457,971</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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 959,759	\$1,103,089
Payments to suppliers	( 504,722)	( 406,973)
Payments to employees	( 86,161)	( 109,721)
Other receipts (payments)	<u>16,590</u>	<u>14,255</u>
Net cash provided (used) by operating activities	<u>\$ 368,172</u>	<u>\$ 600,650</u>
Cash flows from noncapital financing activities:		
Transfers to other funds and component units	( <u>\$ 95,700</u> )	( <u>\$ 5,700</u> )
Cash flows from capital and related financing activities		
Transfers from other funds	\$ 29,699	\$ -
Proceeds from sale of equipment	14,600	5,500
Acquisition of property, plant and equipment	( 1,301,068)	( 111,631)
Loan proceeds	462,000	-
Reduction of long-term debt	( 25,000)	-
Interest paid on long-term debt	( <u>4,699</u> )	<u>-</u>
Net cash provided (used) by capital and related financing activities	( <u>\$ 824,468</u> )	( <u>\$ 106,131</u> )
Cash flows from investing activities -		
Interest received	<u>\$ 3,275</u>	<u>\$ 3,157</u>
Net increase (decrease) in cash and cash equivalents	( <u>\$ 548,721</u> )	<u>\$ 491,976</u>
Cash - beginning of year	<u>988,483</u>	<u>496,507</u>
Cash - end of year	<u>\$ 439,762</u>	<u>\$ 988,483</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 221,526	\$ 162,989
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	198,652	185,769
Changes in assets and liabilities:		
Accounts and other receivables	( 3,900)	-
Accounts and other payables	( 57,157)	67,054
Due from other funds and component units	7,195	185,089
Accrued expenses	( 127)	( 3,980)
Net pension liability	<u>1,983</u>	<u>3,729</u>
Net cash provided by operating activities	<u>\$ 368,172</u>	<u>\$ 600,650</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>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 17,097
Investments	1,237,706	1,085,823
Loans to participants	<u>24,846</u>	<u>44,210</u>
	<u>\$1,262,552</u>	<u>\$1,147,130</u>
<u>LIABILITIES</u>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
	<u>\$1,262,552</u>	<u>\$1,147,130</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>2017</u>	<u>2016</u>
Operating revenues:		
Employer contributions	\$ 42,340	\$ 59,230
Investment income	<u>166,464</u>	<u>29,118</u>
TOTAL OPERATING REVENUES	<u>\$ 208,804</u>	<u>\$ 88,348</u>
Operating expenses - Plan distributions	<u>\$ 93,382</u>	<u>\$ 275,859</u>
NET OPERATING INCOME (LOSS)	\$ 115,422	(\$ 187,511)
Net position, beginning of year	<u>1,147,130</u>	<u>1,334,641</u>
Net position, end of year	<u><u>\$1,262,552</u></u>	<u><u>\$1,147,130</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>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash		\$1,018,822	\$ 975,310
Accounts receivable		-	1,899
Prepaid expense		<u>45,251</u>	<u>34,930</u>
	TOTAL ASSETS	<u>\$1,064,073</u>	<u>\$1,012,139</u>
<u>LIABILITIES</u>			
Accounts payable		\$ 119	\$ 8,702
Accumulated employee sick leave		86,079	79,209
Accumulated employee vacation		<u>131,027</u>	<u>120,443</u>
	TOTAL LIABILITIES	<u>\$ 217,225</u>	<u>\$ 208,354</u>
<u>NET POSITION</u>			
Restricted		<u>\$ 846,848</u>	<u>\$ 803,785</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>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services	\$1,526,752	\$1,260,098
Other revenue	<u>10,114</u>	<u>9,193</u>
TOTAL OPERATING REVENUES	<u>\$1,536,866</u>	<u>\$1,269,291</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 164,471	\$ 145,994
Hospitalization insurance	612,004	504,704
Sick pay	78,323	50,502
Vacation pay	180,254	110,048
Holiday pay	70,910	52,902
Funeral leave	283	2,487
Longevity pay	9,747	8,975
Workers' compensation insurance	49,593	48,657
Unemployment insurance	4,572	15,244
Retirement contributions	258,782	223,919
Life insurance	35,207	32,044
Disability insurance	8,115	7,005
Other	<u>21,542</u>	<u>41,909</u>
TOTAL OPERATING EXPENSES	<u>\$1,493,803</u>	<u>\$1,244,390</u>
CHANGES IN NET POSITION	\$ 43,063	\$ 24,901
Net position, beginning of year	<u>803,785</u>	<u>778,884</u>
Net position, end of year	<u>\$ 846,848</u>	<u>\$ 803,785</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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$1,526,752	\$1,260,098
Payments to suppliers	( 21,542)	( 41,909)
Payments to employees	( 1,495,096)	( 1,192,791)
Other receipts	( 10,114)	( 9,193)
Cash flows provided (used) by operating activities	\$ 43,512	\$ 16,205
Cash, beginning of year	<u>975,310</u>	<u>959,105</u>
Cash, end of year	<u>\$1,018,822</u>	<u>\$ 975,310</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 43,063	\$ 24,901
Changes in assets and liabilities:		
Accounts receivable	1,899	( 1,806)
Prepaid expense	( 10,321)	( 3,660)
Accounts payable	( 8,583)	6,912
Accumulated employee sick leave	6,870	( 4,040)
Accumulated employee vacation	<u>10,584</u>	<u>( 6,102)</u>
Net cash provided (used) by operating activities	<u>\$ 43,512</u>	<u>\$ 16,205</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, 2017

	<u>Balance</u> <u>07-01-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-17</u>
<u>ASSETS</u>				
Cash	<u>\$ 21,776</u>	<u>\$5,780,135</u>	<u>\$5,779,690</u>	<u>\$ 22,221</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 406	\$ 301,351	\$ 301,382	\$ 375
Tax Increment Finance Authority	-	672,191	672,191	-
Due to other governmental units	<u>21,370</u>	<u>4,806,593</u>	<u>4,806,117</u>	<u>21,846</u>
TOTAL LIABILITIES	<u>\$ 21,776</u>	<u>\$5,780,135</u>	<u>\$5,779,690</u>	<u>\$ 22,221</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, 2017

	<u>Totals</u>			<u>Debt</u>	<u>Long-Term</u>
	<u>(Memorandum Only)</u>		<u>General</u>	<u>Service</u>	<u>Debt</u>
	<u>2017</u>	<u>2016</u>	<u>Fund</u>	<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 239,463	\$ 169,745	\$ 239,334	\$ 129	\$ -
Taxes receivable	-	2,292	-	-	-
Due from primary government	375	406	375	-	-
Amount to be provided for retirement of long-term debt	<u>100,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 339,838</u>	<u>\$ 372,443</u>	<u>\$ 239,709</u>	<u>\$ 129</u>	<u>\$ 100,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 640	\$ 3,560	\$ 640	\$ -	\$ -
Accrued wages and benefits	534	350	534	-	-
Deferred revenue	-	2,292	-	-	-
Long-term debt	<u>100,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
TOTAL LIABILITIES	\$ 101,174	\$ 206,202	\$ 1,174	\$ -	\$ 100,000
<u>FUND BALANCE (DEFICIT)</u>	<u>238,664</u>	<u>166,241</u>	<u>238,535</u>	<u>129</u>	<u>-</u>
	<u>\$ 339,838</u>	<u>\$ 372,443</u>	<u>\$ 239,709</u>	<u>\$ 129</u>	<u>\$ 100,000</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, 2017

	<u>Totals</u>			
	<u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u>
	<u>2017</u>	<u>2016</u>	<u>Fund</u>	<u>Service</u>
				<u>Funds</u>
Revenues:				
Taxes	\$307,696	\$262,977	\$307,696	\$ -
Grants	-	4,550	-	-
Interest and rents	1,769	1,324	1,765	4
Miscellaneous	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>-</u>
TOTAL REVENUES	<u>\$310,665</u>	<u>\$268,851</u>	<u>\$310,661</u>	<u>\$ 4</u>
Expenditures:				
Administration	\$ 20,992	\$ 22,084	\$ 20,992	\$ -
Public works	38,096	49,235	38,096	-
Recreation and parks	32,154	52,473	32,154	-
Debt service:				
Principal	100,000	95,000	-	100,000
Interest	<u>7,000</u>	<u>10,325</u>	<u>-</u>	<u>7,000</u>
TOTAL EXPENDITURES	<u>\$198,242</u>	<u>\$229,117</u>	<u>\$ 91,242</u>	<u>\$107,000</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$112,423</u>	<u>\$ 39,734</u>	<u>\$219,419</u>	<u>(\$106,996)</u>
Other financing sources (uses):				
Operating transfers to				
primary government	(\$ 40,000)	(\$ 10,000)	(\$ 40,000)	\$ -
Operating transfers from other funds	107,000	105,325	-	107,000
Operating transfers to other funds	<u>( 107,000)</u>	<u>( 105,325)</u>	<u>( 107,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 40,000)</u>	<u>(\$ 10,000)</u>	<u>(\$147,000)</u>	<u>\$107,000</u>
EXCESS OF REVENUES AND OTHER SOURCES				
(EXPENDITURES AND OTHER USES)	\$ 72,423	\$ 29,734	\$ 72,419	\$ 4
Fund balance (deficit), beginning of year	<u>166,241</u>	<u>136,507</u>	<u>166,116</u>	<u>125</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$238,664</u>	<u>\$ 166,241</u>	<u>\$238,535</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  
 GENERAL FUND  
 BALANCE SHEETS

		June 30,	
		2017	2016
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 239,334	\$ 169,620
Taxes receivable		-	2,292
Due from primary government		375	406
		\$ 239,709	\$ 172,318
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 640	\$ 3,560
Accrued wages and benefits		534	350
Deferred revenue		-	2,292
	TOTAL LIABILITIES	\$ 1,174	\$ 6,202
<u>FUND BALANCE</u>		238,535	166,116
		\$ 239,709	\$ 172,318

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, 2017  
 With Actual Amounts for Year Ended June 30, 2016

	2017		Variance Favorable (Unfavorable)	2016 Actual
	Budget	Actual		
Revenues:				
Taxes	\$277,639	\$307,696	\$ 30,057	\$262,977
Interest and rents	600	1,765	1,165	1,311
Grants	5,000	-	( 5,000)	4,550
Miscellaneous	-	1,200	1,200	-
TOTAL REVENUES	<u>\$283,239</u>	<u>\$310,661</u>	<u>\$ 27,422</u>	<u>\$268,838</u>
Expenditures:				
General government administration	\$ 26,500	\$ 20,992	\$ 5,508	\$ 22,084
Public works	63,800	38,096	25,704	49,235
Recreation and parks	38,350	32,154	6,196	52,473
Contingency	14,789	-	14,789	-
TOTAL EXPENDITURES	<u>\$143,439</u>	<u>\$ 91,242</u>	<u>\$ 52,197</u>	<u>\$123,792</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$139,800</u>	<u>\$219,419</u>	<u>\$ 79,619</u>	<u>\$145,046</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 40,000)	(\$ 40,000)	\$ -	(\$ 10,000)
Operating transfers to other funds	( 107,000)	( 107,000)	-	( 105,325)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$147,000)</u>	<u>(\$147,000)</u>	<u>\$ -</u>	<u>(\$115,325)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 7,200)</u>	<u>\$ 72,419</u>	<u>\$ 79,619</u>	<u>\$ 29,721</u>
Fund balance (deficit), beginning of year	<u>166,116</u>	<u>166,116</u>	<u>-</u>	<u>136,395</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$158,916</u>	<u>\$238,535</u>	<u>\$ 79,619</u>	<u>\$166,116</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,	
	2017	2016
<u>ASSETS</u>		
Cash	\$ <u>129</u>	\$ <u>125</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities	\$ -	\$ -
Fund Equity	<u>129</u>	<u>125</u>
	<u>\$ 129</u>	<u>\$ 125</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  
 STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

	Year Ended	
	June 30,	
	2017	2016
Revenues:		
Interest and rents	\$ 4	\$ 13
Contributions from other funds	<u>107,000</u>	<u>105,325</u>
TOTAL REVENUES	<u>\$107,004</u>	<u>\$105,338</u>
Expenditures:		
Debt service:		
Redemption of serial bonds	\$100,000	\$ 95,000
Interest on bonds	<u>7,000</u>	<u>10,325</u>
TOTAL EXPENDITURES	<u>\$107,000</u>	<u>\$105,325</u>
EXCESS OF REVENUES	\$ 4	\$ 13
Fund equity, beginning of year	<u>125</u>	<u>112</u>
FUND EQUITY, END OF YEAR	<u><u>\$ 129</u></u>	<u><u>\$ 125</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  
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>

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

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

	<u>\$ 100,000</u>	<u>\$ 200,000</u>
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GENERAL LONG-TERM DEBT PAYABLE

2011 Refunding Bonds

	<u>\$ 100,000</u>	<u>\$ 200,000</u>
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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, 2017

	Totals (Memorandum Only)		General Fund	Debt Service Funds	Long-Term Debt Group of Accounts
	2017	2016			
<u>ASSETS</u>					
Cash	\$ 392,462	\$ 314,104	\$ 392,386	\$ 76	\$ -
Taxes receivable	1,043	1,043	1,043	-	-
Amount to be provided for retirement of long-term debt	105,000	150,000	-	-	105,000
	<u>\$ 498,505</u>	<u>\$ 465,147</u>	<u>\$ 393,429</u>	<u>\$ 76</u>	<u>\$ 105,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 28,885	\$ 25,134	\$ 28,885	\$ -	\$ -
Accrued wages and benefits	5,407	1,063	5,407	-	-
Due to primary government	11,640	298	11,640	-	-
Deferred revenue	1,043	1,043	1,043	-	-
Long-term debt	105,000	150,000	-	-	105,000
TOTAL LIABILITIES	\$ 151,975	\$ 177,538	\$ 46,975	\$ -	\$ 105,000
<u>FUND BALANCE</u>	346,530	287,609	346,454	76	-
	<u>\$ 498,505</u>	<u>\$ 465,147</u>	<u>\$ 393,429</u>	<u>\$ 76</u>	<u>\$ 105,000</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, 2017

	<u>Totals</u>			
	<u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u>
	<u>2017</u>	<u>2016</u>	<u>Fund</u>	<u>Service</u>
				<u>Funds</u>
Revenues:				
Taxes	\$ 671,113	\$ 647,743	\$ 671,113	-
Miscellaneous	-	19,839	-	-
Interest and rents	<u>3,482</u>	<u>2,644</u>	<u>3,480</u>	<u>2</u>
TOTAL REVENUES	<u>\$ 674,595</u>	<u>\$ 670,226</u>	<u>\$ 674,593</u>	<u>\$ 2</u>
Expenditures:				
General government administration	\$ 194,654	\$ 231,622	\$ 194,654	\$ -
Public safety	120,000	120,000	120,000	-
Capital outlay	247,020	376,787	247,020	-
Debt Service:				
Principal	45,000	40,000	-	45,000
Interest	<u>9,000</u>	<u>11,400</u>	<u>-</u>	<u>9,000</u>
TOTAL EXPENDITURES	<u>\$ 615,674</u>	<u>\$ 779,809</u>	<u>\$ 561,674</u>	<u>\$ 54,000</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 58,921</u>	<u>(\$ 109,583)</u>	<u>\$ 112,919</u>	<u>(\$ 53,998)</u>
Other financing sources (uses):				
Operating transfers from other funds	\$ 54,000	\$ 51,400	\$ -	\$ 54,000
Operating transfers to other funds	<u>( 54,000)</u>	<u>( 51,400)</u>	<u>( 54,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 54,000)</u>	<u>\$ 54,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 58,921</u>	<u>(\$ 109,583)</u>	<u>\$ 58,919</u>	<u>\$ 2</u>
Fund balance (deficit), beginning of year	<u>287,609</u>	<u>397,192</u>	<u>287,535</u>	<u>74</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 346,530</u></u>	<u><u>\$ 287,609</u></u>	<u><u>\$ 346,454</u></u>	<u><u>\$ 76</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>2017</u>	<u>2016</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$392,386	\$314,030
Taxes receivable		<u>1,043</u>	<u>1,043</u>
		<u>\$393,429</u>	<u>\$315,073</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 28,885	\$ 25,134
Accrued wages and benefits		5,407	1,063
Due to primary government		11,640	298
Deferred revenue		<u>1,043</u>	<u>1,043</u>
	TOTAL LIABILITIES	\$ 46,975	\$ 27,538
<u>FUND BALANCE</u>		<u>346,454</u>	<u>287,535</u>
		<u>\$393,429</u>	<u>\$315,073</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, 2017

With Actual Amounts for Year Ended June 30, 2016

	2017		Variance	2016
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 672,200	\$ 671,113	(\$ 1,087)	\$ 647,743
Miscellaneous	-	-	-	19,839
Interest and rents	<u>3,000</u>	<u>3,480</u>	<u>480</u>	<u>2,638</u>
TOTAL REVENUES	<u>\$ 675,200</u>	<u>\$ 674,593</u>	<u>(\$ 607)</u>	<u>\$ 670,220</u>
Expenditures:				
General government administration	\$ 191,085	\$ 194,654	(\$ 3,569)	\$ 231,555
Public safety	120,000	120,000	-	120,000
Capital outlay	<u>547,136</u>	<u>247,020</u>	<u>300,116</u>	<u>376,787</u>
TOTAL EXPENDITURES	<u>\$ 858,221</u>	<u>\$ 561,674</u>	<u>\$ 296,547</u>	<u>\$ 728,342</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 183,021)	\$ 112,919	\$ 295,940	(\$ 58,122)
Other financing sources (uses) -				
Operating transfers to other fund	<u>( 54,000)</u>	<u>( 54,000)</u>	<u>-</u>	<u>( 51,400)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 237,021)	\$ 58,919	\$ 295,940	(\$ 109,522)
Fund balance (deficit), beginning of year	<u>287,535</u>	<u>287,535</u>	<u>-</u>	<u>397,057</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 50,514</u>	<u>\$ 346,454</u>	<u>\$ 295,940</u>	<u>\$ 287,535</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  
 BALANCE SHEETS

		June 30,	
		2017	2016
<u>ASSETS</u>			
Cash		\$ 76	\$ 74
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities		\$ -	\$ -
Fund Equity		76	74
		\$ 76	\$ 74

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,	
	2017	2016
Revenues:		
Interest and rents	\$ 2	\$ 6
Contributions from other funds	54,000	51,400
TOTAL REVENUES	\$ 54,002	\$ 51,406
Expenditures:		
Redemption of serial bonds	\$ 45,000	\$ 40,000
Interest on bonds	9,000	11,400
General administration	-	67
TOTAL EXPENDITURES	\$ 54,000	\$ 51,467
EXCESS OF REVENUES	\$ 2	(\$ 61)
Fund equity, beginning of year	74	135
FUND EQUITY, END OF YEAR	\$ 76	\$ 74

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,	
	2017	2016
<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>\$ 105,000</u>	<u>\$ 150,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
1999 Bluffs Project Bonds	<u>\$ 105,000</u>	<u>\$ 150,000</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>2017</u>	<u>2016</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,404,176	\$1,370,743
Personal property taxes	45,579	49,778
Payments in lieu of taxes	6,818	31,632
Local Community Stabilization Share Tax	40,881	94,981
Previously written off	1,161	3,350
Administration fees and interest	<u>46,140</u>	<u>49,745</u>
	TOTAL TAXES	<u>\$ 1,544,755</u> <u>\$1,600,229</u>
Licenses and permits	<u>\$ 2,720</u>	<u>\$ 4,805</u>
Federal grant - FEMA	<u>\$ 89,943</u>	<u>\$ 6,416</u>
State grants:		
Sales and use tax	\$ 805,133	\$ 771,584
Liquor licenses	10,621	10,481
Fire protection	23,978	10,584
Other	<u>2,228</u>	<u>12,167</u>
	TOTAL STATE GRANTS	<u>\$ 841,960</u> <u>\$ 804,816</u>
Charges for service:		
Accident reports	\$ 1,097	\$ 760
Lighting - MTU	4,371	4,371
Dee Stadium	153,420	146,827
Sanitation	287,781	286,034
Charges to users	<u>381,722</u>	<u>376,838</u>
	TOTAL CHARGES FOR SERVICES	<u>\$ 828,391</u> <u>\$ 814,830</u>
Interest and rents		
Interest income	<u>\$ 8,775</u>	<u>\$ 10,169</u>
Other revenue:		
Sale of assets	\$ 3,550	\$ -
Fines and forfeits	2,985	4,981
Public safety	120,000	120,000
Grants	113,354	71,292
Contributions	11,654	51,680
Miscellaneous	<u>46,861</u>	<u>10,939</u>
	TOTAL OTHER REVENUE	<u>\$ 298,404</u> <u>\$ 258,892</u>
	TOTAL REVENUES	<u>\$ 3,614,948</u> <u>\$3,500,157</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 28,754	\$ 25,878
City manager	116,386	111,531
Elections	13,593	7,267
Assessor	38,412	25,645
Planning and professional services	40,849	31,634
Clerk	123,979	131,812
Treasurer	46,551	60,255
Accounting and auditing	20,500	20,500
Building and grounds	205,881	199,633
Community promotion	58,149	49,942
Capital outlay	<u>59,525</u>	<u>148,667</u>
	TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>\$ 752,579</u> <u>\$ 812,764</u>

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

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

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Public safety:		
Police	\$ 931,440	\$ 919,749
Fire	122,152	106,784
Task force	114,011	-
Capital outlay	<u>107,315</u>	<u>48,385</u>
	TOTAL PUBLIC SAFETY	<u>\$1,274,918</u> <u>\$1,074,918</u>
Public works:		
Department of public works	\$ 211,966	\$ 53,570
Building inspection	80,188	85,760
Sidewalks and curbs	27,873	23,845
Street lighting	118,519	122,259
Tree trimming	26,287	13,252
Security cameras	23,662	48,467
Signs	14,706	514
Refuse collections	<u>239,379</u>	<u>202,695</u>
	TOTAL PUBLIC WORKS	<u>\$ 742,580</u> <u>\$ 550,362</u>
Recreation and parks:		
Beach	\$ 57,919	\$ 45,137
Dee Stadium	147,934	152,416
Parks	162,814	135,455
Capital outlay	<u>20,486</u>	<u>22,400</u>
	TOTAL RECREATION AND PARKS	<u>\$ 389,153</u> <u>\$ 355,408</u>
Debt service:		
Principal	\$ 115,449	\$ 117,365
Interest	<u>70,633</u>	<u>74,441</u>
	TOTAL DEBT SERVICE	<u>\$ 186,082</u> <u>\$ 191,806</u>
Other expenditures:		
City beautification	\$ 28,548	\$ 29,413
Insurance and bonds	48,956	51,283
Refunds and rebates	-	49,798
Miscellaneous	<u>1,845</u>	<u>3,772</u>
	TOTAL OTHER EXPENDITURES	<u>\$ 79,349</u> <u>\$ 134,266</u>
	TOTAL EXPENDITURES	<u>\$3,424,661</u> <u>\$3,119,524</u>
	EXCESS REVENUES OVER EXPENDITURES	<u>\$ 190,287</u> <u>\$ 380,633</u>
Other financing sources (uses):		
Operating transfers in	\$ 6,700	\$ 5,700
Operating transfers out	( <u>481,379</u> )	( <u>381,455</u> )
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 474,679)</u> <u>(\$ 375,755)</u>
	EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 284,392)</u> <u>\$ 4,878</u>
Fund balance, beginning of year	<u>1,227,398</u>	<u>1,222,520</u>
	FUND BALANCE, END OF YEAR	<u>\$ 943,006</u> <u>\$1,227,398</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>2017</u>	<u>2016</u>
Expenditures:		
Traffic signals	\$ 11,119	\$ 11,009
Surface maintenance	8,040	28,641
Culvert/underdrain	3,160	24,735
Snow and ice control	371,782	336,923
Other	<u>8,266</u>	<u>5,801</u>
	\$402,367	\$407,109
Reimbursements -		
Michigan Department of Highways and Transportation	<u>416,044</u>	<u>412,688</u>
	<u>\$ 13,677</u>	<u>\$ 5,579</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, 2017

	07-01-16 to <u>09-30-16</u>	10-01-16 to <u>06-30-17</u>	<u>Total</u>
Fare box	\$ 28,530	\$ 61,943	\$ 90,473
Special contract fares	6,282	23,610	29,892
RTAP reimbursement	<u>1,163</u>	<u>530</u>	<u>1,693</u>
TOTAL OPERATING REVENUES	<u>\$ 35,975</u>	<u>\$ 86,083</u>	<u>\$122,058</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, 2017

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 173,521	\$ -	\$ -	\$173,521
Other salaries and wages	-	33,605	29,381	62,986
Fringe benefits	98,186	29,284	13,527	140,997
Pension	15,932	-	9,765	25,697
Services:				
Contracted services	4,800	10,712	-	15,512
Printing and publishing	-	-	464	464
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	23,146	-	-	23,146
Other materials and supplies	7,680	30,607	-	38,287
Utilities	444	11,724	-	12,168
Casualty and liability cost - Premiums for public liability and property damage insurance	-	10,872	-	10,872
Miscellaneous expenses	1,623	2,118	4,840	8,581
Depreciation	<u>64,370</u>	<u>14,541</u>	<u>8,696</u>	<u>87,607</u>
TOTAL OPERATING EXPENSES	<u>\$ 389,702</u>	<u>\$ 143,463</u>	<u>\$ 69,173</u>	<u>\$602,338</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, 2017

Non-operating revenues:

Operating transfers in - General Fund	\$123,150
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	226,186
Specialized Services -	
Contract 07-0226	50,171
Federal Operating Grant - U.S. DOT Operating Grant - Section 5311	94,450
Interest Income	<u>568</u>
	TOTAL NON-OPERATING REVENUES <u>\$494,525</u>

Non-operating expenses:

Specialized Services Grants - Contract 07-0226	<u>\$ 50,171</u>
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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, 2017

	07-01-16 to 09-30-16	10-01-16 to 06-30-17	<u>Total</u>
Fare box	\$ 28,530	\$ 61,943	\$ 90,473
Special contract fares	<u>6,282</u>	<u>23,610</u>	<u>29,892</u>
TOTAL REVENUES	<u>\$ 34,812</u>	<u>\$ 85,553</u>	<u>\$120,365</u>

Based on a September 30, 2016 Year End

	10-01-15 to 06-30-16	07-01-16 to 09-30-16	<u>Total</u>
Fare box	\$ 61,942	\$ 28,530	\$ 90,472
Special contract fares	<u>26,067</u>	<u>6,282</u>	<u>32,349</u>
TOTAL REVENUES	<u>\$ 88,009</u>	<u>\$ 34,812</u>	<u>\$122,821</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, 2017

	07-01-16 to <u>09-30-16</u>	10-01-16 to <u>06-30-17</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 41,432	\$155,433	\$196,865
Federal Transit Administration Section 5311	20,710	73,739	94,449
RTAP	<u>1,163</u>	<u>530</u>	<u>1,693</u>
TOTAL	<u>\$ 63,305</u>	<u>\$229,702</u>	<u>\$293,007</u>

Based on a September 30, 2016 year end

	10-01-15 to <u>06-30-16</u>	07-01-16 to <u>09-30-16</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$140,977	\$ 41,432	\$182,409
Federal Transit Administration Section 5311	70,469	20,710	91,179
RTAP	<u>1,978</u>	<u>1,163</u>	<u>3,141</u>
TOTAL	<u>\$213,424</u>	<u>\$ 63,305</u>	<u>\$276,729</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, 2017

<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/P6
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	Current Year's Expenditures				Prior Year's Expenditures	Award Amount Remaining
	Total	Federal	State	Local		
\$ 178,912	\$ -	\$ -	\$ -	\$ -	\$ 177,088	\$ 1,824
20,710	20,710	20,710	-	-	-	-
73,739	73,739	73,739	-	-	-	-
196,865	196,865	-	196,865	-	-	-
22,885	22,885	-	22,885	-	-	-
27,286	27,286	-	27,286	-	-	-
<u>\$ 520,397</u>	<u>\$341,485</u>	<u>\$ 94,449</u>	<u>\$ 247,036</u>	<u>\$ -</u>	<u>\$ 177,088</u>	<u>\$ 1,824</u>

CITY OF HOUGHTON, MICHIGAN  
 TRANSIT FUND  
 OPERATING AND CONTRACT EXPENSES  
 Year ended June 30, 2017

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 236,507	\$ -	\$ -	\$236,507
Fringe benefits	140,997	-	-	140,997
Pension	25,697	-	-	25,697
Services	18,476	-	-	18,476
Materials and supplies	61,433	-	-	61,433
Utilities	12,168	-	-	12,168
Casualty and liability costs	10,872	-	-	10,872
Purchased services	-	50,171	-	50,171
Miscellaneous expenses	8,581	-	-	8,581
Depreciation	<u>87,607</u>	<u>-</u>	<u>-</u>	<u>87,607</u>
TOTAL EXPENSES	<u>\$ 602,338</u>	<u>\$ 50,171</u>	<u>\$ -</u>	<u>\$652,509</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, 2017

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	
	<u>7-1-16 to 9-30-16</u>	<u>10-1-16 to 6-30-17</u>	<u>Total</u>
Expenses:			
Labor	\$ 48,714	\$187,793	\$236,507
Fringe benefits	38,971	127,723	166,694
Services	1,529	16,947	18,476
Materials and supplies	16,879	44,554	61,433
Utilities	2,156	10,012	12,168
Casualty and liability costs	2,718	8,154	10,872
Miscellaneous expenses	2,768	5,813	8,581
Depreciation	<u>21,902</u>	<u>65,705</u>	<u>87,607</u>
TOTAL OPERATING EXPENSES	<u>\$135,637</u>	<u>\$466,701</u>	<u>\$602,338</u>
Less ineligible expenses:			
Audit	\$ 625	\$ 1,875	\$ 2,500
RTAP reimbursements	1,163	530	1,693
Depreciation	<u>21,902</u>	<u>65,705</u>	<u>87,607</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 23,690</u>	<u>\$ 68,110</u>	<u>\$ 91,800</u>
NET ELIGIBLE EXPENSES	<u>\$111,947</u>	<u>\$398,591</u>	<u>\$510,538</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 20,710</u>		
18.50%		<u>\$ 73,739</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

37.0101% of eligible expenses for non-urbanized areas (rate based on reconcile)  
 (.370101 x \$111,947)

38.9955% of eligible expenses for non-urbanized areas (rate based on budget)  
 (.389955 x \$398,591)

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>7-1-16 to 9-30-16</u>	<u>10-1-16 to 6-30-17</u>	<u>Total</u>
\$ 48,714	\$187,793	\$236,507
38,971	127,723	166,694
1,529	16,947	18,476
16,879	44,554	61,433
2,156	10,012	12,168
2,718	8,154	10,872
2,768	5,813	8,581
<u>21,902</u>	<u>65,705</u>	<u>87,607</u>
<u>\$135,637</u>	<u>\$466,701</u>	<u>\$602,338</u>
\$ 625	\$ 1,875	\$ 2,500
1,163	530	1,693
<u>21,902</u>	<u>65,705</u>	<u>87,607</u>
<u>\$ 23,690</u>	<u>\$ 68,110</u>	<u>\$ 91,800</u>
<u>\$111,947</u>	<u>\$398,591</u>	<u>\$510,538</u>

\$ 41,432

\$155,433

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2016 year end

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z4		
	<u>10-1-15 to 6-30-16</u>	<u>7-1-16 to 9-30-16</u>	<u>Total</u>
Expenses:			
Labor	\$179,785	\$ 48,714	\$228,499
Fringe benefits	126,516	38,971	165,487
Services	9,073	1,529	10,602
Materials and supplies	46,262	16,879	63,141
Utilities	10,534	2,156	12,690
Casualty and liability costs	7,145	2,718	9,863
Miscellaneous expenses	5,453	2,768	8,221
Depreciation	<u>66,484</u>	<u>21,902</u>	<u>88,386</u>
TOTAL OPERATING EXPENSES	<u>\$451,252</u>	<u>\$135,637</u>	<u>\$586,889</u>
Less ineligible expenses:			
Audit	\$ 1,875	\$ 625	\$ 2,500
RTAP reimbursements	1,978	1,163	3,141
Insurance reimbursements	-	-	-
Finance fees	-	-	-
Association dues	-	-	-
Depreciation	<u>66,484</u>	<u>21,902</u>	<u>88,386</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 70,337</u>	<u>\$ 23,690</u>	<u>\$ 94,027</u>
NET ELIGIBLE EXPENSES	<u>\$380,915</u>	<u>\$111,947</u>	<u>\$492,862</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 70,469</u>		
18.50%		<u>\$ 20,710</u>	

State Statutory Operating Assistance -  
Reimbursement Amount:

37.0101% of eligible expenses for nonurbanized areas (rate based on reconcile)  
37.0101% 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>10-1-15 to 6-30-16</u>	<u>7-1-16 to 9-30-16</u>	<u>Total</u>
\$179,785	\$ 48,714	\$ 228,499
126,516	38,971	165,487
9,073	1,529	10,602
46,262	16,879	63,141
10,534	2,156	12,690
7,145	2,718	9,863
5,453	2,768	8,221
<u>66,484</u>	<u>21,902</u>	<u>88,386</u>
<u>\$451,252</u>	<u>\$135,637</u>	<u>\$ 586,889</u>
\$ 1,875	\$ 625	\$ 2,500
1,978	1,163	3,141
-	-	-
-	-	-
-	-	-
<u>66,484</u>	<u>21,902</u>	<u>88,386</u>
<u>\$ 70,337</u>	<u>\$ 23,690</u>	<u>\$ 94,027</u>
<u>\$380,915</u>	<u>\$111,947</u>	<u>\$ 492,862</u>

\$140,977

\$ 41,432

CITY OF HOUGHTON, MICHIGAN  
TRANSIT FUND  
NONURBAN OPERATING EXPENSES  
Year ended June 30, 2017

	07-01-16 to 09-30-16	10-01-16 to 06-30-17	<u>Total</u>
Expenses:			
Labor	\$ 48,714	\$187,793	\$236,507
Fringe benefits	38,971	127,723	166,694
Services	1,529	16,947	18,476
Materials and supplies	16,879	44,554	61,433
Utilities	2,156	10,012	12,168
Casualty and liability costs	2,718	8,154	10,872
Miscellaneous expenses	2,768	5,813	8,581
Depreciation	<u>21,902</u>	<u>65,705</u>	<u>87,607</u>
TOTAL OPERATING EXPENSES	<u>\$135,637</u>	<u>\$466,701</u>	<u>\$602,338</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, 2016

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
<b>Labor:</b>				
Operators' salaries and wages	\$ 163,363	\$ -	\$ -	\$163,363
Other salaries and wages	-	36,560	28,576	65,136
Fringe benefits	99,238	29,460	21,063	149,761
Pension	11,166	2,516	2,044	15,726
<b>Services:</b>				
Audit cost	-	-	2,500	2,500
Contracted services	4,800	2,950	-	7,750
Printing and publishing	-	-	352	352
<b>Materials and supplies:</b>				
Fuel and lubricants	21,270	-	-	21,270
Tires and tubes	7,422	-	-	7,422
Other materials and supplies	-	34,449	-	34,449
Utilities	638	12,052	-	12,690
Casualty and liability insurance	-	9,863	-	9,863
<b>Miscellaneous expenses:</b>				
Travel, meetings, and training	1,234	-	2,978	4,212
Other miscellaneous expenses	3,202	178	629	4,009
Depreciation	65,034	15,200	8,152	88,386
TOTAL EXPENSES	<u>\$ 377,367</u>	<u>\$ 143,228</u>	<u>\$ 66,294</u>	<u>\$586,889</u>
<b>Ineligible expenses:</b>				
Audit cost	\$ -	\$ -	\$ 2,500	\$ 2,500
RTAP reimbursements	3,141	-	-	3,141
Insurance reimbursement	-	-	-	-
Finance fees	-	-	-	-
Association dues	-	-	-	-
Depreciation	<u>65,034</u>	<u>15,200</u>	<u>8,152</u>	<u>88,386</u>
TOTAL INELIGIBLE EXPENSES	<u>\$ 68,175</u>	<u>\$ 15,200</u>	<u>\$ 10,652</u>	<u>\$ 94,027</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 309,192</u>	<u>\$ 128,028</u>	<u>\$ 55,642</u>	<u>\$492,862</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, 2016

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	28,232
Second Quarter	30,756
Third Quarter	26,601
Fourth Quarter	<u>28,180</u>
	<u>113,769</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, 2016 year end

Farebox revenue:	
Passenger fares	\$ 90,472
Contract fares	32,349
State formula and contracts -	
State operating assistance	177,632
Federal contracts -	
Section 5311	<u>91,179</u>
TOTAL NONURBAN REGULAR SERVICE REVENUES	<u>\$391,632</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 20, 2017

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, 2017, 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 20, 2017.

**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 2017-001 and 2017-002 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.

## 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 responses. 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

CITY OF HOUGHTON, MICHIGAN  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017

SECTION I - FINANCIAL STATEMENT FINDINGS

2017-001 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.

2017-002 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.

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

December 20, 2017

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, 2017. 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 2017-001 and 2017-002 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, 2017 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 20, 2017.

#### 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

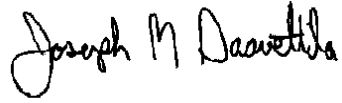
We adopted certain limited procedures to the required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's 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. Davenport". The signature is written in a cursive style with a large initial "J".

Certified Public Accountant, PLC  
Houghton, Michigan