

FINANCIAL STATEMENTS
CITY OF HOUGHTON, MICHIGAN
June 30, 2020

CONTENTS

	Page
Independent Auditor's Report	5
Management's Discussion and Analysis	6
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Proprietary Funds:	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
Fiduciary Fund Types:	
Statement of Net Position	26
Statement of Changes in Net Position	27
Discretely Presented Component Units:	
Statement of Net Position	28
Statement of Activities	29
Notes to Financial Statements	30
<u>Required Supplementary Information</u>	60
MERS Pension Plan - Schedule of Contributions	61
MERS Pension Plan - Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	62
Schedule of Changes in the Total OPEB Liability and Related Ratios	63
OBEB Plan Schedule of Contributions	64
General Fund - Budgetary Comparison Schedule	65
Major Street and Trunkline Maintenance Fund - Budgetary Comparison Schedule	66
Local Street Fund - Budgetary Comparison Schedule	67
Revolving Fund - Budgetary Comparison Schedule	68
Note to Required Supplementary Information - Budgetary Information	69
<u>Additional Information</u>	70
<u>Financial Statements of Individual Funds</u>	71
Governmental Funds:	
General Fund:	
Balance Sheets	72
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73
Special Revenue Funds:	
Combining Balance Sheets	74
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	75
Major Street and Trunkline Maintenance Fund:	
Balance Sheets	76
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
Local Street Fund:	
Balance Sheets	78
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
Revolving Fund:	
Balance Sheets	80
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
Capital Projects Fund - Public Improvement Fund:	
Balance Sheets	82
Analyses of Changes in Fund Balance	83

CONTENTS (CONTINUED)

Additional Information (continued)

Financial Statements of Individual Funds (continued)

Proprietary Fund Types:

Water Supply Fund:

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

Sewage Disposal System Fund:

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

Parking System Fund:

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

Transit Fund:

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

Equipment Fund:

Statements of Net Position	96
Statements of Revenues, Expenses, and Changes in Net Position	97
Statements of Cash Flows	98

Fiduciary Fund Types:

Employee Retirement Fund:

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

Employee Benefit Fund:

Statements of Net Position	101
Statements of Revenues, Expenses, and Changes in Net Position	102
Statements of Cash Flows	103

Agency Fund - Tax Collection Fund

Statements of Changes in Assets and Liabilities	104
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Discretely Presented Component Units

Downtown Development Authority:

General Fund:

Balance Sheets	106
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	107

Tax Increment Finance Authority:

Combined Balance Sheets	108
Combined Statements of Revenues, Expenditures, and Changes in Fund Balance	109

CONTENTS (CONTINUED)

<u>Other Financial Information</u>	110
General Fund -	
Statements of Revenues, Expenditures, and Fund Balance	111
Major Street and Trunkline Maintenance Fund -	
Schedules of Expenditures and Reimbursements for State Trunkline Maintenance	113
Transit Fund:	
Schedule of Operating Revenues	114
Schedule of Operating Expenses	115
Schedule of Non-Operating Revenues and Expenses	116
Local Revenues	117
Federal and State Awards	118
Expenditures of Federal and State Awards	119
Operating and Contract Expenses	120
Schedule of Net Eligible Cost Computations of General Operations	121
Schedule of Net Eligible Cost Computations of General Operations	122
Nonurban Operating Expenses	123
Nonurban Regular Service Expense Report	124
Nonurban Regular Service Nonfinancial Report	125
Nonurban Regular Service Revenue Report	126
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	127
Schedule of Findings and Responses	129
Auditors Communication of Significant Matters with those Charged with Governance	130
Summary of Audit Differences - All Funds	133

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

January 14, 2021

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, 2020, 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, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

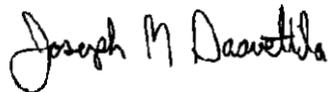
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Houghton Michigan's basic financial statements. The other supplemental information, as identified in the table of contents is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information 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 2019 financial statements and, in our report dated December 19, 2019, 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 January 14, 2021 on our consideration of the City of Houghton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houghton's internal control over financial reporting and compliance.



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2020
(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, 2020. 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, 2020 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 4,500,799	\$ 4,241,992	\$ 4,493,830	\$ 2,881,807
Capital assets	<u>11,901,156</u>	<u>11,998,527</u>	<u>16,209,936</u>	<u>16,066,021</u>
Total assets	<u>\$16,401,955</u>	<u>\$16,240,519</u>	<u>\$20,703,766</u>	<u>\$18,947,828</u>
Deferred outflows of resources	<u>\$ 600,097</u>	<u>\$ 610,899</u>	<u>\$ 233,814</u>	<u>\$ 226,265</u>
Long-term liabilities	\$ 3,470,717	\$ 3,669,907	\$11,942,500	\$ 9,913,000
Other liabilities	<u>2,472,104</u>	<u>2,271,346</u>	<u>1,132,136</u>	<u>1,075,074</u>
Total liabilities	<u>\$ 5,942,821</u>	<u>\$ 5,941,253</u>	<u>\$13,074,636</u>	<u>\$10,988,074</u>
Deferred inflows of resources	<u>\$ 268,522</u>	<u>\$ 191,735</u>	<u>\$ 103,562</u>	<u>\$ 69,718</u>
Net position:				
Invested in capital assets, net of related debt	\$ 8,284,093	\$ 8,183,155	\$ 6,093,936	\$ 5,910,021
Restricted	-	-	884,655	763,579
Unrestricted	<u>2,506,616</u>	<u>2,535,275</u>	<u>780,791</u>	<u>1,442,701</u>
Total net position	<u>\$10,790,709</u>	<u>\$10,718,430</u>	<u>\$ 7,759,382</u>	<u>\$ 8,116,301</u>

Total Primary
Government

<u>2020</u>	<u>2019</u>
\$ 8,994,629	\$ 7,123,799
<u>28,111,092</u>	<u>28,064,548</u>
<u>\$37,105,721</u>	<u>\$35,188,347</u>
\$ 833,911	\$ 837,164
\$15,413,217	\$13,582,907
<u>3,604,240</u>	<u>3,346,420</u>
<u>\$19,017,457</u>	<u>\$16,929,327</u>
\$ 372,084	\$ 261,453
\$14,378,029	\$14,093,176
884,655	763,579
<u>3,287,407</u>	<u>3,977,976</u>
<u>\$18,550,091</u>	<u>\$18,834,731</u>

Governmental Activities

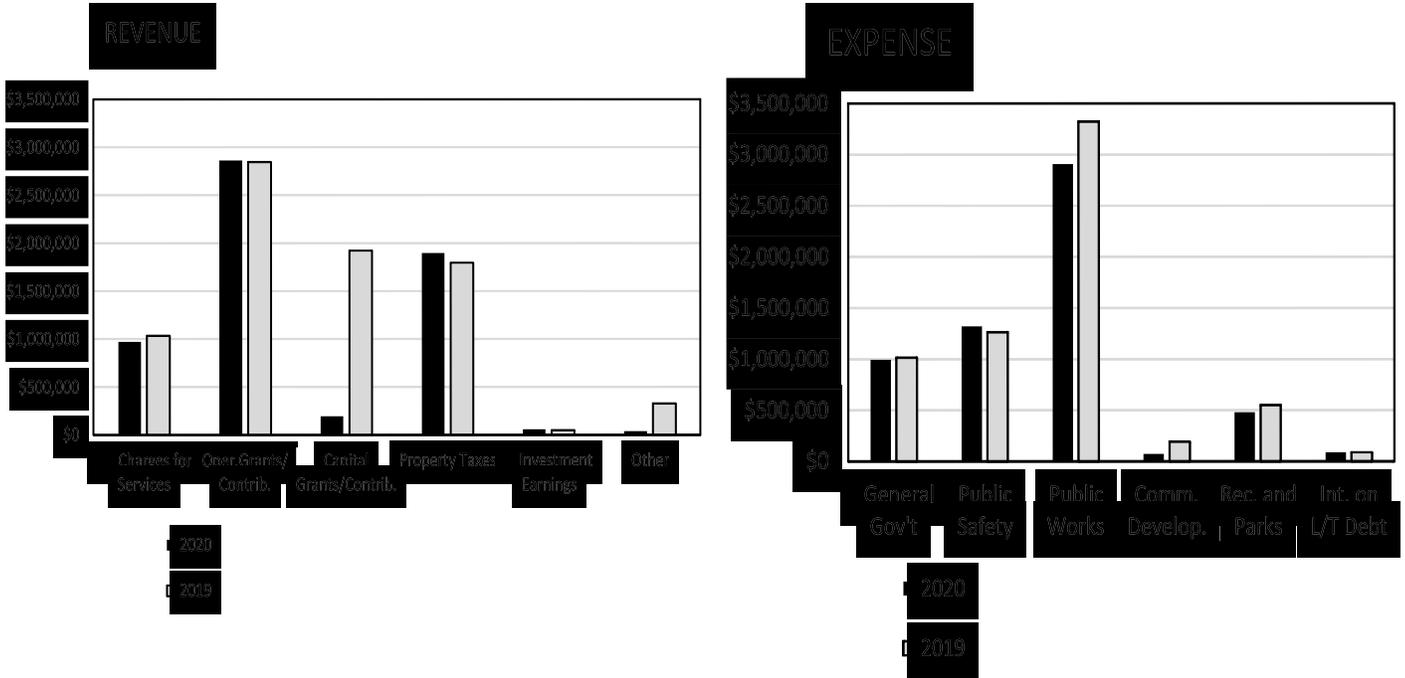
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues and Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column 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 Governmental Activities		Changes in Net Position Business-Type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Program revenues:				
Charges for services	\$ 969,440	\$ 1,033,732	\$3,169,002	\$3,266,253
Operating grants and contributions	2,863,691	2,846,944	339,563	346,914
Capital grants and contributions	192,861	1,922,692	-	-
General revenues:				
Property taxes	1,897,846	1,795,434	-	-
Investment earnings	60,888	47,964	28,996	39,019
Gain (loss) on sale of assets	30,000	225,446	-	-
Miscellaneous	<u>9,918</u>	<u>103,133</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 6,024,644</u>	<u>\$ 7,975,345</u>	<u>\$3,537,561</u>	<u>\$3,652,186</u>
Expenses:				
General government	\$ 993,255	\$ 1,014,969	\$ -	\$ -
Public safety	1,321,786	1,263,206	-	-
Public works	2,862,399	3,320,815	-	-
Community development	74,040	191,846	-	-
Recreation and parks	478,702	550,299	-	-
Interest on long-term debt	87,183	89,173	-	-
Water	-	-	1,089,547	1,028,978
Sewer	-	-	2,095,779	1,887,025
Parking	-	-	265,902	314,978
Transit	<u>-</u>	<u>-</u>	<u>628,252</u>	<u>644,232</u>
Total expenses	<u>\$ 5,817,365</u>	<u>\$ 6,430,308</u>	<u>\$4,079,480</u>	<u>\$3,875,213</u>
Increase (decrease) in net position before transfers	\$ 207,279	\$ 1,545,037	(\$ 541,919)	(\$ 223,027)
Transfers	<u>(135,000)</u>	<u>(240,500)</u>	<u>185,000</u>	<u>291,950</u>
Increase in net position	<u>\$ 72,279</u>	<u>\$ 1,304,537</u>	<u>(\$ 356,919)</u>	<u>\$ 68,923</u>
Net position, beginning of year	<u>\$10,718,430</u>	<u>\$ 9,413,893</u>	<u>\$8,116,301</u>	<u>\$8,047,378</u>
Net position, end of year	<u>\$10,790,709</u>	<u>\$10,718,430</u>	<u>\$7,759,382</u>	<u>\$8,116,301</u>

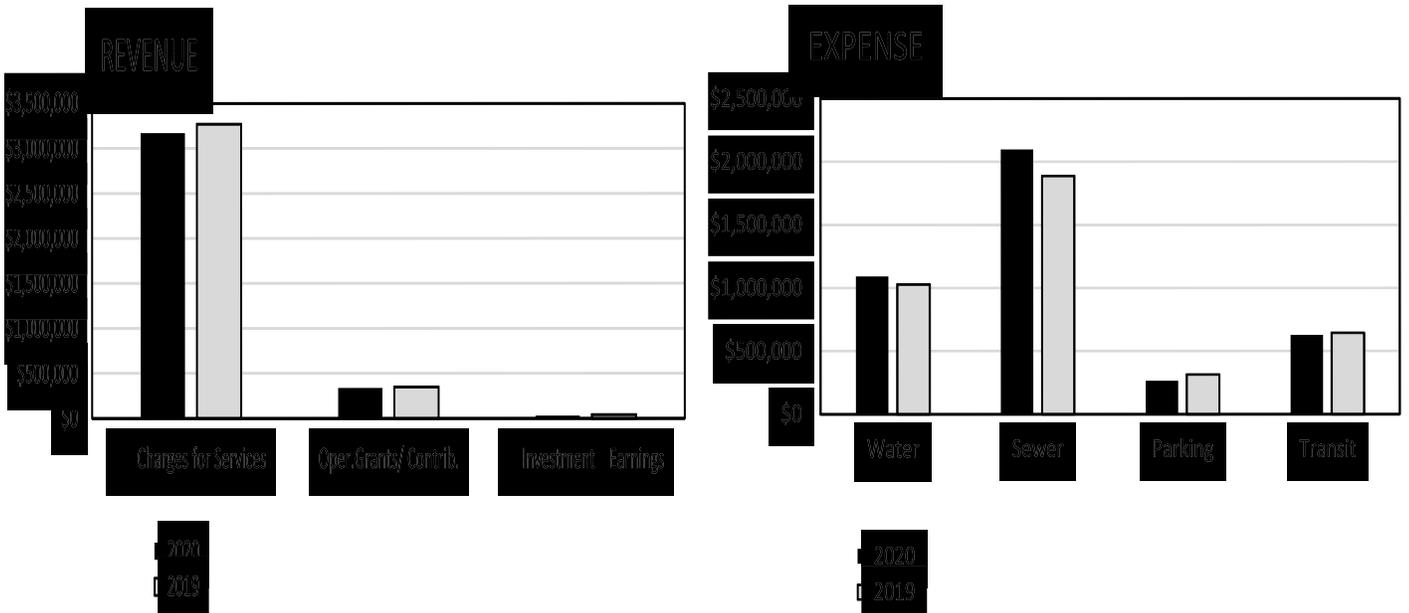
Total Primary
Government

2020	2019
<p>\$ 4,138,442</p> <p>3,203,254</p> <p>192,861</p> <p>1,897,846</p> <p>89,884</p> <p>30,000</p> <p>9,918</p> <hr style="border: 0.5px solid black;"/> <p>\$ 9,562,205</p>	<p>\$ 4,299,985</p> <p>3,193,858</p> <p>1,922,692</p> <p>1,795,434</p> <p>86,983</p> <p>225,446</p> <p>103,133</p> <hr style="border: 0.5px solid black;"/> <p>\$11,627,531</p>
<p>\$ 993,255</p> <p>1,321,786</p> <p>2,862,399</p> <p>74,040</p> <p>478,702</p> <p>87,183</p> <p>1,089,547</p> <p>2,095,779</p> <p>265,902</p> <p>628,252</p> <hr style="border: 0.5px solid black;"/> <p>\$ 9,896,845</p>	<p>\$ 1,014,969</p> <p>1,263,206</p> <p>3,320,815</p> <p>191,846</p> <p>550,299</p> <p>89,173</p> <p>1,028,978</p> <p>1,887,025</p> <p>314,978</p> <p>644,232</p> <hr style="border: 0.5px solid black;"/> <p>\$10,305,521</p>
<p>(\$ 334,640)</p> <hr style="border: 0.5px solid black;"/> <p>50,000</p>	<p>\$ 1,322,010</p> <hr style="border: 0.5px solid black;"/> <p>51,450</p>
<p>(\$ 284,640)</p> <hr style="border: 0.5px solid black;"/> <p>\$18,834,731</p>	<p>\$ 1,373,460</p> <hr style="border: 0.5px solid black;"/> <p>\$17,461,271</p>
<p><u>\$18,550,091</u></p>	<p><u>\$18,834,731</u></p>

Governmental Activities Comparison FY 2020- FY 2019



Business-type Activities Comparison FY 2020 - FY 2019



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

The City's total primary government net position decreased by 1.5% in FY 2020. There was a significant decrease in revenues and a lesser decrease in expenses. The details of the changes are discussed below.

The City's governmental activities net position decreased slightly in FY 2020. Overall revenue decreased 24% from 2019. This was primarily due to less overall grant revenue received in FY 2020 in proportion to the large amount of flood-related relief funding which was realized in FY 2019 for work during the year for a decrease of 90%.

Public works expenses decreased markedly with a return to a what would be considered a more typical year that did not see the number of flood-related projects that were done in 2019. Those types of projects continued into 2020, but to a lesser extent, and are expected to be completed by the end of FY 2021.

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

Governmental activities expenses decreased just under 2%. Public safety was up under 5% with wage increases and an additional police officer, but also with less overtime needed with the additional officer. Public works expense decreased 13% with much of the flood-related work completed in the previous year. Parks and recreation expenses were down 13% having larger projects, including flood recovery in some parks, completed in the previous fiscal year.

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

The City's business-type activities net position decreased by 4% with revenues down and expenses up. The net position before adjustments increased slightly, though spending in the sewer fund was up with repair and replacement projects, but then the need for financial support of the parking fund and transit fund, both of which routinely have expenses exceeding revenue, contributed to the decrease. This support is generally expected each year as both services to the local community are not able to generate sufficient revenue to fully cover expenses.

Regular fluctuations in parking permit income and transit ridership continue, but their net effect on revenue was minimal as both are relatively small percentages of the overall activities. Both were down more than 10%. Water revenue was up and sewer revenue was down with residential use relatively steady, MTU use was up by about 7%. The sewer income from Portage Township connection serving Dodgeville and Hurontown was down over 50% from the previous year. This income can fluctuate wildly year-to-year as the township's sewer system flow can be severely impacted by especially wet spring weather or high groundwater. Portage Township continues to make efforts to remove excess flow. The City cooperatively adjusted the rate for excess flow charged to the township in 2020 which should provide an opportunity to better predict income. Both water and sewer expenses increased overall as the public works department was able to return to utility work as the need for flood-related work decreased over the year.

CITY FUNDS

General Fund

Overall revenue decreased by over 40% from 2019. While tax revenue did increase 5%, the massive amount of flood-related relief funding flowing through the general fund was realized in the previous fiscal year. These funds totaled over \$2.5 million in FY 2019 and account for nearly all the difference in revenue between 2019 and 2020. A significant portion of flood relief reimbursement funds is retained in the general fund as reserved cash to repay the debt service on the state infrastructure bank loan received in FY 2019.

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

Overall expenditures decreased by 20% with the reduction in flood-related recovery and repair work in FY 2020.

General government and public safety expenses increased due to wages. Public works expenses decreased as the bulk of the flood response and repair work performed by the City's public works department was done in the previous FY. Community development and recreation and parks spending showed a decrease after major work in the previous year at Dee Stadium and continued work within the parks.

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

Major Street Fund

State Act 51 money was up 4.4% over the previous year with the funding amounts from the State increasing to all communities. Total revenue was up only about 1% with the sunset of PA 207 of 2018 and a smaller state grant for snow removal. Snow removal expense was down from the previous year due to a lighter winter overall. More of the permanent FHWA-funded (MDOT) flood repair work was done this FY in major street; the bulk of it being reimbursed and the City only responsible for the match amount. Major street made a contribution to the public improvement fund to support paving work associated with a utility project to leverage the underground work to yield a rebuilt street surface. Overall revenue and expense were both slightly higher. No special large MDOT trunkline highway work performed as a pass through contract between MDOT and Houghton this year.

Over all, the fund balance at the end-of-year was relatively stable as, again, the previous year saw considerable activity with flood related work and FY 2020 saw a return to something more resembling a typical year.

Local Street Fund

The State Act 51 was increased 4.5% from last year with another increase in the State's Act 51 formula distribution to local units. Overall spending in Local Street was generally on par with the previous year. Winter maintenance expenses were decreased 27% over the previous year as the snowfall was less intense and the department of public works continues to improve on the efficiency and efficacy of snow removal procedures; those procedures being equipment-intensive and thus expensive. State snow removal funds were down only slightly given the lighter winter since the funds are based on a rolling average.

Revolving Loan Fund

Fund balance did increase as no new loans were made this fiscal year. Borrowers continued to make their payments. With the onset of the COVID epidemic during the third and fourth quarters of FY 2020 one loan was temporarily changed to interest only until restrictions are eased and the business can reopen in full.

Public Improvement Fund

This fund saw extensive use again to hold and disburse grant funds and City matching funds for grant-funded projects and specific City projects that may be funded from more than one fund. Most notable this year was utility and street work on West Houghton Avenue, showers in the locker rooms at Dee Stadium, and a grant from MEDC whereby the City received a pass-through grant for a local business to acquire a building where the owner will then invest a significant sum of private funds to open a new restaurant. A list of these projects is on page 83.

Water Fund

Overall residential water sales were up 4% and MTU sales increased over 12%, rebounding from the drop the previous year, for an overall income increase of 9%. Water rates were increased in the third quarter of FY 2020 as required by USDA for their funding of a water project that was started in the summer. Source expense was up slightly from the previous year with ongoing maintenance at the water plant and increased utility costs. System maintenance costs were up only slightly with some system repairs. A contribution was made to the public improvement fund to support the utility work, specifically that for the water portion, on West Houghton Avenue. The net position increased by less than 1% and revenues continue to cover operating expenses.

Sewer Fund

Sewer charges decreased 7% over the previous year. While residential sales varied little from last year, the MTU charges, directly related to water use, were up 7%. The major decrease in the overall income was Portage Township's charges paid by their Dodgeville-Hurontown system which was down more than 50%. In the previous year Portage experienced heavy spring flows resulting in significantly increased "sales" by the City. FY 2020 saw a more typical flow year for Portage Township and their overall "sales" reduction was more than the overall decrease in revenues; the balance being partially offset by increases in MTU.

The Sewer fund performed one major capital project on Jasper Street in-house and made a major contribution to Public Improvement to support the sewer utility replacement work on the West Houghton Avenue project.

The Portage Lake Water and Sewage Authority disposal cost decreased by more than 4% as the City's share of the overall PLWSA treatment expense will vary year to year. Continued maintenance on the sewer system will need to be done to lower or maintain our percentage, though as it is directly related to percentage of overall flow there is always the potential that the other major contributor, Hancock, may find ways to decrease its overall flow as well.

Overall the net position decreased by more than 3% from the previous year. This was primarily due to maintenance and repair expenses returning to a more typical level as opposed to the 2019 fiscal year when those expenses were not incurred due to flood response.

Parking Fund

Parking fund revenue was down more than 11% with fewer passes sold and a decline in fines and towing fees; much of which could be attributed to the effects of the COVID pandemic in the third and fourth quarter where fewer people were moving about, working from home, and Michigan Tech holding remote classes in the spring. Overall expenses decreased more than 30% with only minor maintenance projects, a light winter, and the reduced need for enforcement expense - that reduction in enforcement a result of people staying home from March to the end of the FY. The above combined resulted in the net position decreasing by just under 1% this year.

Transit Fund

Revenue was down about 9% this year. Changes in ridership, again in the third and fourth quarters resulting from COVID-necessitated stay-at-home orders had a large effect as well as reductions in sponsored ridership; and state and federal operating funds. Operating expenses were also down 6% with the reduced need for services, but did not decrease in parallel with the reduction in revenue. The overall net position decreased about 24% from last year.

Equipment Fund

Operating revenue was down 23% with significantly decrease use of equipment as compared to the flood response and recovery equipment use in the previous FY. Operating expenses decreased by about 10% with the reduced use of the equipment when compared to the previous year and less fuel and supplies being needed. In generating net income the equipment rental rates charged for hourly use, given the heavy use the previous year, has a larger effect over net position as more use does not directly correlate commensurately to operating and maintenance expenses. Nonoperating revenue did increase with the City's obtaining grant funds to leverage purchases of new equipment. The net position increased by almost 7% due to the compounding of reduced expense and increased grant income even when charges for services are significantly reduced.

Employee Benefit Fund

Operating revenue was down 2% from the previous year with the largest reductions coming from major street; due to a less severe winter (plowing) and from parking; due to the reduced need for enforcement in the third and fourth quarters where there were fewer cars out due to COVID and the deck plowing expense was lower with the less severe winter. Expenses overall were down. Health insurance expenses were down with some retirements and the agent's fees decreasing, even though the base plan expense increased. Vacation time used, and thus the expense, was as expected/budgeted. Sick leave was slightly less than the previous year although the overall expense for sick pay did include COVID-related leave which occurred in the last half of the year. Payroll taxes paid differed by about 0.5%. A decrease in worker's compensation insurance as compared to the increase seen in

the previous year and the disability insurance payment booked in this FY (wasn't billed in 2019) rounded out the decrease in operating expense. An increase in the retirement contributions necessitated by the agreement with MERS for employee contribution toward the retirement system. Hourly employees received a 3% raise. Overall the net position decreased by 30% as the employee benefit rate decreased again to affect a planned reduction in the cash balance in the fund.

General Fund Budgetary Highlights

Revenue: Revenue from real property taxes grew by 5% and personal property taxes were reduced by over 7%, though the latter only accounts for 3% of the total of the two. Sales and use tax revenue was up 3%. Most expected revenues were realized other than a portion of the FEMA flood reimbursements; which will be realized in the next fiscal year due to the timing of the actual field work. Some charges for services were down due to the onset of the COVID epidemic in the latter half of the fiscal year. Dee Stadium revenue was down 13% due to the venue having to be closed more than one month early because of COVID when it was otherwise having a strong year. The RV park income was down about 9% due to the state-ordered delay in its seasonal opening. Though the summer occupancy was high, that income will not be realized until the following year. Sanitation (trash collection) revenue was relatively unchanged.

The General Fund revenue decrease in overall revenue can be near-perfectly matched to the reduction in grant revenue and loan proceeds in the previous year as a result of "the flood". The decision was made to book all flood-related expenses to a single general ledger account in the general fund in order to efficiently account for and track those expenses. Those grant funds accounted for in 2019 were not part of the general fund income in 2020. Considering that the 2020 general fund income, less the aforementioned "flood money" also does not include the proceeds from the sale of City property which occurred in 2019. The general fund income performed very well considering the impacts of COVID on some of the income sources in the third and fourth quarters.

As the City receives reimbursements and repayment for flood-related expenses those funds have been reserved for repayment of the state infrastructure bank (SIB) loan received in 2019. The payments were deferred for one year with the first payment due in FY 2021. With that, the audit shows a considerable fund balance, end of year, but a significant portion of that balance must be considered spent as it will be used to repay the SIB loan.

Expenses - General Fund:

- a. Overall expenses increased significantly when compared to 2019 as in 2020 there were not those large expenditures related to flood response, recovery work, and the associated state and federal financial assistance.
- b. The remaining father's day flood event response will continue to be mostly accounted for in the general fund to track those expenses in under a common general ledger location.
- c. Public safety spending increased primarily with the increase in wages and the accompanying benefit costs, plus that addition of one officer. The department will continue to invest in training and technology. Fire department expenses were lower, though the department underspent on new equipment to provide additional grant match in the upcoming year for a critical piece of equipment.
- d. Additional expense as compared to previous years was incurred in tree trimming as there was considerable deferred tree trimming and removal.
- e. Spring/fall clean-up expenses were higher as the City attempts to increase the level of service to its residents.
- f. The City undertook projects to demolish two blighted/condemned houses this year by pursuing legal action. Both of these houses had been perennial code violators and were to the point where such action was needed.
- g. Dee Stadium spending was decreased due to the early closure because of COVID and major maintenance projects complete this year.
- h. Overall park/beach/RV park maintenance spending was relatively unchanged with continued park improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- i. Street lighting overall was significantly lower than the previous year due to the efficiency improvements made to the lighting systems and the City's self-performance of street lighting replacements in Portage Cove as opposed to previous years where the work was contracted out.
- j. Other recreational spending was consistent with previous years with funds put into parks, docks, and beach.
- k. Debt service spending was relatively unchanged with no new debt payments due this year, though the SIB loan repayment schedule will begin next year.
- l. The transit contribution remained relatively the same as last year.

Capital Asset and Debt Administration

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
CAPITAL ASSETS				
Land	\$ 655,759	\$ 655,759	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	2,310,543	2,378,988	85,769	92,605
Improvements	1,304,135	1,330,467	44,938	46,797
Equipment	2,016,238	2,095,028	322,894	406,339
Infrastructure	<u>5,614,481</u>	<u>5,538,285</u>	<u>14,815,022</u>	<u>14,578,967</u>
Total	<u>\$11,901,156</u>	<u>\$11,998,527</u>	<u>\$16,209,936</u>	<u>\$16,066,021</u>
DEBT				
General Obligation Bonds	\$ 1,876,000	\$ 1,978,000	\$ -	\$ -
Revenue Bonds	-	-	12,250,000	10,156,000
General Loan Contracts	1,300,000	1,300,000	-	-
Installment Purchase Contracts	51,063	104,372	-	-
Limited Tax Investment Notes	<u>390,000</u>	<u>433,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,617,063</u>	<u>\$ 3,815,372</u>	<u>\$12,250,000</u>	<u>\$10,156,000</u>

Overall Capital Assets increased slightly. Governmental Activities assets and Business-Type Activities assets increased in infrastructure.

The debt on General Obligation Bonds and Water/Sewer Revenue Bonds decreased with the pay down of existing bonds. Additional debt was incurred with new Water/Sewer Revenue Bonds. Overall debt increased by 13.5%.

Contacting the City's Financial Management

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

Total Primary
Government

<u>2020</u>	<u>2019</u>
\$ 655,759	\$ 655,759
941,313	941,313
2,396,312	2,471,593
1,349,073	1,377,264
2,339,132	2,501,367
<u>20,429,503</u>	<u>20,117,252</u>
<u>\$28,111,092</u>	<u>\$28,064,548</u>
\$ 1,876,000	\$ 1,978,000
12,250,000	10,156,000
1,300,000	1,300,000
51,063	104,372
<u>390,000</u>	<u>433,000</u>
<u>\$15,867,063</u>	<u>\$13,971,372</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total	
<u>ASSETS</u>				
Cash	\$ 4,089,564	\$ 959,104	\$ 5,048,668	\$ 530,078
Accounts receivable	95,003	216,903	311,906	-
Taxes receivable	13,955	-	13,955	2,335
Due from other governmental units	370,231	9,476	379,707	-
Due from component unit	-	-	-	20,645
Internal balances	(191,874)	191,874	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	982,473	982,473	-
Bond proceeds receivable	-	2,134,000	2,134,000	-
Long-term loans	118,366	-	118,366	-
Capital assets - net	<u>11,901,156</u>	<u>16,209,936</u>	<u>28,111,092</u>	<u>6,416,129</u>
TOTAL ASSETS	<u>\$ 16,401,955</u>	<u>\$20,703,766</u>	<u>\$37,105,721</u>	<u>\$6,969,187</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	<u>\$ 600,097</u>	<u>\$ 233,814</u>	<u>\$ 833,911</u>	<u>\$ 42,807</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 81,608	\$ 53,510	\$ 135,118	\$ 27,062
Accrued expenses	76,318	122,524	198,842	8,639
Due to other governmental units	-	115,294	115,294	-
Due to component unit	20,912	-	20,912	-
Deferred revenues	419,142	-	419,142	200,616
Noncurrent liabilities:				
Due within one year	458,063	307,500	765,563	-
Due in more than one year	3,470,717	11,942,500	15,413,217	-
Net pension liability	716,811	254,719	971,530	47,464
Total OPEB liability	<u>699,250</u>	<u>278,589</u>	<u>977,839</u>	<u>47,738</u>
TOTAL LIABILITIES	<u>\$ 5,942,821</u>	<u>\$13,074,636</u>	<u>\$19,017,457</u>	<u>\$ 331,519</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pension	<u>\$ 268,522</u>	<u>\$ 103,562</u>	<u>\$ 372,084</u>	<u>\$ 20,609</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	\$ 8,284,093	\$ 6,093,936	\$14,378,029	\$6,416,129
Restricted for debt service	-	884,655	884,655	-
Unrestricted	<u>2,506,616</u>	<u>780,791</u>	<u>3,287,407</u>	<u>243,737</u>
TOTAL NET POSITION	<u>\$ 10,790,709</u>	<u>\$ 7,759,382</u>	<u>\$18,550,091</u>	<u>\$6,659,866</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, 2020

	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	\$ 993,255	\$ 344,845	\$ 1,042,786	\$ 77,300
Public safety	1,321,786	125,965	47,048	-
Public works	2,862,399	329,105	1,773,857	115,561
Community development	74,040	-	-	-
Recreation and parks	478,702	169,525	-	-
Interest on long-term debt	87,183	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,817,365</u>	<u>\$ 969,440</u>	<u>\$ 2,863,691</u>	<u>\$ 192,861</u>
Business-type activities:				
Water	\$ 1,089,547	\$1,085,607	\$ -	\$ -
Sewer	2,095,779	1,821,706	-	-
Parking	265,902	171,608	-	-
Transit	628,252	90,081	339,563	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 4,079,480</u>	<u>\$3,169,002</u>	<u>\$ 339,563</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,896,845</u>	<u>\$4,138,442</u>	<u>\$ 3,203,254</u>	<u>\$ 192,861</u>
Component Units:				
DDA	\$ 300,894	\$ -	\$ -	\$ 3,290
TIFA	483,830	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 784,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,290</u>

General revenues:
Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item - Gain (loss) on sale of assets
Transfers
Total general revenues, special items and transfers
Change in net position
Net position at July 1, 2019
Net position at June 30, 2020

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>
\$ 471,676	\$ -	\$ 471,676	
(1,148,773)	-	(1,148,773)	
(643,876)	-	(643,876)	
(74,040)	-	(74,040)	
(309,177)	-	(309,177)	
(87,183)	-	(87,183)	
<u>(\$ 1,791,373)</u>	<u>\$ -</u>	<u>(\$ 1,791,373)</u>	
\$ -	(\$ 3,940)	(\$ 3,940)	
-	(274,073)	(274,073)	
-	(94,294)	(94,294)	
<u>-</u>	<u>(198,608)</u>	<u>(198,608)</u>	
<u>\$ -</u>	<u>(\$ 570,915)</u>	<u>(\$ 570,915)</u>	
<u>(\$ 1,791,373)</u>	<u>(\$ 570,915)</u>	<u>(\$ 2,362,288)</u>	
\$ -	\$ -	\$ -	(\$ 297,604)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(483,830)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 781,434)</u>
\$ 1,897,846	\$ -	\$ 1,897,846	\$ 904,373
60,888	28,996	89,884	10,499
9,918	-	9,918	1,924
30,000	-	30,000	-
<u>(135,000)</u>	<u>185,000</u>	<u>50,000</u>	<u>(50,000)</u>
<u>\$ 1,863,652</u>	<u>\$ 213,996</u>	<u>\$ 2,077,648</u>	<u>\$ 866,796</u>
<u>\$ 72,279</u>	<u>(\$ 356,919)</u>	<u>(\$ 248,640)</u>	<u>\$ 85,362</u>
<u>\$10,718,430</u>	<u>\$8,116,301</u>	<u>\$18,834,731</u>	<u>\$6,574,504</u>
<u>\$10,790,709</u>	<u>\$7,759,382</u>	<u>\$18,550,091</u>	<u>\$6,659,866</u>

CITY OF HOUGHTON, MICHIGAN
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 June 30, 2020

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$1,470,237	\$ 687,297	\$ 349,626
Accounts receivable	94,917	-	-
Taxes receivable	13,955	-	-
Inventories	5,554	-	-
Due from other funds	6,157	-	10,358
Due from other governmental units	257,930	80,371	31,930
Long-term loan	-	-	-
TOTAL ASSETS	<u>\$1,848,750</u>	<u>\$ 767,668</u>	<u>\$ 391,914</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 63,678	\$ 2,508	\$ 1,953
Accrued expenses	48,304	1,262	3,462
Due to other governmental units	-	-	-
Due to other funds	5,875	15,984	6,864
TOTAL LIABILITIES	<u>\$ 117,857</u>	<u>\$ 19,754</u>	<u>\$ 12,279</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes and other	\$ 9,955	\$ -	\$ -
<u>FUND BALANCES</u>			
Assigned for inventory	\$ 5,554	\$ -	\$ -
Unassigned, reported in:			
General fund	1,715,384	-	-
Special revenue funds	-	747,914	379,635
Capital project fund	-	-	-
TOTAL FUND BALANCES	<u>\$1,720,938</u>	<u>\$ 747,914</u>	<u>\$ 379,635</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,848,750</u>	<u>\$ 767,668</u>	<u>\$ 391,914</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 258 152	\$ 429,289	\$3,194,601
-	-	94,917
-	-	13,955
-	-	5,554
-	-	16,515
-	-	370,231
<u>118,366</u>	<u>-</u>	<u>118,366</u>
<u>\$ 376,518</u>	<u>\$ 429,289</u>	<u>\$3,814,139</u>

\$ -	\$ 153	\$ 68,292
-	-	53,028
-	-	-
<u>-</u>	<u>-</u>	<u>28,723</u>
<u>\$ -</u>	<u>\$ 153</u>	<u>\$ 150,043</u>
<u>\$ 118,366</u>	<u>\$ 419,142</u>	<u>\$ 547,463</u>

\$ -	\$ -	\$ 5,554
-	-	1,715,384
258,152	-	1,385,701
<u>-</u>	<u>9,994</u>	<u>9,994</u>
<u>\$ 258,152</u>	<u>\$ 9,994</u>	<u>\$3,116,633</u>
<u>\$ 376,518</u>	<u>\$ 429,289</u>	<u>\$3,814,139</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balance - total governmental funds	\$ 3,116,633
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	10,107,714
Deferred outflow of resources - related to pension	572,066
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	128,321
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.	2,059,753
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.	(17,533)
Net pension liability	(675,240)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(3,571,780)
Deferred inflow of resources - related to pension	(255,354)
Other post-employment benefit plan	(<u>673,871</u>)
Net position of governmental activities	<u>\$10,790,709</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, 2020

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,730,292	\$ -	\$ 167,554
License and permits	120	-	-
State and federal grants	1,002,935	1,361,144	407,411
Charges for services	845,099	-	-
Loan proceeds	-	-	-
Interest and rents	29,386	7,817	4,935
Other revenue	<u>280,860</u>	<u>5,302</u>	<u>-</u>
TOTAL REVENUES	<u>\$3,888,692</u>	<u>\$1,374,263</u>	<u>\$ 579,900</u>
EXPENDITURES:			
General government	\$ 813,701	\$ 22,063	\$ 12,348
Public safety	1,268,403	-	-
Public works	736,142	1,441,491	528,993
Recreation and parks	458,079	-	-
Loans and contingencies	-	-	-
Other expenditures	96,431	-	-
Capital outlay	147,750	-	-
Debt service:			
Principal	134,308	-	37,000
Interest and other charges	<u>57,979</u>	<u>-</u>	<u>14,382</u>
TOTAL EXPENDITURES	<u>\$3,712,793</u>	<u>\$1,463,554</u>	<u>\$ 592,723</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 175,899</u>	<u>(\$ 89,291)</u>	<u>(\$ 12,823)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,700	\$ 48,655	\$ 101,383
Transfers out	<u>(346,597)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 340,897)</u>	<u>\$ 48,655</u>	<u>\$ 101,383</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 164,998)</u>	<u>(\$ 40,636)</u>	<u>\$ 88,560</u>
Fund balances, beginning of year	<u>\$1,885,936</u>	<u>\$ 788,550</u>	<u>\$ 291,075</u>
Fund balances, end of year	<u>\$1,720,938</u>	<u>\$ 747,914</u>	<u>\$ 379,635</u>

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

<u>Revolving</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$1,897,846
-	-	120
-	65,195	2,836,685
-	-	845,099
-	-	-
5,834	1,968	49,940
<u>33,054</u>	<u>-</u>	<u>319,216</u>
<u>\$ 38,888</u>	<u>\$ 67,163</u>	<u>\$5,948,906</u>
\$ 600	\$ -	\$ 848,712
-	-	1,268,403
-	-	2,706,626
-	-	458,079
-	-	-
-	-	96,431
-	236,035	383,785
-	-	171,308
<u>-</u>	<u>-</u>	<u>72,361</u>
<u>\$ 600</u>	<u>\$ 236,035</u>	<u>\$6,005,705</u>
<u>\$ 38,288</u>	<u>(\$ 168,872)</u>	<u>(\$ 56,799)</u>
\$ -	\$ 94,000	\$ 249,738
<u>-</u>	<u>-</u>	<u>(346,597)</u>
<u>\$ -</u>	<u>\$ 94,000</u>	<u>(\$ 96,859)</u>
<u>\$ 38,288</u>	<u>(\$ 74,872)</u>	<u>(\$ 153,658)</u>
<u>\$ 219,864</u>	<u>\$ 84,866</u>	<u>\$3,270,291</u>
<u>\$ 258,152</u>	<u>\$ 9,994</u>	<u>\$3,116,633</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, 2020

Net change in fund balances - total governmental funds		(\$ 153,658)
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.		383,785
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.		924
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 \$304,396.		(692,055)
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.		171,308
Repayments of revolving loan fund loan principal are recorded as revenue in the governmental funds. This amount is not recorded in the statement of activities.		(42,911)
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.		(1,412)
Changes in accrued compensated absences are not recognized in governmental funds.		(26,894)
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	\$ 144,596	
Net of amount allocated to business-type and component unit activities	(15,800)	
Depreciation expense	304,396	<u>433,192</u>
Change in net position of governmental activities		<u>\$ 72,279</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, 2020

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 244,342	\$ 337,336	\$ 102,334	\$ 275,092
Accounts receivable	86,306	130,597		
Due from other funds	-	61,232	-	-
Due from component units	-	-	-	-
Due from other governmental units	-	9,476	-	-
TOTAL CURRENT ASSETS	<u>\$ 330,648</u>	<u>\$ 538,641</u>	<u>\$ 102,334</u>	<u>\$ 275,092</u>
<u>NONCURRENT ASSETS</u>				
Restricted assets	\$ 583,789	\$ 398,684	\$ -	\$ -
Bond proceeds receivable	1,609,000	525,000	-	-
Capital assets:				
Property and equipment	14,190,093	10,649,565	6,208,848	1,581,314
Less accumulated depreciation	(6,685,712)	(5,344,715)	(3,984,110)	(1,346,660)
Investment in Portage Lake Water and Sewer Authority	-	941,313	-	-
TOTAL NONCURRENT ASSETS	<u>\$ 9,697,170</u>	<u>\$ 7,169,847</u>	<u>\$ 2,224,738</u>	<u>\$ 234,654</u>
TOTAL ASSETS	<u>\$ 10,027,818</u>	<u>\$ 7,708,488</u>	<u>\$ 2,327,072</u>	<u>\$ 509,746</u>
Deferred outflows of resources - related to pensions	\$ 51,096	\$ 67,439	\$ 20,622	\$ 94,657
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 19,250	\$ 30,356	\$ 685	\$ 3,219
Accrued wages and benefits	7,805	5,794	3,831	7,276
Accrued expenses	61,724	36,094	-	-
Due to other funds	71,987	6,497	1,328	515
Due to other governmental units	-	38,711	-	76,583
Current maturities on long-term debt	245,000	62,500	-	-
TOTAL CURRENT LIABILITIES	<u>\$ 405,766</u>	<u>\$ 179,952</u>	<u>\$ 5,844</u>	<u>\$ 87,593</u>
<u>NONCURRENT LIABILITIES</u>				
Bonds payable	\$ 8,535,000	\$ 3,715,000	\$ -	\$ -
Less current maturities	245,000	62,500	-	-
Net pension liability	59,684	72,159	23,887	98,989
OPEB liability	52,992	86,776	27,318	111,503
TOTAL NONCURRENT LIABILITIES	<u>\$ 8,402,676</u>	<u>\$ 3,811,435</u>	<u>\$ 51,205</u>	<u>\$ 210,492</u>
TOTAL LIABILITIES	<u>\$ 8,808,442</u>	<u>\$ 3,991,387</u>	<u>\$ 57,049</u>	<u>\$ 298,085</u>
Deferred inflows of resources - related to pensions	\$ 22,866	\$ 30,781	\$ 8,801	\$ 41,114
<u>NET POSITION</u>				
Invested in capital assets - net of related debt	\$ 578,381	\$ 3,056,163	\$ 2,225,038	\$ 234,654
Restricted for debt service	522,065	362,590	-	-
Unrestricted	147,160	335,006	56,806	30,550
TOTAL NET POSITION	<u>\$ 1,247,606</u>	<u>\$ 3,753,759</u>	<u>\$ 2,281,844</u>	<u>\$ 265,204</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
\$ 959,104	\$ 894,966
216,903	86
61,232	31,303
-	6,640
9,476	-
<u>\$ 1,246,715</u>	<u>\$ 932,995</u>
\$ 982,473	\$ -
2,134,000	-
32,629,820	5,234,169
(17,361,197)	(3,440,730)
<u>941,313</u>	<u>-</u>
<u>\$19,326,409</u>	<u>\$ 1,793,439</u>
<u>\$20,573,124</u>	<u>\$ 2,726,434</u>
<u>\$ 233,814</u>	<u>\$ 28,031</u>
\$ 53,510	\$ 13,316
24,706	1,667
97,818	4,090
80,327	-
115,294	-
<u>307,500</u>	<u>28,000</u>
<u>\$ 679,155</u>	<u>\$ 47,073</u>
\$12,250,000	\$ 357,000
307,500	28,000
254,719	41,571
<u>278,589</u>	<u>25,379</u>
<u>\$12,475,808</u>	<u>\$ 395,950</u>
<u>\$13,154,963</u>	<u>\$ 443,023</u>
<u>\$ 103,562</u>	<u>\$ 13,168</u>
\$ 6,094,236	\$ 1,436,439
884,655	-
<u>569,522</u>	<u>861,835</u>
<u>\$ 7,548,413</u>	<u>\$ 2,298,274</u>
<u>210,969</u>	
<u>\$ 7,759,382</u>	

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$1,039,739	\$1,821,706	\$ -	\$ -
Parking revenues	-	-	171,608	-
Transit fares	-	-	-	90,081
Rents and other revenues	<u>45,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$1,085,607</u>	<u>\$1,821,706</u>	<u>\$ 171,608</u>	<u>\$ 90,081</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 632,083	\$1,841,957	\$ 166,872	\$500,365
Depreciation	<u>265,699</u>	<u>176,469</u>	<u>99,030</u>	<u>74,845</u>
TOTAL OPERATING EXPENSES	<u>\$ 897,782</u>	<u>\$2,018,426</u>	<u>\$ 265,902</u>	<u>\$575,210</u>
OPERATING INCOME (LOSS)	<u>\$ 187,825</u>	<u>(\$ 196,720)</u>	<u>(\$ 94,294)</u>	<u>(\$485,129)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 10,344	\$ 14,674	\$ 1,223	\$ 2,755
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,563</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 10,344</u>	<u>\$ 14,674</u>	<u>\$ 1,223</u>	<u>\$342,318</u>
Non-operating expenses:				
Interest	\$ 195,043	\$ 86,140	\$ -	\$ -
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,636</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 195,043</u>	<u>\$ 86,140</u>	<u>\$ -</u>	<u>\$ 55,636</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>\$ 3,126</u>	<u>(\$ 268,186)</u>	<u>(\$ 93,071)</u>	<u>(\$198,447)</u>
Capital contributions	-	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>115,000</u>
CHANGE IN NET POSITION	<u>\$ 3,126</u>	<u>(\$ 268,186)</u>	<u>(\$ 23,071)</u>	<u>(\$ 83,447)</u>
Net position - beginning of year	<u>\$1,244,480</u>	<u>\$4,021,945</u>	<u>\$2,304,915</u>	<u>\$348,651</u>
Net position - end of year	<u>\$1,247,606</u>	<u>\$3,753,759</u>	<u>\$2,281,844</u>	<u>\$265,204</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>
\$2,861,445	\$ -
171,608	-
90,081	-
<u>45,868</u>	<u>952,197</u>
<u>\$3,169,002</u>	<u>\$ 952,197</u>
\$3,141,277	\$ 569,903
<u>616,043</u>	<u>304,396</u>
<u>\$3,757,320</u>	<u>\$ 874,299</u>
(\$ 588,318)	<u>\$ 77,898</u>
\$ 28,996	\$ 10,948
-	30,000
<u>339,563</u>	<u>-</u>
<u>\$ 368,559</u>	<u>\$ 40,948</u>
\$ 281,183	\$ 13,410
<u>55,636</u>	<u>-</u>
<u>\$ 336,819</u>	<u>\$ 13,410</u>
(\$ 556,578)	\$ 105,436
-	77,300
<u>185,000</u>	<u>(38,140)</u>
(\$ 371,578)	<u>\$ 144,596</u>
	 <u>\$ 2,153,678</u>
	<u><u>\$ 2,298,274</u></u>

14,659
(\$ 356,919)

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2020

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
	Fund	Fund	Fund
Cash flows from operating activities:			
Receipts from customers	\$1,075,367	\$1,823,749	\$171,608
Payments to suppliers	(390,934)	(1,405,889)	(211,202)
Payments to employees	(223,454)	(300,129)	(64,188)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 460,979</u>	<u>\$ 117,731</u>	<u>(\$103,782)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ -	\$ 6,444	\$ 46,500
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	(9,270)	(2,107)	1,104
Increase (decrease) in due to other governmental units	-	-	-
Transfers (to) from other funds and component units	-	-	70,000
Proceeds from grants	-	-	-
Insurance and other refunds	-	-	-
Specialized services grants paid	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(\$ 9,270)</u>	<u>\$ 4,337</u>	<u>\$117,604</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ -	\$ -
Transfers from other funds	-	-	-
Increase in bonds receivable	(1,609,000)	(525,000)	-
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(199,892)	(560,066)	-
Increase (reduction) of long-term debt	1,559,000	535,000	-
(Increase) decrease in restricted assets	(70,136)	(48,818)	-
Interest paid on long-term debt	(195,043)	(86,735)	-
Net cash provided (used) by capital and related financing activities	<u>(\$ 515,071)</u>	<u>(\$ 685,619)</u>	<u>\$ -</u>

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

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 121,774	\$3,192,498	\$ 945,180
(105,958)	(2,113,983)	(509,730)
(383,262)	(971,033)	(117,673)
-	-	9,202
<u>(\$ 367,446)</u>	<u>\$ 107,482</u>	<u>\$ 326,979</u>
\$ -	\$ 52,944	\$ -
7,320	7,320	-
(522)	(10,795)	-
32,819	32,819	-
115,000	185,000	(75,700)
339,563	339,563	-
-	-	-
<u>(55,636)</u>	<u>(55,636)</u>	<u>-</u>
<u>\$ 438,544</u>	<u>\$ 551,215</u>	<u>(\$ 75,700)</u>
\$ -	\$ -	\$ 77,300
-	-	37,560
-	(2,134,000)	-
-	-	30,000
-	(759,958)	(211,300)
-	2,094,000	(27,000)
-	(118,954)	-
<u>-</u>	<u>(281,778)</u>	<u>(13,720)</u>
<u>\$ -</u>	<u>(\$1,200,690)</u>	<u>(\$ 107,160)</u>

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year ended June 30, 2020

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from investing activities -			
Interest received	<u>\$ 8,816</u>	<u>\$ 14,674</u>	<u>\$ 1,223</u>
Net increase (decrease) in cash and cash equivalents	(\$ 54,546)	(\$ 548,877)	\$ 15,045
Cash - beginning of year	<u>298,888</u>	<u>886,213</u>	<u>87,289</u>
Cash - end of year	<u>\$ 244,342</u>	<u>\$ 337,336</u>	<u>\$ 102,334</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 187,825	(\$ 196,720)	(\$ 94,294)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	265,699	176,469	99,030
Changes in assets and liabilities:			
Receivables	(10,240)	2,043	-
Due from other funds and component units	-	-	-
Accounts and other payables	6,946	22,764	(113,764)
Accrued expenses	3,400	(3,043)	2,877
Due to other governmental units	-	106,811	-
Net pension liability	5,239	6,706	1,689
Net OPEB liability	<u>2,110</u>	<u>2,701</u>	<u>680</u>
Net cash provided by operating activities	<u>\$ 460,979</u>	<u>\$ 117,731</u>	<u>(\$ 103,782)</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>
\$ 2,755	\$ 27,468	\$ 10,948
\$ 73,853	(\$ 514,525)	(\$ 155,067)
<u>201,239</u>	<u>1,473,629</u>	<u>739,899</u>
<u>\$ 275,092</u>	<u>\$ 959,104</u>	<u>\$ 894,966</u>
(\$ 485,129)	(\$ 588,318)	\$ 77,898
74,845	616,043	304,396
31,693	23,496	(86)
-	-	2,271
(3,381)	(87,435)	(61,392)
1,123	4,357	159
-	106,811	-
9,669	23,303	2,662
<u>3,734</u>	<u>9,225</u>	<u>1,071</u>
<u>(\$ 367,446)</u>	<u>\$ 107,482</u>	<u>\$ 326,979</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET POSITION
June 30, 2020

	<u>Pension Trust Fund</u>		<u>Agency Fund</u>
	Employee Retirement Fund	Employee Benefit Fund	Tax Collection Fund
<u>ASSETS</u>			
Cash	\$ -	\$ 647,887	\$ -
Accounts receivable	-	-	-
Investments - at fair value	1,218,085	-	-
Prepaid expenses	-	37,606	-
Loans to retirement plan participants	<u>18,848</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$1,236,933</u>	<u>\$ 685,493</u>	<u>\$ -</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 11,192	\$ -
Accumulated employee sick leave	-	80,804	-
Accumulated employee vacation	<u>-</u>	<u>173,138</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 265,134</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	\$1,236,933	\$ -	\$ -
Restricted for employee benefits	<u>-</u>	<u>420,359</u>	<u>-</u>
TOTAL NET POSITION	<u>\$1,236,933</u>	<u>\$ 420,359</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, 2020

	<u>Pension Trust Fund</u>	<u>Employee Benefit Fund</u>
	<u>Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 51,350	\$ -
Investment income (loss)	76,361	-
Charges for services	-	1,582,365
Other revenue	-	345
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	\$ <u>127,711</u>	\$ <u>1,583,010</u>
 Operating expenses:		
Administration fees	\$ 10,833	\$ -
Plan distributions	400,449	-
Payroll taxes - employer share	-	195,561
Hospitalization insurance	-	731,832
Sick pay	-	93,882
Vacation pay	-	198,007
Holiday pay	-	79,623
Funeral leave	-	2,900
Longevity pay	-	10,075
Workers' compensation insurance	-	50,501
Unemployment insurance	-	282
Retirement contributions	-	310,506
Life insurance	-	10,021
Disability insurance	-	32,879
Safety	-	8,402
Uniforms	-	14,508
Other	-	27,700
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	\$ <u>411,282</u>	\$ <u>1,766,679</u>
OPERATING INCOME (LOSS)	(\$ 283,571)	(\$ 183,669)
 Net position, beginning of year	<u>1,520,504</u>	<u>604,028</u>
Net position, end of year	<u>\$1,236,933</u>	<u>\$ 420,359</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, 2020

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 127,026	\$ 403,052	\$ 530,078
Due from primary government	5,253	15,392	20,645
Property taxes receivable	-	2,335	2,335
Capital assets-net	<u>700,569</u>	<u>5,715,560</u>	<u>6,416,129</u>
TOTAL ASSETS	<u>\$ 832,848</u>	<u>\$6,136,339</u>	<u>\$6,969,187</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pension	<u>\$ 10,649</u>	<u>\$ 32,158</u>	<u>\$ 42,807</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 4,248	\$ 22,814	\$ 27,062
Accrued expenses	3,739	4,900	8,639
Deferred revenue	-	200,616	200,616
Noncurrent liabilities:			
Net pension liability	9,983	37,481	47,464
Total OPEB liability	<u>13,104</u>	<u>34,634</u>	<u>47,738</u>
TOTAL LIABILITIES	<u>\$ 31,074</u>	<u>\$ 300,445</u>	<u>\$ 331,519</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pension	<u>\$ 5,333</u>	<u>\$ 15,276</u>	<u>\$ 20,609</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 700,569	\$5,715,560	\$6,416,129
Unrestricted	<u>106,521</u>	<u>137,216</u>	<u>243,737</u>
TOTAL NET POSITION	<u>\$ 807,090</u>	<u>\$5,852,776</u>	<u>\$6,659,866</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, 2020

	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs			
Downtown Development Authority:			
General government	\$ 21,765	\$ -	\$ -
Parks and recreation	43,754	-	-
Public works	235,375	-	3,290
TOTAL DOWNTOWN DEVELOPMENT AUTHORITY	\$ 300,894	\$ -	\$ 3,290
Tax Increment Finance Authority:			
General government	\$ 174,114	\$ -	\$ -
Public safety	120,000	-	-
Public works	189,716	-	-
TOTAL TAX INCREMENT FINANCE AUTHORITY	\$ 483,830	\$ -	\$ -

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

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

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

Net (Expenses) Revenues
and Changes in Net Assets

<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
(\$ 21,765)	\$ -	(\$ 21,765)
(43,754)	-	(43,754)
<u>(232,085)</u>	<u>-</u>	<u>(232,085)</u>
 (\$ 297,604)	 \$ -	 (\$ 297,604)
 \$ -	(\$ 174,114)	(\$ 174,114)
-	(120,000)	(120,000)
<u>-</u>	<u>(189,716)</u>	<u>(189,716)</u>
 \$ -	(\$ 483,830)	(\$ 483,830)
 \$ 192,948	\$ 711,425	\$ 904,373
3,840	6,659	10,499
1,924	-	1,924
<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
<u>\$ 148,712</u>	<u>\$ 718,084</u>	<u>\$ 866,796</u>
(\$ 148,892)	\$ 234,254	\$ 85,362
<u>\$ 955,982</u>	<u>\$ 5,618,522</u>	<u>\$6,574,504</u>
<u>\$ 807,090</u>	<u>\$ 5,852,776</u>	<u>\$6,659,866</u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2020

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, 2019, is as follows:

Assets:	
Current assets	\$ 437,431
Net capital assets	<u>3,132,519</u>
Total Assets	<u>\$3,569,950</u>
Liabilities:	
Current liabilities	\$ 95,045
Other	<u>10,017</u>
Total Liabilities	<u>\$ 105,062</u>
Net Assets:	
Net investment in capital assets	\$3,132,519
Restricted	-
Unrestricted net assets	<u>332,369</u>
Total Net Assets	<u>\$3,464,888</u>
Operating Revenues:	
Tenant revenue	\$ 307,100
Program grants - subsidies	127,181
Other	<u>396,737</u>
Total Operating Revenues	<u>\$ 831,018</u>
Operating Expenses:	
General operations	\$ 784,290
Depreciation	<u>201,887</u>
Total Operating Expenses	<u>\$ 986,177</u>
Operating Income (Loss)	(<u>\$ 155,159</u>)
Nonoperating Revenues (Expenses)	<u>\$ 2,645</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(<u>\$ 152,514</u>)
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital grant contributions	<u>158,072</u>
Change in Net Position	\$ 5,558
Net Position, Beginning of Period	<u>3,459,330</u>
Net Position, End of Period	<u>\$3,464,888</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, 2020:

Total Assets	<u>\$11,646,938</u>
Liabilities:	
Current liabilities	\$ 1,231,459
Non-current liabilities	<u>988,402</u>
	<u>\$ 2,219,861</u>
Net Position:	
Net investment in capital assets	\$ 8,204,223
Unrestricted	<u>1,222,854</u>
Total net position	<u>\$ 9,427,077</u>
Total revenues	\$ 2,127,202
Total expenditures	<u>1,759,833</u>
Change in net assets	\$ 367,369
Net assets, beginning of the year	<u>9,059,708</u>
Net assets, end of year	<u>\$ 9,427,077</u>

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

General Obligation Debt Retirement Fund

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

Capital Projects Funds

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

PROPRIETARY FUNDS

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

GRANTING OF CREDIT

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

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

BANK DEPOSITS AND INVESTMENTS

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

BANK DEPOSITS AND INVESTMENTS (CONTINUED)

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

RECEIVABLES AND PAYABLES

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

INVENTORIES AND PREPAID ITEMS

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

DEFINED BENEFIT PENSION PLAN

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM OBLIGATIONS

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

FUND EQUITY

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

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

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

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

USE OF ESTIMATES

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

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of Houghton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation, repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy as required by Act 196 PA 1997 has been adopted by the Council. The City's deposits and investments are in accordance with statutory authority. At June 30, 2019, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	Fiduciary <u>Funds</u>	Total Primary <u>Government</u>	Component <u>Units</u>
Cash and cash equivalents	\$ 4,089,564	\$ 959,104	\$ 647,887	\$5,696,555	\$ 530,078
Investments	-	-	1,218,085	1,218,085	-
Restricted assets	-	982,473	-	982,473	-
Total	<u>\$ 4,089,564</u>	<u>\$1,941,577</u>	<u>\$1,865,972</u>	<u>\$7,897,113</u>	<u>\$ 530,078</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 Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured or collateralized	\$ 6,536,183	\$ 530,078	\$ 7,066,261
Uninsured	-	-	-
Total Deposits	<u>\$ 6,536,183</u>	<u>\$ 530,078</u>	<u>\$ 7,066,261</u>

At year end, the carrying amount of cash was \$5,686,555 and \$530,078 for the primary government and component units respectively. Deposits totaling \$982,473 are included with Restricted Assets. Included with Cash was petty cash of \$601. The total carrying amount of deposits in these accounts is \$6,669,028 and \$530,078 for the primary government and component units respectively.

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Nonrisk-Categorized					
Investments				<u>\$1,218,085</u>	<u>\$1,218,085</u>
Total investments				<u>\$1,218,085</u>	<u>\$1,218,085</u>

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

NOTE D - RECEIVABLES

Receivables as of June 30, 2020 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 13,955	\$ -	\$ -	\$ -
Accounts	94,917	-	86,306	130,597
Long-term loans	-	118,366	-	-
Intergovernmental	<u>257,930</u>	<u>112,301</u>	<u>-</u>	<u>9,476</u>
Total receivables	<u>\$ 366,802</u>	<u>\$ 230,667</u>	<u>\$ 86,306</u>	<u>\$ 140,073</u>
	<u>Fiduciary Funds</u>	<u>Total</u>		
Taxes receivable	\$ -	\$ 13,955		
Accounts	-	311,820		
Long-term loans	18,848	137,214		
Intergovernmental	<u>-</u>	<u>379,707</u>		
Total receivables	<u>\$ 18,848</u>	<u>\$ 842,696</u>		

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

Delinquent property taxes	\$ 9,955
Long-term loans receivable	<u>118,366</u>
Total	<u>\$ 128,321</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$118,366 consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

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

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

- a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the statement of net position at June 30, 2020. The amount receivable (owed) and the applicable years are as follows:

For Fiscal Year	Due from (to) State
2009-10	(\$ 7,174)
2010-11	(4,922)
2017-18	(18,633)
2018-19	7,351
2019-20	(13,116)
	<u>(\$ 36,494)</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, 2020. The amounts and the applicable years are as follows:

For Fiscal Year	Amount Receivable (Payable)
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	8
2006-07	(3,223)
2007-08	2,663
2009-10	(9,825)
2010-11	(493)
2011-12	(443)
2012-13	(88)
2013-14	462
2014-15	(263)
2015-16	1,056
2016-17	(158)
2017-18	(1,492)
2018-19	19,263
2019-20	(41,302)
	<u>(\$ 40,089)</u>

- c. The amount of the 2019-20 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	State Operating Assistance	Federal Section 5311 Funds
Maximum allowable per computation	\$ 140,261	\$ 68,622
2017-18 receipts	153,377	109,924
Amount receivable (payable)	<u>(\$ 13,116)</u>	<u>(\$ 41,302)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 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	4,626,656	71,531
Equipment	6,309,037	287,519
Infrastructure	<u>8,447,292</u>	<u>236,035</u>
Total capital assets being depreciated	<u>\$23,256,960</u>	<u>\$ 595,085</u>
Less accumulated depreciation for:		
Buildings	(\$ 1,494,987)	(\$ 68,445)
Improvements	(3,296,189)	(97,863)
Equipment	(4,214,009)	(366,309)
Infrastructure	<u>(2,909,007)</u>	<u>(159,839)</u>
Total accumulated depreciation	<u>(\$11,914,192)</u>	<u>(\$ 692,456)</u>
Total capital assets, being depreciated, net	<u>\$11,342,768</u>	<u>(\$ 97,371)</u>
Governmental activities capital assets, net	<u>\$11,998,527</u>	<u>(\$ 97,371)</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 276,443	\$ -
Improvements	74,334	-
Equipment	1,908,661	-
Infrastructure	<u>29,610,420</u>	<u>759,958</u>
Total capital assets being depreciated	<u>\$31,869,858</u>	<u>\$ 759,958</u>
Less accumulated depreciation for:		
Buildings	(\$ 183,838)	(\$ 6,836)
Improvements	(27,537)	(1,859)
Equipment	(1,502,322)	(83,445)
Infrastructure	<u>(15,031,453)</u>	<u>(523,903)</u>
Total accumulated depreciation	<u>(\$16,745,150)</u>	<u>(\$ 616,043)</u>
Total capital assets being depreciated, net	<u>\$15,124,708</u>	<u>\$ 143,915</u>
Business-type activities capital assets, net	<u>\$16,066,021</u>	<u>\$ 143,915</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>8,251,921</u>	<u>385,933</u>
Total capital assets being depreciated	<u>\$ 8,887,491</u>	<u>\$ 385,933</u>
Less accumulated depreciation for:		
Buildings	(\$ 280,942)	(\$ 4,091)
Infrastructure	<u>(2,413,847)</u>	<u>(210,526)</u>
Total accumulated depreciation	<u>(\$ 2,694,789)</u>	<u>(\$ 214,617)</u>
Total capital assets being depreciated, net	<u>\$ 6,192,702</u>	<u>\$ 171,316</u>
Component unit activities capital assets, net	<u>\$ 6,244,813</u>	<u>\$ 171,316</u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	\$ 655,759
\$ -	\$ 3,873,975
-	4,698,187
193,753	6,402,803
-	8,683,327
<u>\$ 193,753</u>	<u>\$23,658,292</u>
\$ -	(\$ 1,563,432)
-	(3,394,052)
193,753	(4,386,565)
-	(3,068,846)
<u>\$ 193,753</u>	<u>(\$12,412,895)</u>
<u>\$ -</u>	<u>\$11,245,397</u>
<u>\$ -</u>	<u>\$11,901,156</u>
<u>\$ -</u>	<u>\$ 941,313</u>
\$ -	\$ 276,443
-	74,334
-	1,908,661
-	30,370,378
<u>-</u>	<u>\$32,629,816</u>
\$ -	(\$ 190,674)
-	(29,396)
-	(1,585,767)
-	(15,555,356)
<u>\$ -</u>	<u>(\$17,361,193)</u>
<u>\$ -</u>	<u>\$15,268,623</u>
<u>\$ -</u>	<u>\$16,209,936</u>
<u>\$ -</u>	<u>\$ 52,111</u>
\$ -	\$ 635,570
-	8,637,854
<u>\$ -</u>	<u>\$ 9,273,424</u>
\$ -	(\$ 285,033)
-	(2,624,373)
<u>\$ -</u>	<u>(\$ 2,909,406)</u>
<u>\$ -</u>	<u>\$ 6,364,018</u>
<u>\$ -</u>	<u>\$ 6,416,129</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government and administration	\$ 111,643
Public works	402,337
Public safety	148,001
Recreation and parks	<u>30,074</u>
Total depreciation expense - Governmental activities	<u>\$ 692,055</u>
Business-type activities:	
Water	\$ 265,699
Sewer	176,469
Parking	99,030
Transit	<u>74,845</u>
Total depreciation expense - Business-type activities	<u>\$ 616,043</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2020 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 6,157	Water	\$ 5,960
		Sewer	<u>197</u>
	<u>SUBTOTAL \$ 6,157</u>		<u>SUBTOTAL \$ 6,157</u>
Local Street	<u>\$ 10,358</u>	Major Street	<u>\$ 10,358</u>
Sewer Disposal	<u>\$ 61,232</u>	Water	<u>\$ 61,232</u>
Equipment	\$ 31,303	General	\$ 5,875
		Major Street	5,626
		Local Street	6,864
		Water	4,795
		Sewer	6,300
		Transit	515
		Parking	<u>1,328</u>
	<u>SUBTOTAL \$ 31,303</u>		<u>SUBTOTAL \$ 31,303</u>
TOTALS	<u>\$ 109,050</u>	TOTALS	<u>\$ 109,050</u>

Short-term amounts owed between funds are classified as "Due to/from other funds". As of June 30, 2020 there were no receivables or payables between the primary government and component units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT

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

	<u>Governmental</u>	<u>Business- Type</u>
At June 30, 2020 bonds payable consisted of the following individual issues:		
Water supply system junior lien revenue bonds, Series 2020A dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with interest at 1.375% per annum.	\$ -	\$ 1,750,000
Sewage disposal system junior lien revenue bonds, Series 2020A dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with interest at 1.375% per annum.	-	500,000
Sewage disposal system junior lien revenue bonds, Series 2020B dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with interest at 1.375% per annum.	-	87,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2020 through August 13, 2052, with interest at 2.125% per annum.	-	3,650,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2020 through August 1, 2052 with interest at 2.75% per annum.	-	3,128,000
Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2020 through October 1, 2035 with interest ranging from 2.0% to 4.0%	1,390,000	3,135,000
Michigan Transportation Fund General Obligation Bonds dated July 25, 2016, mature annually on June 1, 2021 through June 1, 2031, with interest at 2.75% per annum.	<u>486,000</u>	<u>-</u>
Total bonds payable	<u>\$ 1,876,000</u>	<u>\$12,250,000</u>

INSTALLMENT NOTES

2006 Rural Development Service Installment note, matures annually on July 1, 2020 through July 1, 2021 with interest at 4.25% per annum.	\$ 33,000	\$ -
2016 Rural Development Service Installment note, matures annually on February 1, 2021 through February 1, 2031 with interest at 2.75% per annum.	357,000	-
2018 Michigan Department of Transportation General Loan contract, matures annually of December 21, 2020 through December 21, 2023 with zero interest.	<u>1,300,000</u>	<u>-</u>
Total installment notes	<u>\$ 1,690,000</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>\$ 51,063</u>	<u>\$ -</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

The long-term portion of employee compensated absences, totaling \$311,717 are paid through the Employee Benefits Fund, are reported as governmental activity in the Government-wide Statement of Net Position.

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2020, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 458,063	\$ 76,028	\$ 307,500	\$ 311,303
2022	415,000	70,304	316,500	303,367
2023	401,000	65,973	326,500	295,184
2024	403,000	61,921	336,500	286,738
2025	410,000	57,698	345,500	277,951
2026	151,000	53,274	356,500	268,746
2027	158,000	48,384	367,000	258,472
2028	166,000	42,942	381,000	247,102
2029	168,000	37,312	397,000	235,233
2030	175,000	31,530	407,000	222,925
2031	182,000	25,494	424,000	210,205
2032	100,000	19,200	445,000	196,842
2033	100,000	15,200	459,000	182,839
2034	105,000	11,100	476,000	168,336
2035-2053	225,000	9,100	6,905,000	1,660,706
	<u>\$ 3,617,063</u>	<u>\$ 625,460</u>	<u>\$12,250,000</u>	<u>\$5,125,949</u>

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

	<u>Balance</u> <u>06-30-19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-20</u>
<u>PROPRIETARY ACTIVITIES</u>				
<u>REVENUE BONDS</u>				
Construction Bonds (2012)	\$ 3,721,000	\$ -	\$ 71,000	\$ 3,650,000
Junior Lien Sewage Disposal System Construction Bonds (2012)	3,180,000	-	52,000	3,128,000
2013 Refunding Bonds	3,255,000	-	120,000	3,135,000
2020 Water System Improvements Bonds	-	1,750,000	-	1,750,000
2020A Sewer System Improvement Bonds	-	500,000	-	500,000
2020B Sewer System Improvement Bonds	-	87,000	-	87,000
	<u>\$10,156,000</u>	<u>\$ 2,337,000</u>	<u>\$ 243,000</u>	<u>\$12,250,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES

GENERAL OBLIGATION BONDS

2016 Michigan Transportation Fund Bonds	\$ 523,000	\$ -	\$ 37,000	\$ 486,000
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GENERAL LOAN CONTRACTS	1,300,000	-	-	1,300,000
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INSTALLMENT PURCHASE CONTRACTS

Building Improvements	104,372	-	53,309	51,063
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INSTALLMENT NOTES

2006 Rural Development Loan	49,000	-	16,000	33,000
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2016 Rural Development Loan	384,000	-	27,000	357,000
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LIMITED TAX GENERAL OBLIGATION BONDS

2013 Refunding Bonds	<u>1,455,000</u>	<u>-</u>	<u>65,000</u>	<u>1,390,000</u>
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	\$ 3,815,372	\$ -	\$ 198,309	\$ 3,617,063
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Accrued compensated absences payable

	534,135	-	(31,524)	565,659
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Less current portion, included in Employee Benefit Fund

	<u>249,313</u>	<u>-</u>	<u>(4,629)</u>	<u>253,942</u>
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	<u>\$ 4,100,194</u>	<u>\$ -</u>	<u>\$ 171,414</u>	<u>\$ 3,928,780</u>
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	<u>\$14,256,194</u>	<u>\$ 2,337,000</u>	<u>\$ 414,414</u>	<u>\$16,178,780</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

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

Water and Sewage system Junior Lien Revenue Bond (\$4,148,000 authorized and \$3,650,000 outstanding), dated August 13, 2012, mature annually on August 1, 2020 through August 1, 2052 with an interest rate of 2.125% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

Due Year Ended <u>June 30</u>	August 1		February 1	Total
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2021	\$ 73,000	\$ 39,132	\$ 39,132	\$ 151,264
2022	75,000	38,356	38,356	151,712
2023	77,000	37,559	37,560	152,119
2024	79,000	36,741	36,741	152,482
2025	81,000	35,902	35,902	152,804
2026	83,000	35,041	35,041	153,082
2027	85,000	34,159	34,159	153,318
2028	87,000	33,256	33,256	153,512
2029	89,000	32,332	32,332	153,664
2030	91,000	31,386	31,386	153,772
2031	94,000	30,419	30,419	154,838
2032	96,000	29,421	29,421	154,842
2033	98,000	28,401	28,401	154,802
2034	101,000	27,359	27,359	155,718
2035	103,000	26,286	26,286	155,572
2036	106,000	25,192	25,192	156,384
2037	109,000	24,066	24,066	157,132
2038	111,000	22,908	22,908	156,816
2039	114,000	21,728	21,728	157,456
2040	117,000	20,517	20,517	158,034
2041	120,000	19,274	19,274	158,548
2042	123,000	17,999	17,999	158,998
2043	126,000	16,692	16,692	159,384
2044	129,000	15,353	15,353	159,706
2045	132,000	13,983	13,983	159,966
2046	136,000	12,580	12,580	161,160
2047	139,000	11,135	11,135	161,270
2048	143,000	9,658	9,658	162,316
2049	146,000	8,139	8,139	162,278
2050	150,000	6,588	6,588	163,176
2051	153,000	4,994	4,994	162,988
2052	157,000	3,368	3,368	163,736
2053	<u>127,000</u>	<u>1,700</u>	<u>1,700</u>	<u>130,400</u>
	<u>\$3,650,000</u>	<u>\$751,624</u>	<u>\$ 751,625</u>	<u>\$5,153,249</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 \$3,128,000 outstanding), dated August 13, 2012, mature annually on August 1, 2020 through August 1, 2052 with an interest rate of 2.75% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

Due Year Ended <u>June 30</u>	August 1 <u>Principal</u>	August 1 <u>Interest</u>	February 1 <u>Interest</u>	<u>Total</u>
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>\$3,128,000</u>	<u>\$ 864,889</u>	<u>\$ 864,889</u>	<u>\$4,857,778</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)

2020A WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

Water Supply System Junior Lien Revenue Bonds, Series 2020A (\$1,750,000 authorized and outstanding), dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with an interest rate at 1.375% per annum.

Due Year Ended <u>June 30</u>	June 1 <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,000	\$ 24,063	\$ 51,063
2022	27,000	23,691	50,691
2023	28,000	23,320	51,320
2024	29,000	22,935	51,935
2025	29,000	22,536	51,536
2026	30,000	22,138	52,138
2027	31,000	21,728	52,728
2028	31,000	21,299	52,299
2029	32,000	20,873	52,873
2030	33,000	20,433	53,433
2031	34,000	19,979	53,979
2032	35,000	19,511	54,511
2033	35,000	19,030	54,030
2034	36,000	18,549	54,549
2035	37,000	18,054	55,054
2036	38,000	17,545	55,545
2037	39,000	17,023	56,023
2038	40,000	16,486	56,486
2039	41,000	15,936	56,936
2040	42,000	15,373	57,373
2041	43,000	14,795	57,795
2042	44,000	14,204	58,204
2043	45,000	13,599	58,599
2044	46,000	12,980	58,980
2045	47,000	12,347	59,347
2046	48,000	11,701	59,701
2047	49,000	11,041	60,041
2048	50,000	10,368	60,368
2049	52,000	9,680	61,680
2050	53,000	8,965	61,965
2051	54,000	8,236	62,236
2052	55,000	7,494	62,494
2053	57,000	6,738	63,738
2054	58,000	5,954	63,954
2055	59,000	5,156	64,156
2056	61,000	4,345	65,345
2057	62,000	3,506	65,506
2058	64,000	2,654	66,654
2059	64,000	1,774	65,774
2060	65,000	894	65,894
	<u>\$1,750,000</u>	<u>\$ 566,933</u>	<u>\$2,316,933</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)

2020A SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Sewage Disposal System Junior Lien Revenue Bonds, Series 2020A (\$500,000 authorized and outstanding), dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with an interest rate at 1.375% per annum.

Due Year Ended <u>June 30</u>	June 1 <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 8,000	\$ 6,875	\$ 14,875
2022	8,000	6,765	14,765
2023	8,000	6,655	14,655
2024	8,000	6,545	14,545
2025	8,000	6,435	14,435
2026	9,000	6,325	15,325
2027	9,000	6,201	15,201
2028	9,000	6,078	15,078
2029	9,000	6,954	15,954
2030	9,000	5,830	14,830
2031	10,000	5,706	15,706
2032	10,000	5,569	15,569
2033	10,000	5,431	15,431
2034	10,000	5,294	15,294
2035	11,000	5,156	16,156
2036	11,000	5,005	16,005
2037	11,000	4,854	15,854
2038	11,000	4,703	15,703
2039	12,000	4,551	16,551
2040	12,000	4,386	16,386
2041	12,000	4,221	16,221
2042	12,000	4,056	16,056
2043	13,000	3,891	16,891
2044	13,000	3,713	16,713
2045	13,000	3,534	16,534
2046	14,000	3,355	17,355
2047	14,000	3,162	17,162
2048	14,000	2,970	16,970
2049	15,000	2,777	17,777
2050	15,000	2,571	17,571
2051	15,000	2,365	17,365
2052	16,000	2,159	18,159
2053	16,000	1,939	17,939
2054	17,000	1,719	18,719
2055	17,000	1,485	18,485
2056	17,000	1,251	18,251
2057	18,000	1,018	19,018
2058	18,000	770	18,770
2059	19,000	523	19,523
2060	19,000	261	19,261
	<u>\$ 500,000</u>	<u>\$ 163,058</u>	<u>\$ 663,058</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)

2020B SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Sewage Disposal System Junior Lien Revenue Bonds, Series 2020B (\$87,000 authorized and outstanding), dated June 1, 2020, mature annually on June 1, 2021 through June 1, 2060 with an interest rate at 1.375% per annum.

Due Year Ended	June 1		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,500	\$ 1,196	\$ 2,696
2022	1,500	1,176	2,676
2023	1,500	1,155	2,655
2024	1,500	1,134	2,634
2025	1,500	1,114	2,614
2026	1,500	1,093	2,593
2027	2,000	1,073	3,073
2028	2,000	1,045	3,045
2029	2,000	1,018	3,018
2030	2,000	990	2,990
2031	2,000	862	2,862
2032	2,000	935	2,935
2033	2,000	908	2,908
2034	2,000	880	2,880
2035	2,000	852	2,852
2036	2,000	825	2,825
2037	2,000	798	2,798
2038	2,000	770	2,770
2039	2,000	743	2,743
2040	2,000	715	2,715
2041	2,000	687	2,687
2042	2,000	660	2,660
2043	2,000	633	2,633
2044	2,000	605	2,605
2045	2,500	578	3,078
2046	2,500	543	3,043
2047	2,500	509	3,009
2048	2,500	474	2,974
2049	2,500	440	2,940
2050	2,500	405	2,905
2051	2,500	371	2,871
2052	2,500	337	2,837
2053	2,500	303	2,803
2054	2,500	268	2,768
2055	2,500	234	2,734
2056	2,500	199	2,699
2057	2,500	165	2,665
2058	2,500	131	2,631
2059	2,500	96	2,596
2060	<u>4,500</u>	<u>62</u>	<u>4,562</u>
	<u>\$ 87,000</u>	<u>\$ 26,982</u>	<u>\$ 113,982</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2013 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

Limited Tax General Obligation Refunding Bonds, Series 2013 (\$5,640,000 authorized and \$4,525,000 outstanding), dated June 20, 2013, mature annually on October 1, 2020 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>	
2021	\$ 210,000	\$ 84,015	\$ 80,865	\$ 374,880
2022	220,000	80,865	77,565	378,430
2023	225,000	77,565	74,190	376,755
2024	230,000	74,190	70,740	374,930
2025	240,000	70,740	67,020	377,760
2026	245,000	67,020	63,100	375,120
2027	255,000	63,100	58,000	376,100
2028	270,000	58,000	52,600	380,600
2029	280,000	52,600	47,000	379,600
2030	290,000	47,000	41,200	378,200
2031	305,000	41,200	35,100	381,300
2032	325,000	35,100	28,600	388,700
2033	335,000	28,600	21,900	385,500
2034	350,000	21,900	14,900	386,800
2035	365,000	14,900	7,600	387,500
2036	380,000	7,600	-	387,600
	<u>\$4,525,000</u>	<u>\$ 824,395</u>	<u>\$ 740,380</u>	<u>\$6,089,775</u>

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

2016 MICHIGAN TRANSPORTATION FUND BONDS

2016 Michigan Transportation Fund Bonds, (\$628,000 authorized and \$486,000 outstanding), dated July 25, 2016, mature annually on June 1, 2021 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>	
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>\$ 41,924</u>	<u>\$ 486,000</u>	<u>\$ 41,924</u>	<u>\$ 569,848</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$33,000 outstanding) matures annually on July 1, 2020 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>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2021	\$ 16,000	\$ 701	\$ 361	\$ 17,062
2022	17,000	361	-	17,361
	<u>\$ 33,000</u>	<u>\$ 1,062</u>	<u>\$ 361</u>	<u>\$ 34,423</u>

2016 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$462,000 originally received and \$357,000 outstanding) matures annually on February 1, 2021 through February 1, 2031 with interest at the rate of 2.75% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>February 1</u>		<u>August 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
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>\$ 357,000</u>	<u>\$ 30,760</u>	<u>\$ 30,760</u>	<u>\$ 418,520</u>

2018 Michigan Department of Transportation General Loan Contract

General loan contract (\$1,300,000 originally received and outstanding) matures annually on December 21, 2020 through December 21, 2023 with zero interest.

<u>Year Ended</u> <u>June 30</u>	<u>December 21</u> <u>Principal</u>
2021	\$ 260,000
2022	260,000
2023	260,000
2024	260,000
2025	260,000
	<u>\$ 1,300,000</u>

NOTE H - RISK MANAGEMENT

RISKS OF LOSS

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

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

SHARE OF LOSSES

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

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

NOTE I - PENSION - MONEY PURCHASE PLAN

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

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

The City's total payroll in fiscal year ending June 30, 2020 was \$2,513,444. The City's contributions to the money purchase plan were calculated using the base salary amount of \$344,109. The City made the required contribution of \$51,350.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN

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

PLAN DESCRIPTION

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

BENEFITS PROVIDED

01 - All Full Time Employees: Open Division

	<u>2019 Valuation</u>	<u>2018 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:	3.81%	1.87%
Act 88:	Yes (Adopted 3/8/2010)	Yes (Adopted 3/8/2010)

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>28</u> <u>36</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, 2019 were 15.06% for Division 01 - All Full Time Employees. As of the valuation the plan participant contribution rate was 3.81%.

NET PENSION LIABILITY

The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

NET PENSION LIABILITY (continued)

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.0% in the long-term
- Investment rate of return: 7.35%, net investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

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. A study covering years 2013-2018 was completed February 2020 and adjustments to the demographic assumptions will take effect starting with the December 31, 2020 valuation.

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. 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 Rate of Return</u>	<u>Nominal Expected Return</u>
Global Equity	60.0%	7.75%	4.65%
Global Fixed Income	20.0%	3.75%	0.75%
Private Investments	20.0%	9.75%	1.95%
			<u>7.35%</u>

DISCOUNT RATE

The discount rate used to measure the total pension liability is 7.60% for 2019. 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 12/31/18	\$ 5,139,120	\$ 4,088,559	\$ 1,050,561
Changes for the year			
Service cost	195,969	-	195,969
Interest on total pension liability	403,305	-	403,305
Changes in benefits	(17,692)	-	(17,692)
Difference between expected and actual experience	66,249	-	66,249
Changes in assumptions	153,453	-	153,453
Employer contributions	-	258,668	(258,668)
Employee contributions	-	25,267	(25,267)
Net investment income	-	568,831	(568,831)
Benefit payments, including employee refunds	(139,067)	(139,067)	-
Administrative expense	-	(9,814)	9,814
Other changes	10,101	-	10,101
Net changes	<u>\$ 672,318</u>	<u>\$ 703,885</u>	<u>(\$ 31,567)</u>
Balances as of 12/31/19	<u>\$ 5,811,438</u>	<u>\$ 4,792,444</u>	<u>\$ 1,018,994</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY

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

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
Net Pension Liability 12/31/19		\$ 1,018,994	
Change in net pension			
Liability as of 12/31/19	\$ 848,204		(\$ 708,174)
Calculated Net Pension Liability	<u>\$ 1,867,198</u>	<u>\$ 1,018,994</u>	<u>\$ 310,820</u>

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

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2020 the employer recognized pension expense of \$367,679. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences in experience	\$ 194,472	\$ 89,064
Differences in assumptions	207,562	-
Excess (deficit) investment returns	303,062	300,917
Contribution subsequent to the measurement date*	<u>126,599</u>	<u>-</u>
Total	<u>\$ 831,695</u>	<u>\$ 389,981</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2021.

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

Year ended June 30, 2020	\$ 45,738
2021	67,598
2022	105,938
2023	(4,462)
2024	19,163
Thereafter	<u>81,142</u>
Total	<u>\$315,117</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

FUNDING POLICY

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

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

PLAN DESCRIPTION

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

BENEFITS PROVIDED

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

SUMMARY OF PLAN PARTICIPANTS

As of June 30, 2020, Plan membership consisted of the following:

Inactive participants currently receiving benefits	21
Active participants	<u>17</u>
Total participants	<u><u>38</u></u>

CONTRIBUTIONS

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

TOTAL OPEB LIABILITY

The City's Total OPEB Liability of \$1,025,577 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Changes in Net OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 991,793
Changes during the year:	
Service Cost	19,580
Interest	29,568
Changes in Experience	12,208
Changes in Assumptions	23,988
Benefit Payments	(51,560)
Net changes	<u>33,784</u>
Balance at June 30, 2020	<u>\$1,025,577</u>
	<u>Total OPEB Liability</u>
Inactive participants receiving benefits	\$ 666,811
Active participants	358,766
Total	<u>\$1,025,577</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2020, the City recognized OPEB expense of \$58,515. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 10,040	\$ 2,712
Differences in assumptions	35,013	-
Total	<u>\$ 45,053</u>	<u>\$ 2,712</u>

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

Year ended June 30,	2021	\$ 9,367
	2022	9,367
	2023	9,367
	2024	9,367
	2025	4,873
	Thereafter	-
	Total	<u>\$ 42,341</u>

ACTUARIAL ASSUMPTIONS

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

Inflation	Implicit in expected payroll increases
Payroll increases	3.0% (for purposes of allocating liability)
Investment rate of return	N/A; this plan is not pre-funded
20-year Aa municipal bond rate	2.66%
Mortality	General public and public safety Pub-2010 Headcount weighted, sex-distinct, annuitant and non-annuitant mortality with MP-2020 mortality improvement

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

DISCOUNT RATE

The discount rate used to measure the Total OPEB Liability was 2.66%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used to determine June 30, 2019 liabilities was 3.0%.

DISCOUNT AND TREND RATE SENSITIVITIES

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

	1% Decrease <u>(1.66%)</u>	Current Discount <u>Rate (2.66%)</u>	1% Increase <u>(3.66%)</u>
Total OPEB Liability	\$ 1,152,106	\$ 1,025,577	\$ 919,785

CHANGES IN ACTUARIAL ASSUMPTIONS, PLAN CHANGES, AND EXPERIENCE

There was an actuarial loss (increase in liability) of \$12,208 due to one more retiree (21) than expected (20) since the prior valuation. Updating the mortality assumption generated an actuarial gain of \$14,081 while this was more than offset by an actuarial loss (increase in liability) of \$38,069 caused by lowering the discount rate.

NOTE L - DEFERRED COMPENSATION PLAN

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2020.

	<u>Required Reserve</u>	<u>Reserve Balance</u>
Water Fund:		
Junior Lien Bond Redemption	\$ 84,099	\$ 124,948
Junior Lien Bond Reserve	<u>128,650</u>	<u>150,379</u>
	<u>\$ 212,749</u>	<u>\$ 275,327</u>
Sewer Fund:		
Junior Lien Bond Redemption	\$ 72,235	\$ 189,458
Junior Lien Bond Reserve	<u>116,000</u>	<u>120,862</u>
	<u>\$ 188,235</u>	<u>\$ 310,320</u>
	<u>\$ 400,984</u>	<u>\$ 585,647</u>

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

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022.

NOTE P - SUBSEQUENT EVENTS

The COVID-19 pandemic in the State of Michigan has resulted in business and government disruption throughout the State. Over the past year the State of Michigan has had to declare a state of emergency, which has resulted in short- and long-term business closures, loss of jobs, stay-at-home orders, school closures, all to reduce the spread of COVID-19. This disruption is anticipated to result in loss of jobs, reduction in federal, state and local revenues across the State of Michigan, which translate to uncertainties in future revenue projects. The City of Houghton will continue to budget conservatively and adjust operations as necessary.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN

MERS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS

A 10 year schedule will be displayed prospectively from 2015.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 122,591	\$ 162,513	\$ 211,597	\$ 242,064	\$ 258,668
Contribution made	<u>141,688</u>	<u>186,248</u>	<u>220,902</u>	<u>242,064</u>	<u>258,668</u>
Contribution deficiency (excess)	<u>(\$ 19,097)</u>	<u>(\$ 23,735)</u>	<u>(\$ 9,305)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 989,398	\$ 1,290,717	\$ 1,504,735	\$1,655,700	\$1,704,076
Contributions as a percentage of covered employee payroll	14%	14%	15%	15%	15%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
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 Disabled Retiree

CITY OF HOUGHTON, MICHIGAN

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

A 10 year schedule will be displayed prospectively from 2015.

Plan year ending December 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 106,558	\$ 145,464	\$ 170,938	\$ 185,438	\$ 195,969
Interest	283,264	301,089	347,172	375,576	403,305
Benefit changes	(700)	(5,719)	4,188	(5,846)	(17,692)
Difference between expected and actual experience	(114,732)	215,784	(73,669)	35,604	66,249
Changes of assumptions	189,760	-	-	-	153,453
Benefits paid and refunds	(214,647)	(92,338)	(94,265)	(107,347)	(139,067)
Other	-	-	-	2	10,101
Net change in total pension liability	<u>\$ 249,503</u>	<u>\$ 564,280</u>	<u>\$ 354,364</u>	<u>\$ 483,430</u>	<u>\$ 672,318</u>
Total pension liability - Beginning	<u>\$3,487,543</u>	<u>\$3,737,046</u>	<u>\$4,301,326</u>	<u>\$4,655,690</u>	<u>\$5,139,120</u>
Total pension liability - Ending	<u>\$3,737,046</u>	<u>\$4,301,326</u>	<u>\$4,655,690</u>	<u>\$5,139,120</u>	<u>\$5,811,438</u>
Plan fiduciary net position					
Contributions - employer	\$ 141,688	\$ 186,248	\$ 220,902	\$ 242,064	\$ 258,668
Contributions - employee	-	-	-	14,261	25,267
Net investment income	(47,007)	358,762	478,123	170,050	568,831
Benefit payments including employee refunds	(214,647)	(92,338)	(94,265)	107,347	(139,067)
Administrative expense	(7,018)	(7,073)	(7,542)	8,186	(9,814)
Net change in plan fiduciary net position	<u>(\$ 126,984)</u>	<u>\$ 445,599</u>	<u>\$ 597,218</u>	<u>\$ 29,258</u>	<u>\$ 703,885</u>
Plan fiduciary net position - Beginning	<u>\$3,201,983</u>	<u>\$3,074,999</u>	<u>\$3,520,598</u>	<u>\$4,117,817</u>	<u>\$4,088,559</u>
Plan fiduciary net position - Ending	<u>\$3,074,999</u>	<u>\$3,520,598</u>	<u>\$4,117,816</u>	<u>\$4,088,559</u>	<u>\$4,792,444</u>
Employer net pension liability	<u>\$ 662,047</u>	<u>\$ 780,728</u>	<u>\$ 537,874</u>	<u>\$1,050,561</u>	<u>\$1,018,994</u>
Plan fiduciary net position as a percentage of total pension liability	82%	82%	88%	80%	82%
Covered employee payroll	\$ 989,398	\$1,290,717	\$1,504,735	\$1,655,700	\$1,704,076
Employer's net pension liability as a percentage of covered employee payroll	67%	60%	15%	63%	60%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	9 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan option
Mortality	50% female/50% male with a blend of the following RP-2014 Tables: Healthy Annuitant Mortality, Employee Mortality, Juvenile Mortality

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

A 10 year schedule will be displayed prospectively from 2018.

Fiscal Year Ending June 30,	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service Cost	\$ 18,447	\$ 19,000	\$ 19,580
Interest	29,005	29,029	29,568
Changes in Experience	-	(3,978)	12,208
Changes in Assumptions	-	22,428	23,988
Benefit Payments	(47,760)	(46,641)	(51,560)
Net Change in Total OPEB Liability	(308)	19,838	33,784
Total OPEB Liability - Beginning	<u>972,263</u>	<u>971,955</u>	<u>991,793</u>
Total OPEB Liability - Ending	<u>\$ 971,955</u>	<u>\$ 991,793</u>	<u>\$1,025,577</u>
Covered Payroll	-	\$1,245,973	\$1,109,696
Total OPEB Liability as a Percentage of Covered Payroll	-	80%	92%

CITY OF HOUGHTON, MICHIGAN

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS

A 10 year schedule will be displayed prospectively from 2018.

Fiscal Year Ending June 30,	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 90,531	\$ 96,579	\$ 119,805
Contribution made	<u>47,760</u>	<u>46,641</u>	<u>51,560</u>
Contribution deficiency (excess)	<u>\$ 42,771</u>	<u>\$ 49,938</u>	<u>\$ 68,245</u>
Covered Employee Payroll	-	\$1,245,973	\$1,109,696
Contributions as a percentage of Covered Employee Payroll	-	4%	5%

Notes to Schedule	
Amortization method	Level percentage of payroll, closed
Amortization period	12 years
Healthcare inflation assumption	N/A; benefits are a fixed stipend
Investment rate of return	N/A; this plan is not pre-funded
Discount rate	2.66%
Salary scale	3.00%
Mortality	General public and public safety Pub-2010 Headcount weighted, sex-distinct annuitant and non-annuitant mortality with MP-2020 mortality improvement

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$1,626,300	\$1,714,300	\$1,730,292	\$ 15,992
Licenses and permits	-	-	120	120
Grants	1,224,208	1,417,308	1,002,935	(414,373)
Bond proceeds	600,000	600,000	-	(600,000)
Interest	7,500	20,000	29,386	9,386
Charges for services	872,371	863,371	845,099	(18,272)
Other revenues	<u>277,600</u>	<u>131,500</u>	<u>280,860</u>	<u>149,360</u>
TOTAL REVENUES	<u>\$4,607,979</u>	<u>\$4,746,479</u>	<u>\$3,888,692</u>	(\$ 857,787)
Expenditures:				
General government administration	\$ 819,600	\$ 964,380	\$ 898,378	\$ 66,002
Public safety	1,357,800	1,357,800	1,293,350	64,450
Public works	582,150	796,090	736,142	59,948
Recreation and parks	464,450	521,750	496,205	25,545
Debt service	470,745	199,795	192,287	7,508
Other expenditures	<u>110,992</u>	<u>103,050</u>	<u>96,431</u>	<u>6,619</u>
TOTAL EXPENDITURES	<u>\$3,805,737</u>	<u>\$3,942,865</u>	<u>\$3,712,793</u>	\$ 230,072
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 802,242</u>	<u>\$ 803,614</u>	<u>\$ 175,899</u>	(\$ 627,715)
Other financing sources(uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ 5,700	-
Operating transfers out	(803,942)	(946,597)	(346,597)	600,000
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 798,242)	(\$ 940,897)	(\$ 340,897)	\$ 600,000
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 4,000	(\$ 137,283)	(\$ 164,998)	(\$ 27,715)
Fund balance, beginning of year	<u>1,885,936</u>	<u>1,885,936</u>	<u>1,885,936</u>	-
FUND BALANCE, END OF YEAR	<u>\$1,889,936</u>	<u>\$1,748,653</u>	<u>\$1,720,938</u>	(\$ 27,715)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 741,995	\$ 752,595	\$ 709,376	(\$ 43,219)
Other revenue	1,500	5,300	5,302	2
Interest and rents	<u>-</u>	<u>5,000</u>	<u>7,817</u>	<u>2,817</u>
TOTAL REVENUES	<u>\$ 743,495</u>	<u>\$ 762,895</u>	<u>\$ 722,495</u>	<u>(\$ 40,400)</u>
Expenditures:				
General government administration	\$ 23,000	\$ 34,050	\$ 22,063	\$ 11,987
Public works:				
Street preservation	272,995	430,495	258,472	172,023
Routine maintenance	99,300	99,300	49,791	49,509
Traffic services	14,500	14,500	7,810	6,690
Snow and ice control	321,400	319,400	293,092	26,308
Roadway inspections	<u>12,300</u>	<u>12,300</u>	<u>10,746</u>	<u>1,554</u>
TOTAL EXPENDITURES	<u>\$ 743,495</u>	<u>\$ 910,045</u>	<u>\$ 641,974</u>	<u>\$ 268,071</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>\$ -</u>	<u>(\$ 147,150)</u>	<u>\$ 80,521</u>	<u>\$ 227,671</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ -</u>	<u>(\$ 178,150)</u>	<u>(\$ 169,812)</u>	<u>\$ 8,338</u>
Other financing sources (uses)- Operating transfers in (out)	<u>\$ -</u>	<u>\$ 48,655</u>	<u>\$ 48,655</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 268,645)</u>	<u>(\$ 40,636)</u>	<u>\$ 236,009</u>
Fund balance, beginning of year	<u>788,550</u>	<u>788,550</u>	<u>788,550</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 788,550</u></u>	<u><u>\$ 511,905</u></u>	<u><u>\$ 747,914</u></u>	<u><u>\$ 236,009</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 167,554	\$ 17,554
State grants	359,102	359,102	407,411	48,309
Interest and rents	4,000	4,000	4,935	935
TOTAL REVENUES	\$ 513,102	\$ 513,102	\$ 579,900	\$ 66,798
Expenditures:				
General government administration	\$ 16,800	\$ 16,400	\$ 12,348	\$ 4,052
Public works:				
Street preservation	95,984	106,375	103,571	2,804
Routine maintenance	109,300	140,800	131,614	9,186
Traffic services	15,900	13,900	2,529	11,371
Surface maintenance	-	425	359	66
Snow and ice removal	325,500	310,500	290,920	19,580
Debt service	51,000	51,400	51,382	18
TOTAL EXPENDITURES	\$ 614,484	\$ 639,800	\$ 592,723	\$ 47,077
EXCESS OF REVENUES (EXPENDITURES)	(\$ 101,382)	(\$ 126,698)	(\$ 12,823)	\$ 113,875
Other financing sources (uses)-				
Operating transfers in	\$ 101,382	\$ 101,382	\$ 101,383	\$ 1
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 25,316)	\$ 88,560	\$ 113,876
Fund balance, beginning of year	291,075	291,075	291,075	-
FUND BALANCE, END OF YEAR	\$ 291,075	\$ 265,759	\$ 379,635	\$ 113,876

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
Interest and rents	\$ -	\$ -	\$ 5,834	\$ 5,834
Other revenue -				
Loan repayments	<u>44,698</u>	<u>44,698</u>	<u>33,054</u>	(<u>11,644</u>)
TOTAL REVENUES	<u>\$ 44,698</u>	<u>\$ 44,698</u>	<u>\$ 38,888</u>	(<u>\$ 5,810</u>)
Expenditures:				
General government administration	\$ 700	\$ 700	\$ 600	\$ 100
Loans and contingencies	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL EXPENDITURES	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 600</u>	<u>\$ 600</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 43,498	\$ 43,498	\$ 38,288	(\$ 5,210)
Fund balance, beginning of year	<u>219,864</u>	<u>219,864</u>	<u>219,864</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$263,362</u>	<u>\$263,362</u>	<u>\$258,152</u>	(<u>\$ 5,210</u>)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2020

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>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$1,470,237	\$ 967,877
Accounts receivable	352,847	1,106,425
Inventory	5,554	5,554
Taxes receivable	13,955	12,289
Due from other funds	<u>6,157</u>	<u>8,096</u>
TOTAL CURRENT ASSETS	<u>\$1,848,750</u>	<u>\$2,100,241</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 63,678	\$ 116,414
Accrued wages and benefits	48,304	32,326
Due to other funds	<u>5,875</u>	<u>55,610</u>
TOTAL CURRENT LIABILITIES	\$ 117,857	\$ 204,350
<u>OTHER LIABILITIES</u>		
Deferred revenues	<u>9,955</u>	<u>9,955</u>
TOTAL LIABILITIES	<u>\$ 127,812</u>	<u>\$ 214,305</u>
<u>FUND BALANCE</u>		
Unreserved	\$1,715,384	\$1,880,382
Reserved	<u>5,554</u>	<u>5,554</u>
TOTAL FUND BALANCE	<u>\$1,720,938</u>	<u>\$1,885,936</u>
	<u>\$1,848,750</u>	<u>\$2,100,241</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, 2020
 With Actual Amounts for Year Ended June 30, 2019

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$1,714,300	\$1,730,292	\$ 15,992	\$1,638,708
Licenses and permits	-	120	120	1,985
Grants	1,417,308	1,002,935	(414,373)	2,284,324
Loan proceeds	600,000	-	(600,000)	1,300,000
Interest	20,000	29,386	9,386	15,643
Charges for services	863,371	845,099	(18,272)	877,023
Other revenues	<u>131,500</u>	<u>280,860</u>	<u>149,360</u>	<u>364,206</u>
TOTAL REVENUES	<u>\$4,746,479</u>	<u>\$3,888,692</u>	<u>(\$ 857,787)</u>	<u>\$6,481,889</u>
Expenditures:				
General government administration	\$ 964,380	\$ 898,378	\$ 66,002	\$ 832,480
Public safety	1,357,800	1,293,350	64,450	1,226,987
Public works	796,090	736,142	59,948	1,639,622
Recreation and parks	521,750	496,205	25,545	529,914
Debt service	199,795	192,287	7,508	188,521
Other expenditures	<u>103,050</u>	<u>96,431</u>	<u>6,619</u>	<u>102,519</u>
TOTAL EXPENDITURES	<u>\$3,942,865</u>	<u>\$3,712,793</u>	<u>\$ 230,072</u>	<u>\$4,520,043</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 803,614</u>	<u>\$ 175,899</u>	<u>(\$ 627,715)</u>	<u>\$1,961,846</u>
Other financing sources (uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ -	\$ 5,700
Operating transfers out	<u>(946,597)</u>	<u>(346,597)</u>	<u>600,000</u>	<u>(547,676)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 940,897)</u>	<u>(\$ 340,897)</u>	<u>\$ 600,000</u>	<u>(\$ 541,976)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 137,283)</u>	<u>(\$ 164,998)</u>	<u>(\$ 27,715)</u>	<u>\$1,419,870</u>
Fund balance, beginning of year	<u>1,885,936</u>	<u>1,885,936</u>	<u>-</u>	<u>466,066</u>
FUND BALANCE, END OF YEAR	<u><u>\$1,748,653</u></u>	<u><u>\$1,720,938</u></u>	<u><u>(\$ 27,715)</u></u>	<u><u>\$1,885,936</u></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, 2020
With Totals for June 30, 2019

	<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>2020</u>	<u>2019</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>ASSETS</u>					
Cash	\$1,295,075	\$1,090,719	\$687,297	\$349,626	\$ 258,152
Due from other governmental units	112,301	282,649	80,371	31,930	-
Due from other funds	10,358	14,391	-	10,358	-
Long-term loans	<u>118,366</u>	<u>161,277</u>	<u>-</u>	<u>-</u>	<u>118,366</u>
	<u>\$1,536,100</u>	<u>\$1,549,036</u>	<u>\$767,668</u>	<u>\$391,914</u>	<u>\$ 376,518</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 4,461	\$ 51,585	\$ 2,508	\$ 1,953	-
Accrued wages and benefits	4,724	6,305	1,262	3,462	-
Due to other governmental units	-	235	-	-	-
Due to other funds	22,848	30,145	15,984	6,864	-
Deferred revenue	<u>118,366</u>	<u>161,277</u>	<u>-</u>	<u>-</u>	<u>118,366</u>
TOTAL LIABILITIES	\$ 150,399	\$ 249,547	\$ 19,754	\$ 12,279	\$ 118,366
<u>FUND BALANCE</u>	<u>1,385,701</u>	<u>1,299,489</u>	<u>747,914</u>	<u>379,635</u>	<u>258,152</u>
	<u>\$1,536,100</u>	<u>\$1,549,036</u>	<u>\$767,668</u>	<u>\$391,914</u>	<u>\$ 376,518</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, 2020

With Totals for June 30, 2019

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2020</u>	<u>2019</u>			
Revenues:					
Taxes	\$ 167,554	\$ 157,386	\$ -	\$ 167,554	\$ -
State grants	1,768,555	1,840,678	1,361,144	407,411	-
Interest and rents	18,586	22,580	7,817	4,935	5,834
Other revenue	<u>38,356</u>	<u>29,164</u>	<u>5,302</u>	<u>-</u>	<u>33,054</u>
TOTAL REVENUES	<u>\$1,993,051</u>	<u>\$2,049,808</u>	<u>\$1,374,263</u>	<u>\$ 579,900</u>	<u>\$ 38,888</u>
Expenditures:					
General government administration	\$ 35,011	\$ 22,358	\$ 22,063	\$ 12,348	\$ 600
Public works	1,970,484	1,697,603	1,441,491	528,993	-
Loans and contingencies	-	98,000	-	-	-
Debt service	<u>51,382</u>	<u>51,373</u>	<u>-</u>	<u>51,382</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$2,056,877</u>	<u>\$1,869,334</u>	<u>\$1,463,554</u>	<u>\$ 592,723</u>	<u>\$ 600</u>
EXCESS OF REVENUES (EXPENDITURES)	(<u>\$ 63,826</u>)	<u>\$ 180,474</u>	(<u>\$ 89,291</u>)	(<u>\$ 12,823</u>)	<u>\$ 38,288</u>
Other financing sources (uses)- Operating transfers from other funds	<u>\$ 150,038</u>	<u>\$ 76,373</u>	<u>\$ 48,655</u>	<u>\$ 101,383</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	\$ 86,212	\$ 256,847	(\$ 40,636)	\$ 88,560	\$ 38,288
Fund balance, beginning of year	<u>1,299,489</u>	<u>1,042,642</u>	<u>788,550</u>	<u>291,075</u>	<u>219,864</u>
FUND BALANCE, END OF YEAR	<u>\$1,385,701</u>	<u>\$1,299,489</u>	<u>\$ 747,914</u>	<u>\$ 379,635</u>	<u>\$ 258,152</u>

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

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

		<u>June 30,</u>	
		<u>2020</u>	<u>2019</u>
<u>ASSETS</u>			
Cash		\$687,297	\$704,126
Due from other governmental units		<u>80,371</u>	<u>154,535</u>
		<u>\$767,668</u>	<u>\$858,661</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 2,508	\$ 45,694
Accrued wages and benefits		1,262	1,635
Due to other governmental units		-	235
Due to other funds		<u>15,984</u>	<u>22,547</u>
	TOTAL LIABILITIES	\$ 19,754	\$ 70,111
<u>FUND BALANCE</u>		<u>747,914</u>	<u>788,550</u>
		<u>\$767,668</u>	<u>\$858,661</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, 2020
 With Actual Amounts for Year Ended June 30, 2019

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
State grants	\$ 752,595	\$ 709,376	(\$ 43,219)	\$850,608
Other revenues	5,300	5,302	2	-
Interest and rents	5,000	7,817	2,817	10,996
TOTAL REVENUES	\$ 762,895	\$ 722,495	(\$ 40,400)	\$861,604
Expenditures:				
General government administration	\$ 34,050	\$ 22,063	\$ 11,987	\$ 12,606
Public works:				
Street preservation	472,995	258,472	214,523	95,609
Routine maintenance	99,300	49,791	49,509	63,045
Traffic services	14,500	7,810	6,690	4,015
Snow and ice control	319,400	293,092	26,308	388,388
Roadway inspection	12,300	10,746	1,554	14,868
TOTAL EXPENDITURES	\$ 952,545	\$ 641,974	\$ 310,571	\$578,531
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	(\$ 189,650)	\$ 80,521	\$ 270,171	\$283,073
State trunkline maintenance - Excess of revenues (expenditures)	(\$ 178,150)	(\$ 169,812)	\$ 8,338	\$ 12,397
Other financing sources (uses)- Operating transfers in (out)	\$ 91,155	\$ 48,655	(\$ 42,500)	\$ -
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 276,645)	(\$ 40,636)	\$ 236,009	\$295,470
Fund balance, beginning of year	788,550	788,550	-	493,080
FUND BALANCE, END OF YEAR	\$ 511,905	\$ 747,914	\$ 236,009	\$788,550

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>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$349,626	\$166,729
Due from other funds	10,358	14,391
Due from other governmental units	<u>31,930</u>	<u>128,114</u>
	<u>\$391,914</u>	<u>\$309,234</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 1,953	\$ 5,891
Accrued wages and benefits	3,462	4,670
Due to other funds	<u>6,864</u>	<u>7,598</u>
	TOTAL LIABILITIES \$ 12,279	\$ 18,159
<u>FUND BALANCE</u>	<u>379,635</u>	<u>291,075</u>
	<u>\$391,914</u>	<u>\$309,234</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, 2020
With Actual Amounts for Year Ended June 30, 2019

	2020		Variance Favorable	2019
	Budget	Actual	(Unfavorable)	Actual
Revenues:				
Taxes	\$ 150,000	\$ 167,554	\$ 17,554	\$ 157,386
State grants	359,102	407,411	48,309	401,589
Interest and rents	<u>4,000</u>	<u>4,935</u>	<u>935</u>	<u>6,017</u>
TOTAL REVENUES	<u>\$ 513,102</u>	<u>\$ 579,900</u>	<u>\$ 66,798</u>	<u>\$ 564,992</u>
Expenditures:				
General government administration	\$ 16,400	\$ 12,348	\$ 4,052	\$ 9,152
Public works:				
Street preservation	106,375	103,571	2,804	21,796
Routine maintenance	140,800	131,614	9,186	109,717
Traffic services	13,900	2,529	11,371	9,592
Surface maintenance	425	359	66	-
Snow and ice control	310,500	290,920	19,580	414,489
Debt service	<u>51,400</u>	<u>51,382</u>	<u>18</u>	<u>51,373</u>
TOTAL EXPENDITURES	<u>\$ 639,800</u>	<u>\$ 592,723</u>	<u>\$ 47,077</u>	<u>\$ 616,119</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 126,698)</u>	<u>(\$ 12,823)</u>	<u>\$ 113,875</u>	<u>(\$ 51,127)</u>
Other financing sources(uses)-				
Operating transfers in	<u>\$ 101,382</u>	<u>\$ 101,383</u>	<u>\$ 1</u>	<u>\$ 76,373</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 25,316)</u>	<u>\$ 88,560</u>	<u>\$ 113,876</u>	<u>\$ 25,246</u>
Fund balance, beginning of year	<u>291,075</u>	<u>291,075</u>	<u>-</u>	<u>265,829</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 265,759</u></u>	<u><u>\$ 379,635</u></u>	<u><u>\$ 113,876</u></u>	<u><u>\$ 291,075</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>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$ 258,152	\$ 219,864
Long-term loans	<u>118,366</u>	<u>161,277</u>
	<u>\$ 376,518</u>	<u>\$ 381,141</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 118,366	\$ 161,277
<u>FUND BALANCE</u>	<u>258,152</u>	<u>219,864</u>
	<u>\$ 376,518</u>	<u>\$ 381,141</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, 2020
 With Actual Amounts for Year Ended June 30, 2019

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Interest and rents	\$ -	\$ 5,834	\$ 5,834	\$ 5,567
Other revenue -				
Loan repayments	<u>44,698</u>	<u>33,054</u>	<u>(11,644)</u>	<u>29,164</u>
TOTAL REVENUES	<u>\$ 44,698</u>	<u>\$ 38,888</u>	<u>(\$ 5,810)</u>	<u>\$ 34,731</u>
Expenditures:				
General government administration	\$ 700	\$ 600	\$ 100	\$ 600
Loans and contingencies	<u>500</u>	<u>-</u>	<u>500</u>	<u>98,000</u>
TOTAL EXPENDITURES	<u>\$ 1,200</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 98,600</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 43,498	\$ 38,288	(\$ 5,210)	(\$ 63,869)
Fund Balance, beginning of year	<u>219,864</u>	<u>219,864</u>	<u>-</u>	<u>283,733</u>
FUND BALANCE, END OF YEAR	<u><u>\$263,362</u></u>	<u><u>\$258,152</u></u>	<u><u>(\$ 5,210)</u></u>	<u><u>\$219,864</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>2020</u>	<u>2019</u>
<u>ASSETS</u>			
Cash		\$ 429,289	\$ 94,668
Grants receivable		<u> -</u>	<u> -</u>
		<u>\$ 429,289</u>	<u>\$ 94,668</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 153	\$ 9,802
Deferred revenue		<u>419,142</u>	<u> -</u>
	TOTAL LIABILITIES	<u>\$ 419,295</u>	<u>\$ 9,802</u>
	<u>FUND BALANCE</u>	<u>\$ 9,994</u>	<u>\$ 84,866</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 429,289</u>	<u>\$ 94,668</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>2020</u>	<u>2019</u>
Fund balance, July 1	\$ 84,866	\$ 63,559
Revenues for Capital Outlay:		
Grants	65,195	562,634
Contributions	-	58,651
Interest	<u>1,968</u>	<u>1,671</u>
 TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$ 152,029</u>	<u>\$ 686,515</u>
 Expenditures for Capital Outlay:		
Sidewalks and Curbs	\$ -	\$ 113,298
West Houghton Park	2,948	3,259
Dee Stadium Locker Rooms	101,593	118,270
West Houghton Avenue	82,721	4,728
Copper Range Depot	48,773	561,100
Skate Park	<u>-</u>	<u>48,494</u>
 TOTAL EXPENDITURES	<u>\$ 236,035</u>	<u>\$ 849,149</u>
	(\$ 84,006)	(\$ 162,634)
Other financing sources (uses)-		
Operating transfers from other funds	<u>94,000</u>	<u>247,500</u>
 FUND BALANCE, JUNE 30	<u>\$ 9,994</u>	<u>\$ 84,866</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,	
		2020	2019
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 244,342	\$ 298,888
Accounts receivable		86,306	76,066
	TOTAL CURRENT ASSETS	\$ 330,648	\$ 374,954
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Water distribution system		\$14,190,093	\$13,990,201
Less accumulated depreciation		6,685,712	6,420,013
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 7,504,381	\$ 7,570,188
<u>OTHER ASSETS</u>			
Restricted assets:			
2020 Bond and Interest Redemption Account		\$ 1,001	\$ -
2020 Construction ICS		1,011	-
2012 Water/Sewer Construction:			
Bond and Interest Redemption Account		150,379	128,299
Junior Lien Bond Reserve Account		124,948	123,485
Repair, Replacement and Improvement Account		139,964	97,328
2013 Refinancing Bond Account		166,486	164,541
Bond Proceeds Receivable		1,609,000	-
	TOTAL OTHER ASSETS	\$ 2,192,789	\$ 513,653
	TOTAL ASSETS	\$10,027,818	\$ 8,458,795
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		\$ 51,096	\$ 48,858
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 19,250	\$ 12,304
Accrued wages and benefits		7,805	4,405
Accrued interest expense		61,724	63,252
Due to other funds		71,987	81,257
Current maturities on long-term debt		245,000	191,000
	TOTAL CURRENT LIABILITIES	\$ 405,766	\$ 352,218
<u>LONG-TERM DEBT</u>			
Bonds payable		\$ 8,535,000	\$ 6,976,000
Less current maturities		245,000	191,000
Net pension liability		59,684	60,333
Net OPEB liability		52,992	50,882
	TOTAL LONG-TERM DEBT	\$ 8,402,676	\$ 6,896,215
	TOTAL LIABILITIES	\$ 8,808,442	\$ 7,248,433
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		\$ 22,866	\$ 14,740
<u>NET POSITION</u>			
Invested in capital assets - net of related debt		\$ 578,381	\$ 594,188
Restricted for debt service		522,065	450,401
Unrestricted		147,160	199,891
	TOTAL NET POSITION	\$ 1,247,606	\$ 1,244,480

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

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

	Year ended June 30,	
	2020	2019
Operating revenues:		
Water sales	\$1,036,177	\$ 961,851
Repairs and new customer installations	3,562	12,510
Other revenue	45,868	21,029
TOTAL OPERATING REVENUES	\$1,085,607	\$ 995,390
Operating expenses:		
Source of water	\$ 268,936	\$ 212,414
Customer installations, maintenance and repairs	293,076	285,353
Laboratory and office expense	31,974	35,374
Engineering and supervision	30,675	29,661
Other	7,422	2,806
Depreciation expense	\$ 632,083	\$ 565,608
	265,699	272,991
TOTAL OPERATING EXPENSES	\$ 897,782	\$ 838,599
NET OPERATING INCOME (LOSS)	\$ 187,825	\$ 156,791
Non-operating revenues - Interest	\$ 10,344	\$ 11,557
Non-operating expenses - Interest	\$ 195,043	\$ 199,725
CHANGES IN NET POSITION	\$ 3,126	(\$ 31,377)
Net position, beginning of year	1,244,480	1,275,857
Net position, end of year	\$1,247,606	\$1,244,480

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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$1,075,367	\$ 985,446
Payments to suppliers	(390,934)	(362,678)
Payments to employees	(223,454)	(211,057)
Net cash provided (used) by operating activities	<u>\$ 460,979</u>	<u>\$ 411,711</u>
Cash flows from noncapital financing activities -		
Increase (decrease) in due to other funds	(\$ 9,270)	\$ 29,774
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 199,892)	\$ -
Increase in bonds receivable	(1,609,000)	-
Increase (reduction) of long-term debt	1,559,000	(207,000)
(Increase) decrease in restricted assets	(70,136)	(49,986)
Interest paid on long-term debt	(195,043)	(201,920)
Net cash provided (used) by capital and related financing activities	<u>(\$ 515,071)</u>	<u>(\$ 458,906)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 8,816</u>	<u>\$ 11,557</u>
Net increase (decrease) in cash and cash equivalents	(\$ 54,546)	(\$ 5,864)
Cash - beginning of year	<u>298,888</u>	<u>304,752</u>
Cash - end of year	<u>\$ 244,342</u>	<u>\$ 298,888</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 187,825	\$ 156,791
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	265,699	272,991
Changes in assets and liabilities:		
Receivables	(10,240)	(9,944)
Accounts and other payables	6,946	(8,743)
Accrued expenses	3,400	(3,442)
Net pension liability	5,239	2,976
Net OPEB	<u>2,110</u>	<u>1,082</u>
Net cash provided by operating activities	<u>\$ 460,979</u>	<u>\$ 411,711</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>2020</u>	<u>2019</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 337,336	\$ 886,213
Accounts receivable		130,597	132,640
Due from other governmental units		9,476	77,576
Due from other funds		<u>61,232</u>	<u>67,676</u>
	TOTAL CURRENT ASSETS	<u>\$ 538,641</u>	<u>\$ 1,164,105</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Underground sewage collection system		\$10,649,565	\$10,089,499
Less accumulated depreciation		<u>5,344,715</u>	<u>5,168,246</u>
		\$ 5,304,850	\$ 4,921,253
Original investment in Portage Lake Water and Sewer Authority		<u>941,313</u>	<u>941,313</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 6,246,163</u>	<u>\$ 5,862,566</u>
<u>OTHER ASSETS</u>			
Restricted cash:			
2012 Water/Sewer Construction:			
Junior Lien Bond Reserve Account		\$ 310,320	\$ 287,506
Repair, Replacement and Improvement Account		88,364	62,360
Bond Proceeds Receivable		<u>525,000</u>	<u>-</u>
	TOTAL OTHER ASSETS	<u>\$ 923,684</u>	<u>\$ 349,866</u>
	TOTAL ASSETS	<u>\$ 7,708,488</u>	<u>\$ 7,376,537</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		<u>\$ 67,439</u>	<u>\$ 64,614</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 30,356	\$ 7,592
Accrued interest expense		36,094	36,689
Accrued wages and benefits		5,794	8,837
Due to other governmental units		38,711	-
Due to other funds		6,497	8,604
Current maturities on long-term debt		<u>62,500</u>	<u>52,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 179,952</u>	<u>\$ 113,722</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$ 3,715,000	\$ 3,180,000
Less current maturities		62,500	52,000
Net pension liability		72,159	72,287
Total OPEB liability		<u>86,776</u>	<u>84,075</u>
	TOTAL LONG-TERM DEBT	<u>\$ 3,811,435</u>	<u>\$ 3,284,362</u>
	TOTAL LIABILITIES	<u>\$ 3,991,387</u>	<u>\$ 3,398,084</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		<u>\$ 30,781</u>	<u>\$ 21,122</u>
<u>NET POSITION</u>			
Invested in net assets - net of related debt		\$ 3,056,163	\$ 2,682,566
Restricted for debt service		362,590	313,178
Unrestricted		<u>335,006</u>	<u>1,026,201</u>
	TOTAL NET POSITION	<u>\$ 3,753,759</u>	<u>\$ 4,021,945</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>2020</u>	<u>2019</u>
Operating revenues:		
Sewer charges	\$1,819,152	\$1,950,530
Repairs and new customer installations	<u>2,554</u>	<u>7,700</u>
TOTAL OPERATING REVENUES	<u>\$1,821,706</u>	<u>\$1,958,230</u>
Operating expenses:		
Customer installations, maintenance and repairs	\$ 490,781	\$ 293,231
Laboratory and office expense	49,173	53,106
Engineering and supervision	29,893	108,307
City share of Portage Lake Water and Sewer Authority expense	<u>1,272,110</u>	<u>1,175,017</u>
	\$1,841,957	\$1,629,661
Depreciation expense	<u>176,469</u>	<u>181,045</u>
TOTAL OPERATING EXPENSES	<u>\$2,018,426</u>	<u>\$1,810,706</u>
NET OPERATING INCOME (LOSS)	(\$ 196,720)	\$ 147,524
Non-operating revenues - Interest	<u>\$ 14,674</u>	<u>\$ 21,912</u>
Non-operating expenses - Interest	<u>\$ 86,140</u>	<u>\$ 87,564</u>
CHANGES IN NET POSITION	(\$ 268,186)	\$ 81,872
Net position, beginning of year	<u>4,021,945</u>	<u>3,940,073</u>
Net position, end of year	<u>\$3,753,759</u>	<u>\$4,021,945</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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$1,823,749	\$1,979,978
Payments to suppliers	(1,405,889)	(1,273,272)
Payments to employees	(300,129)	(310,574)
Net cash provided (used) by operating activities	<u>\$ 117,731</u>	<u>\$ 396,132</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	\$ 6,444	(\$ 44,165)
Increase (decrease) in due to other funds and component units	(2,107)	6,503
Net cash flows from noncapital financing activities	<u>\$ 4,337</u>	<u>(\$ 37,662)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 560,066)	(\$ 151,437)
Increase in bonds receivable	(525,000)	-
Increase (reduction) of long-term debt	535,000	(50,000)
(Increase) decrease in restricted assets	(48,818)	100,505
Interest paid on long-term debt	(86,735)	(88,138)
Net cash provided (used) by capital and related financing activities	<u>(\$ 685,619)</u>	<u>(\$ 189,070)</u>
Cash flows from investing activities - Interest received	<u>\$ 14,674</u>	<u>\$ 21,912</u>
Increase (decrease) in cash and cash equivalents	(\$ 548,877)	\$ 191,312
Cash - beginning of year	<u>886,213</u>	<u>694,901</u>
Cash - end of year	<u>\$ 337,336</u>	<u>\$ 886,213</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 196,720)	\$ 147,524
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	176,469	181,045
Changes in assets and liabilities:		
Receivables	2,043	5,870
Accounts and other payables	22,764	6,624
Accrued expenses	(3,043)	5,400
Due from other governmental units	106,811	38,109
Net pension liability	6,706	9,966
Total OPEB liability	<u>2,701</u>	<u>1,594</u>
Net cash provided by operating activities	<u>\$ 117,731</u>	<u>\$ 396,132</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>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 102,334	\$ 87,289
Due from other funds	-	46,500
TOTAL CURRENT ASSETS	<u>\$ 102,334</u>	<u>\$ 133,789</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$6,208,848	\$6,208,848
Less accumulated depreciation	<u>3,984,110</u>	<u>3,885,080</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$2,224,738</u>	<u>\$2,323,768</u>
TOTAL ASSETS	<u>\$2,327,072</u>	<u>\$2,457,557</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>\$ 20,622</u>	<u>\$ 22,745</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 685	\$ 114,449
Accrued wages and benefits	3,831	954
Due to other funds	<u>1,328</u>	<u>224</u>
TOTAL CURRENT LIABILITIES	<u>\$ 5,844</u>	<u>\$ 115,627</u>
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 23,887	\$ 26,399
Total OPEB liability	<u>27,318</u>	<u>26,638</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 51,205</u>	<u>\$ 53,037</u>
TOTAL LIABILITIES	<u>\$ 57,049</u>	<u>\$ 168,664</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 8,801</u>	<u>\$ 6,723</u>
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$2,224,738	\$2,323,768
Unrestricted	<u>57,106</u>	<u>(18,853)</u>
TOTAL NET POSITION	<u>\$2,281,844</u>	<u>\$2,304,915</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>2020</u>	<u>2019</u>
Operating revenues:		
Parking fees - Meters	\$ 1,133	\$ 2,171
Parking space permits	92,533	109,590
Parking easement	55,000	55,000
Parking fines	19,127	23,028
Towing fees	3,815	4,030
TOTAL OPERATING REVENUES	\$ 171,608	\$ 194,819
Operating expenses:		
Parking system maintenance	\$ 55,925	\$ 78,756
Parking law enforcement	20,012	32,993
Winter maintenance	86,075	127,421
Insurance	2,116	-
Miscellaneous	2,744	2,791
Depreciation expense	\$ 166,872	\$ 241,961
	99,030	95,589
TOTAL OPERATING EXPENSES	\$ 265,902	\$ 337,550
NET OPERATING INCOME (LOSS)	(\$ 94,294)	(\$ 142,731)
Non-operating revenues-		
Interest	\$ 1,223	\$ 1,887
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(\$ 93,071)	(\$ 140,844)
Other financing sources (uses)-		
Operating transfers from other funds and component units	\$ 70,000	\$ 177,950
CHANGES IN NET POSITION	(\$ 23,071)	\$ 37,106
Net position, beginning of year	2,304,915	2,267,809
Net position, end of year	\$2,281,844	\$2,304,915

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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$171,608	\$194,819
Payment to suppliers	(211,202)	(139,137)
Payments to employees	(64,188)	(101,757)
Net cash provided (used) by operating activities	<u>(\$103,782)</u>	<u>(\$ 46,075)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 70,000	\$177,950
(Increase) decrease in due from other funds	46,500	(21,500)
Increase (decrease) in due to other funds	<u>1,104</u>	<u>224</u>
Net cash provided (used) by noncapital financing activities	<u>\$117,604</u>	<u>\$156,674</u>
Cash flows from capital financing activities:		
Acquisition of fixed assets	\$ -	(\$269,265)
Increase (decrease) in accounts payable	<u>-</u>	<u>110,696</u>
Net cash provided (used) by noncapital financing activities	<u>\$ -</u>	<u>\$158,569</u>
Cash flows from investment activities -		
Interest received	<u>\$ 1,223</u>	<u>\$ 1,887</u>
Net increase (decrease) in cash and cash equivalents	\$ 15,045	(\$ 46,083)
Cash - beginning of year	<u>87,289</u>	<u>133,372</u>
Cash - end of year	<u><u>\$102,334</u></u>	<u><u>\$ 87,289</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 94,294)	(\$142,731)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	99,030	95,589
Changes in assets and liabilities:		
Accounts and other payables	(113,764)	(2,438)
Accrued expenses	2,877	667
Net pension liability	1,689	2,285
Total OPEB liability	<u>680</u>	<u>553</u>
Net cash provided by operating activities	<u>(\$103,782)</u>	<u>(\$ 46,075)</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,	
	2020	2019
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 275,092	\$ 201,239
Accounts receivable	-	31,693
Due from federal government	-	7,320
	\$ 275,092	\$ 240,252
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,581,314	\$1,581,314
Less accumulated depreciation	1,346,660	1,271,815
	\$ 234,654	\$ 309,499
	\$ 509,746	\$ 549,751
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 94,657	\$ 90,048
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 3,219	\$ 6,600
Accrued wages and benefits	7,276	6,153
Due to federal government	40,089	-
Due to state government	36,494	43,764
Due to other funds	515	1,037
	\$ 87,593	\$ 57,554
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 98,989	\$ 98,692
Net OPEB liability	111,503	107,769
	\$ 210,492	\$ 206,461
	\$ 298,085	\$ 264,015
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 41,114	\$ 27,133
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 234,654	\$ 309,499
Unrestricted	30,550	39,152
	\$ 265,204	\$ 348,651

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>2020</u>	<u>2019</u>
Operating revenues	\$ 90,081	\$ 117,814
Operating expenses	<u>575,210</u>	<u>610,394</u>
OPERATING INCOME (LOSS)	(\$ 485,129)	(\$ 492,580)
Non-operating revenues	457,318	464,577
Non-operating expenses	<u>55,636</u>	<u>40,100</u>
CHANGES IN NET POSITION	(\$ 83,447)	(\$ 68,103)
Net position, beginning of year	<u>348,651</u>	<u>416,754</u>
Net position, end of year	<u>\$ 265,204</u>	<u>\$ 348,651</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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$ 121,774	\$ 92,706
Payments to suppliers	(105,958)	(140,209)
Payments to employees	(383,262)	(369,586)
Net cash provided (used) by operating activities	(\$ 367,446)	(\$ 417,089)
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 115,000	\$ 114,000
(Increase) decrease in due from other governmental units	7,320	17,394
Increase (decrease) in due to other funds and component units	(522)	(2,456)
Increase (decrease) in due to other governmental units	32,819	(12,098)
Proceeds from grants	339,563	346,914
Insurance and other refunds	-	430
Specialized services grants paid	(55,636)	(40,100)
Net cash provided (used) by noncapital financing activities	\$ 438,544	\$ 424,084
Cash flows from investing activities -		
Interest received	\$ 2,755	\$ 3,233
Net increase (decrease) in cash and cash equivalents	\$ 73,853	\$ 10,228
Cash - beginning of year	<u>201,239</u>	<u>191,011</u>
Cash - end of year	<u>\$ 275,092</u>	<u>\$ 201,239</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 485,129)	(\$ 492,580)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	74,845	80,043
Changes in assets and liabilities:		
Receivables	31,693	(25,108)
Accounts and other payables	(3,381)	(173)
Accrued expenses	1,123	1,567
Net pension liability	9,669	16,969
Net OPEB liability	<u>3,734</u>	<u>2,193</u>
Net cash provided (used) by operating activities	<u>(\$ 367,446)</u>	<u>(\$ 417,089)</u>

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 894,966	\$ 739,899
Accounts receivable	86	-
Due from other funds	31,303	40,214
Due from component units	<u>6,640</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$ 932,995</u>	<u>\$ 780,113</u>
 <u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 328,229	\$ 328,229
Equipment	<u>4,905,940</u>	<u>4,888,394</u>
	\$5,234,169	\$5,216,623
Less accumulated depreciation	<u>3,440,730</u>	<u>3,330,087</u>
TOTAL LAND, BUILDINGS, AND EQUIPMENT	<u>\$1,793,439</u>	<u>\$1,886,536</u>
TOTAL ASSETS	<u>\$2,726,434</u>	<u>\$2,666,649</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>\$ 28,031</u>	<u>\$ 29,922</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 13,316	\$ 74,708
Accrued wages and benefits	1,667	1,508
Accrued interest expense	4,090	4,400
Current maturities on long-term debt	<u>28,000</u>	<u>27,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 47,073</u>	<u>\$ 107,616</u>
 <u>LONG-TERM LIABILITIES</u>		
Bonds payable	\$ 357,000	\$ 384,000
Less current maturities	28,000	27,000
Net pension liability	41,571	44,440
OPEB liability	<u>25,379</u>	<u>24,308</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 395,950</u>	<u>\$ 425,748</u>
TOTAL LIABILITIES	<u>\$ 443,023</u>	<u>\$ 533,364</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 13,168</u>	<u>\$ 9,529</u>
 <u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$1,436,439	\$1,502,536
Unrestricted	<u>861,835</u>	<u>651,142</u>
TOTAL NET POSITION	<u>\$2,298,274</u>	<u>\$2,153,678</u>

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

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 942,995	\$1,229,103
Other revenue	<u>9,202</u>	<u>5,246</u>
TOTAL OPERATING REVENUES	<u>\$ 952,197</u>	<u>\$1,234,349</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 482,712	\$ 594,261
Insurance on equipment and garage	36,848	-
Employee benefits	<u>50,343</u>	<u>37,976</u>
	\$ 569,903	\$ 632,237
Depreciation expense	<u>304,396</u>	<u>273,545</u>
TOTAL OPERATING EXPENSES	<u>\$ 874,299</u>	<u>\$ 905,782</u>
NET INCOME FROM OPERATIONS	<u>\$ 77,898</u>	<u>\$ 328,567</u>
Non-operating income:		
Interest	\$ 10,948	\$ 8,070
Grant	77,300	19,000
Gain on sale of equipment	<u>30,000</u>	<u>25,446</u>
	<u>\$ 118,248</u>	<u>\$ 52,516</u>
Non-operating expenses - Interest	<u>\$ 13,410</u>	<u>\$ 10,994</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 37,560	\$ 38,303
Operating transfers to other funds	<u>(75,700)</u>	<u>(60,700)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 38,140)</u>	<u>(\$ 22,397)</u>
CHANGES IN NET POSITION	<u>\$ 144,596</u>	<u>\$ 347,692</u>
Net position, beginning of year	<u>\$2,153,678</u>	<u>\$1,805,986</u>
Net position, end of year	<u><u>\$2,298,274</u></u>	<u><u>\$2,153,678</u></u>

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

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 945,180	\$1,291,963
Payments to suppliers	(509,730)	(639,757)
Payments to employees	(117,673)	(98,024)
Other receipts (payments)	<u>9,202</u>	<u>5,246</u>
Net cash provided (used) by operating activities	<u>\$ 326,979</u>	<u>\$ 559,428</u>
Cash flows from noncapital financing activities:		
Transfers to other funds and component units	(\$ 75,700)	(\$ 60,700)
Cash flows from capital and related financing activities:		
Transfers from other funds	\$ 37,560	\$ 38,303
Proceeds from sale of equipment	30,000	25,446
Acquisition of property, plant and equipment	(211,300)	(442,380)
Grant proceeds	77,300	19,000
Reduction of long-term debt	(27,000)	(27,000)
Interest paid on long-term debt	(13,720)	(12,303)
Net cash provided (used) by capital and related financing activities	(\$ 107,160)	(\$ 397,934)
Cash flows from investment activities -		
Interest received	<u>\$ 10,948</u>	<u>\$ 8,070</u>
Net increase (decrease) in cash and cash equivalents	(\$ 155,067)	\$ 108,864
Cash - beginning of year	<u>739,899</u>	<u>631,035</u>
Cash - end of year	<u>\$ 894,966</u>	<u>\$ 739,899</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 77,898	\$ 328,567
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	304,396	273,545
Changes in assets and liabilities:		
Accounts and other receivables	(86)	575
Accounts and other payables	(61,392)	(101,899)
Due from other funds and component units	2,271	62,285
Accrued expenses	159	818
Net pension liability	2,662	(5,064)
Net OPEB liability	<u>1,071</u>	<u>601</u>
Net cash provided by operating activities	<u>\$ 326,979</u>	<u>\$ 559,428</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

	June 30,	
	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ -
Investments	1,218,085	1,472,780
Loans to participants	18,847	47,724
	<u>\$1,236,932</u>	<u>\$1,520,504</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
<u>NET POSITION</u>	<u>\$1,236,932</u>	<u>\$1,520,504</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>2020</u>	<u>2019</u>
Operating revenues:		
Employer contributions	\$ 51,350	\$ 61,396
Investment income	<u>76,361</u>	<u>97,129</u>
TOTAL OPERATING REVENUES	<u>\$ 127,711</u>	<u>\$ 158,525</u>
Operating expenses:		
Plan distributions	\$ 400,449	\$ 20,000
Administration fees	<u>10,834</u>	<u>11,997</u>
TOTAL OPERATING EXPENSES	<u>\$ 411,283</u>	<u>\$ 31,997</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 283,572)</u>	<u>\$ 126,528</u>
Net position, beginning of year	<u>1,520,504</u>	<u>1,393,976</u>
Net position, end of year	<u>\$1,236,932</u>	<u>\$1,520,504</u>

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

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

		June 30,	
		2020	2019
<u>ASSETS</u>			
Cash		\$ 647,887	\$ 806,550
Prepaid expense		37,606	48,223
	TOTAL ASSETS	\$ 685,493	\$ 854,773
<u>LIABILITIES</u>			
Accounts payable		\$ 11,192	\$ 1,432
Accumulated employee sick leave		80,804	74,365
Accumulated employee vacation		173,138	174,948
	TOTAL LIABILITIES	\$ 265,134	\$ 250,745
<u>NET POSITION</u>			
Restricted		\$ 420,359	\$ 604,028

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>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$1,582,665	\$1,589,966
Other revenue	345	24,274
	<u>\$1,583,010</u>	<u>\$1,614,240</u>
	TOTAL OPERATING REVENUES	
Operating expenses:		
Payroll taxes - Employer share	\$ 195,561	\$ 196,412
Hospitalization insurance	731,832	762,371
Sick pay	93,882	110,540
Vacation pay	198,007	203,787
Holiday pay	79,623	78,875
Jury duty	-	105
Funeral leave	2,900	2,833
Longevity pay	10,075	9,510
Workers' compensation insurance	50,501	63,153
Unemployment insurance	282	379
Retirement contributions	310,506	294,766
Life insurance	10,021	31,917
Disability insurance	32,879	10,305
Safety	8,402	12,467
Uniforms	14,508	13,359
Other	27,700	10,650
	<u>\$1,766,679</u>	<u>\$1,801,429</u>
	TOTAL OPERATING EXPENSES	
	CHANGES IN NET POSITION (\$ 183,669) (\$ 187,189)	
Net position, beginning of year	<u>604,028</u>	<u>791,217</u>
Net position, end of year	<u>\$ 420,359</u>	<u>\$ 604,028</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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$1,582,665	\$1,589,966
Payments to suppliers	(1,810)	(35,854)
Payments to employees	(1,739,863)	(1,733,764)
Other receipts	<u>345</u>	<u>24,274</u>
Cash flows provided (used) by operating activities	(\$ 158,663)	(\$ 155,378)
Cash, beginning of year	<u>806,550</u>	<u>961,928</u>
Cash, end of year	<u>\$ 647,887</u>	<u>\$ 806,550</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 183,671)	(\$ 187,189)
Changes in assets and liabilities:		
Prepaid expense	10,619	(1,205)
Accounts payable	9,760	622
Accumulated employee sick leave	6,439	11,151
Accumulated employee vacation	<u>(1,810)</u>	<u>21,243</u>
Net cash provided (used) by operating activities	<u>(\$ 158,663)</u>	<u>(\$ 155,378)</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, 2020

	Balance <u>07-01-19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06-30-20</u>
<u>ASSETS</u>				
Cash	<u>\$ -</u>	<u>\$6,476,897</u>	<u>\$6,474,683</u>	<u>\$ 2,214</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ -	\$ 174,681	\$ 174,681	\$ -
Tax Increment Finance Authority	-	711,424	711,424	-
Due to other governmental units	<u>-</u>	<u>5,590,792</u>	<u>5,588,578</u>	<u>2,214</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$6,476,897</u>	<u>\$6,474,683</u>	<u>\$ 2,214</u>

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

DISCRETELY PRESENTED COMPONENT UNITS

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

		June 30,	
		2020	2019
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 127,026	\$ 268,774
Due from primary government		17	-
		<u>\$ 127,043</u>	<u>\$ 268,774</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 4,248	\$ 7,182
Accrued wages and benefits		3,739	477
Due to primary government		1,655	-
	TOTAL LIABILITIES	\$ 9,642	\$ 7,659
<u>FUND BALANCE</u>		117,401	261,115
		<u>\$ 127,043</u>	<u>\$ 268,774</u>

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

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2020
 With Actual Amounts for Year Ended June 30, 2019

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Taxes	\$ 196,903	\$ 192,948	(\$ 3,955)	\$194,682
Interest and rents	2,300	3,290	990	4,904
Grants	3,407,050	3,840	(3,403,210)	6,752
Miscellaneous	1,000	1,924	924	1,659
TOTAL REVENUES	<u>\$3,607,253</u>	<u>\$ 202,002</u>	<u>(\$ 3,405,251)</u>	<u>\$207,997</u>
Expenditures:				
General government administration	\$ 30,200	\$ 19,845	\$ 10,355	\$ 18,632
Public works	4,074,450	232,117	3,842,333	41,183
Recreation and parks	52,403	43,754	8,649	36,571
TOTAL EXPENDITURES	<u>\$4,157,053</u>	<u>\$ 295,716</u>	<u>\$ 3,861,337</u>	<u>\$ 96,386</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 549,800)</u>	<u>(\$ 93,714)</u>	<u>\$ 456,086</u>	<u>\$111,611</u>
Other financing sources (uses)-				
Operating transfers (to) from primary government	\$ 550,000	(\$ 51,450)	(\$ 600,000)	(\$ 51,450)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 200</u>	<u>(\$ 143,714)</u>	<u>(\$ 143,914)</u>	<u>\$ 60,161</u>
Fund balance (deficit), beginning of year	<u>261,115</u>	<u>261,115</u>	<u>-</u>	<u>200,954</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 261,315</u>	<u>\$ 117,401</u>	<u>(\$ 143,914)</u>	<u>\$261,115</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

		June 30,	
		2020	2019
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$403,052	\$113,934
Taxes receivable		<u>2,335</u>	<u>2,382</u>
		<u>\$405,387</u>	<u>\$116,316</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 22,814	\$ 6,940
Accrued wages and benefits		4,900	1,048
Due to primary government		4,985	-
Deferred revenue		<u>202,951</u>	<u>2,382</u>
	TOTAL LIABILITIES	\$235,650	\$ 10,370
<u>FUND BALANCE</u>		<u>169,737</u>	<u>105,946</u>
		<u>\$405,387</u>	<u>\$116,316</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, 2020

With Actual Amounts for Year Ended June 30, 2019

	2020		Variance	2019
	Budget	Actual	Favorable	Actual
			(Unfavorable)	
Revenues:				
Taxes	\$ 710,363	\$ 711,378	\$ 1,015	\$ 699,276
Grants	200,616	-	(200,616)	-
Interest and rents	<u>2,000</u>	<u>6,659</u>	<u>4,659</u>	<u>4,883</u>
TOTAL REVENUES	<u>\$ 912,979</u>	<u>\$ 718,037</u>	<u>(\$ 194,942)</u>	<u>\$ 704,159</u>
Expenditures:				
General government administration	\$ 188,500	\$ 169,956	\$ 18,544	\$ 165,591
Public safety	120,000	120,000	-	120,000
Capital outlay	<u>464,013</u>	<u>364,290</u>	<u>99,723</u>	<u>296,862</u>
TOTAL EXPENDITURES	<u>\$ 772,513</u>	<u>\$ 654,246</u>	<u>\$ 118,267</u>	<u>\$ 582,453</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 140,466	\$ 63,791	(\$ 76,675)	\$ 121,706
Other financing sources (uses) -				
Operating transfers to other fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,185)</u>
EXCESS OF REVENUES AND OTHER				
SOURCES (EXPENDITURES AND				
OTHER USES)	\$ 140,466	\$ 63,791	(\$ 76,675)	\$ 63,521
Fund balance (deficit),				
beginning of year	<u>105,946</u>	<u>105,946</u>	<u>-</u>	<u>42,425</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 246,412</u></u>	<u><u>\$ 169,737</u></u>	<u><u>(\$ 76,675)</u></u>	<u><u>\$ 105,946</u></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>2020</u>	<u>2019</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,551,131	\$1,477,180
Personal property taxes	48,368	52,270
Payments in lieu of taxes	19,216	15,955
Local Community Stabilization Share Tax	53,609	50,634
Previously written off	-	1,116
Administration fees and interest	<u>57,968</u>	<u>41,553</u>
TOTAL TAXES	\$ <u>1,730,292</u>	\$ <u>1,638,708</u>
Licenses and permits	<u>\$ 120</u>	<u>\$ 1,985</u>
Federal grant - FEMA	<u>\$ 23,343</u>	<u>\$ 850,244</u>
State infrastructure loan proceeds	<u>\$ -</u>	<u>\$1,300,000</u>
State grants:		
Sales and use tax	\$ 883,238	\$ 857,877
Liquor licenses	22,283	10,680
Fire protection	43,025	-
Other	<u>31,046</u>	<u>432,163</u>
TOTAL STATE GRANTS	\$ <u>979,592</u>	\$ <u>1,300,720</u>
Charges for service:		
Accident reports	\$ 1,623	\$ 1,341
Lighting - MTU	4,371	4,371
Dee Stadium	159,675	171,791
Sanitation	283,076	282,694
Charges to users	<u>396,354</u>	<u>416,826</u>
TOTAL CHARGES FOR SERVICES	\$ <u>845,099</u>	\$ <u>877,023</u>
Interest and rents		
Interest income	<u>\$ 29,386</u>	<u>\$ 15,643</u>
Other revenue:		
Sale of assets	\$ -	\$ 200,000
Fines and forfeits	-	2,217
Public safety	120,000	120,000
Grants	137,265	133,360
Contributions	-	2,000
Miscellaneous	<u>23,595</u>	<u>39,989</u>
TOTAL OTHER REVENUE	\$ <u>280,860</u>	\$ <u>497,566</u>
TOTAL REVENUES	<u>\$ 3,888,692</u>	<u>\$6,481,889</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 21,506	\$ 27,204
City manager	152,717	126,564
Elections	5,101	11,758
Assessor	41,333	42,961
Planning and professional services	131,087	57,573
Clerk	134,484	129,054
Treasurer	53,325	56,831
Accounting and auditing	22,000	20,000
Building and grounds	178,108	228,437
Community promotion	74,040	93,846
Capital outlay	<u>84,677</u>	<u>38,252</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	\$ <u>898,378</u>	\$ <u>832,480</u>

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Public safety:		
Police	\$1,017,990	\$ 940,602
Fire	110,014	115,133
Task force	140,399	144,248
Capital outlay	24,947	27,004
TOTAL PUBLIC SAFETY	<u>\$1,293,350</u>	<u>\$1,226,987</u>
Public works:		
Department of public works	\$ 145,656	\$1,122,285
Building inspection	56,566	55,434
Sidewalks and curbs	26,658	26,352
Street lighting	136,994	178,863
Tree trimming	56,849	7,891
Security cameras	32,017	15,054
Signs	16,493	10,453
Refuse collections	264,909	223,290
TOTAL PUBLIC WORKS	<u>\$ 736,142</u>	<u>\$1,639,622</u>
Recreation and parks:		
Beach	\$ 66,186	\$ 70,585
Dee Stadium	129,598	203,136
Parks	262,295	256,193
Capital outlay	38,126	-
TOTAL RECREATION AND PARKS	<u>\$ 496,205</u>	<u>\$ 529,914</u>
Debt service:		
Principal	\$ 134,308	\$ 125,916
Interest	57,979	62,605
TOTAL DEBT SERVICE	<u>\$ 192,287</u>	<u>\$ 188,521</u>
Other expenditures:		
City beautification	\$ 24,284	\$ 30,152
Insurance and bonds	56,047	56,380
Miscellaneous	16,100	15,987
TOTAL OTHER EXPENDITURES	<u>\$ 96,431</u>	<u>\$ 102,519</u>
TOTAL EXPENDITURES	<u>\$3,712,793</u>	<u>\$4,520,043</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ 175,899</u>	<u>\$1,961,846</u>
Other financing sources (uses):		
Operating transfers in	\$ 5,700	\$ 5,700
Operating transfers out	(346,597)	(547,676)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 340,897)</u>	<u>(\$ 541,976)</u>
EXCESS OF REVENUES AND OTHER SOURCES		
(EXPENDITURES AND OTHER USES)	(\$ 164,998)	\$1,419,870
Fund balance, beginning of year	1,885,936	466,066
FUND BALANCE, END OF YEAR	<u>\$1,720,938</u>	<u>\$1,885,936</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>2020</u>	<u>2019</u>
Expenditures:		
Traffic signals	\$ 9,965	\$ 10,050
Surface maintenance	15,904	4,814
Culvert/underdrain	7,640	3,827
Signs	707	1,173
Catch basins	1,800	-
Snow and ice control	437,501	492,556
Shoulder maintenance	102	-
Emergency storm repairs	<u>347,961</u>	<u>63,664</u>
	<u>\$821,580</u>	<u>\$576,084</u>
Reimbursements:		
Federal grants - FEMA Flood	\$177,204	\$ 66,128
Michigan Department of Highways and Transportation	<u>474,564</u>	<u>522,353</u>
	<u>\$651,768</u>	<u>\$588,481</u>
	<u>(\$169,812)</u>	<u>\$ 12,397</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, 2020

	07-01-19 to <u>09-30-19</u>	10-01-19 to <u>06-30-20</u>	<u>Total</u>
Fare box	\$ 11,680	\$ 70,311	\$ 81,991
Special contract fares	2,565	4,206	6,771
RTAP reimbursement	<u>-</u>	<u>1,319</u>	<u>1,319</u>
TOTAL OPERATING REVENUES	<u>\$ 14,245</u>	<u>\$ 75,836</u>	<u>\$ 90,081</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, 2020

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 164,026	\$ -	\$ -	\$164,026
Other salaries and wages	-	40,047	31,035	71,082
Fringe benefits	99,555	26,612	19,940	146,107
Pension	6,097	6,029	4,447	16,573
Services:				
Contracted services	1,544	250	-	1,794
Printing and publishing	-	-	686	686
Audit	-	-	2,700	2,700
Materials and supplies consumed:				
Fuel and lubricants	18,393	-	-	18,393
Other materials and supplies	6,730	44,320	628	51,678
Utilities	391	11,127	-	11,518
Casualty and liability cost - Premiums for public liability and property damage insurance	-	12,258	-	12,258
Miscellaneous expenses	1,780	174	1,596	3,550
Depreciation	<u>51,438</u>	<u>14,712</u>	<u>8,695</u>	<u>74,845</u>
TOTAL OPERATING EXPENSES	<u>\$ 349,954</u>	<u>\$ 155,529</u>	<u>\$ 69,727</u>	<u>\$575,210</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, 2020

Non-operating revenues:

Operating transfers in - General Fund	\$115,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	196,181
Specialized Services -	
Contract 07-0065	55,636
Federal Operating Grant - U.S. DOT Operating	
Grant - Section 5311	87,746
Interest Income	<u>2,755</u>
TOTAL NON-OPERATING REVENUES	<u>\$457,318</u>

Non-operating expenses:

Specialized Services Grants -	
Contract 07-0226	<u>\$ 55,636</u>

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2020

	07-01-19 to 09-30-19	10-01-19 to 06-30-20	<u>Total</u>
Fare box	\$ 11,680	\$ 70,311	\$ 81,991
Special contract fares	2,565	4,206	6,771
Contributions from other City funds	<u>-</u>	<u>115,000</u>	<u>115,000</u>
TOTAL REVENUES	<u>\$ 14,245</u>	<u>\$189,517</u>	<u>\$203,762</u>

Based on a September 30, 2019 Year End

	10-01-18 to 06-30-19	07-01-19 to 09-30-20	<u>Total</u>
Fare box	\$ 90,454	\$ 11,680	\$102,134
Special contract fares	10,287	2,565	12,852
Contributions from other City funds	<u>1,038</u>	<u>-</u>	<u>1,038</u>
TOTAL REVENUES	<u>\$101,779</u>	<u>\$ 14,245</u>	<u>\$116,024</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, 2020

	07-01-19 to <u>09-30-19</u>	10-01-19 to <u>06-30-20</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 39,459	\$140,261	\$179,720
Federal Transit Administration Section 5311	19,124	68,622	87,746
RTAP	-	1,319	1,319
TOTAL	<u>\$ 58,583</u>	<u>\$210,202</u>	<u>\$268,785</u>

Based on a September 30, 2019 year end

	10-01-18 to <u>06-30-19</u>	07-01-19 to <u>09-30-19</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$160,416	\$ 39,459	\$199,875
Federal Transit Administration Section 5311	71,712	19,124	90,836
RTAP	1,038	-	1,038
TOTAL	<u>\$233,166</u>	<u>\$ 58,583</u>	<u>\$291,749</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, 2020

<u>and State Grantor/Pass-Through</u> <u>Title</u>	<u>Number</u>	Grant No./ Authorization	Federal <u>Grantor/Program</u>
U.S. Department of Transportation:			
Passed through Michigan Department of Transportation			
Operating Assistance:			
FY19 Section 5311			2019-0065/P9
FY20 Section 5311			2020-0065/P13
Michigan Department of Transportation:			
Operating Assistance - Act 51 - Nonurban			N/A
Specialized Services			17-0065/P7
Specialized Services			17-0065/P10
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		
\$ 19,124	\$ 19,124	\$ 19,124	\$ -	\$ -	\$ -	\$ -
68,622	68,622	68,622	-	-	-	-
195,157	195,157	-	195,157	-	-	-
33,460	33,460	-	33,460	-	-	-
22,176	22,176	-	22,176	-	-	-
<u>\$ 338,539</u>	<u>\$338,539</u>	<u>\$ 87,746</u>	<u>\$ 250,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
OPERATING AND CONTRACT EXPENSES
Year ended June 30, 2020

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 235,108	\$ -	\$ -	\$235,108
Fringe benefits	146,107	-	-	146,107
Pension	16,573	-	-	16,573
Services	5,180	-	-	5,180
Materials and supplies	70,071	-	-	70,071
Utilities	11,518	-	-	11,518
Casualty and liability costs	12,258	-	-	12,258
Purchased services	-	55,636	-	55,636
Miscellaneous expenses	3,550	-	-	3,550
Depreciation	<u>74,845</u>	<u>-</u>	<u>-</u>	<u>74,845</u>
TOTAL EXPENSES	<u>\$ 575,210</u>	<u>\$ 55,636</u>	<u>\$ -</u>	<u>\$630,846</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, 2020

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	
	<u>7-1-19 to 9-30-19</u>	<u>10-1-19 to 6-30-20</u>	<u>Total</u>
Expenses:			
Labor	\$ 47,624	\$187,484	\$235,108
Fringe benefits	33,652	129,028	162,680
Services	995	4,185	5,180
Materials and supplies	21,365	48,706	70,071
Utilities	1,428	10,090	11,518
Casualty and liability costs	3,064	9,194	12,258
Miscellaneous expenses	954	2,596	3,550
Depreciation	<u>18,711</u>	<u>56,134</u>	<u>74,845</u>
TOTAL OPERATING EXPENSES	<u>\$127,793</u>	<u>\$447,417</u>	<u>\$575,210</u>
Less ineligible expenses:			
RTAP reimbursement	\$ 2,357	\$ -	\$ 2,357
GASB68 and GASB75 adjustments	3,351	10,052	13,403
Finance charges	-	-	-
NSF	-	-	-
Depreciation	<u>18,711</u>	<u>56,134</u>	<u>74,845</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 24,419</u>	<u>\$ 66,186</u>	<u>\$ 90,605</u>
NET ELIGIBLE EXPENSES	<u>\$103,374</u>	<u>\$381,231</u>	<u>\$484,605</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 19,124</u>		
18.00%		<u>\$ 68,622</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

38.1712% of eligible expenses for non-urbanized areas (rate based on reconcile)
(.381712 x \$103,374)

36.7916% of eligible expenses for non-urbanized areas (rate based on budget)
(.367916 x \$381,231)

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>7-1-19 to 9-30-19</u>	<u>10-1-19 to 6-30-20</u>	<u>Total</u>
\$ 47,624	\$187,484	\$235,108
33,652	129,028	162,680
995	4,185	5,180
21,365	48,706	70,071
1,428	10,090	11,518
3,064	9,194	12,258
954	2,596	3,550
<u>18,711</u>	<u>56,134</u>	<u>74,845</u>
<u>\$127,793</u>	<u>\$447,417</u>	<u>\$575,210</u>
\$ 2,357	\$ -	\$ 2,357
3,351	10,052	13,403
-	-	-
-	-	-
<u>18,711</u>	<u>56,134</u>	<u>74,845</u>
<u>\$ 24,319</u>	<u>\$ 66,186</u>	<u>\$ 90,605</u>
<u>\$103,374</u>	<u>\$381,231</u>	<u>\$484,605</u>

\$ 39,459

\$140,261

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2019 year end

	Federal Section 5311- Nonurban		
	07-0226-Z4		
	10-1-18 to 6-30-19	7-1-19 to 9-30-19	Total
Expenses:			
Labor	\$193,891	\$ 47,624	\$241,515
Fringe benefits	140,239	33,652	173,891
Services	3,979	995	4,974
Materials and supplies	50,693	21,365	72,058
Utilities	10,058	1,428	11,486
Casualty and liability costs	9,455	3,064	12,519
Miscellaneous expenses	5,877	954	6,831
Depreciation	<u>60,032</u>	<u>18,711</u>	<u>78,743</u>
TOTAL OPERATING EXPENSES	<u>\$474,224</u>	<u>\$127,793</u>	<u>\$602,017</u>
Less ineligible expenses:			
Audit	\$ -	\$ -	\$ -
RTAP reimbursements	1,038	2,357	3,395
Insurance reimbursements	-	-	-
GASB69 and GASB75 adjustments	14,671	3,351	18,022
Finance fees	30	-	30
NSF	55	-	55
Depreciation	<u>60,032</u>	<u>18,711</u>	<u>78,743</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 75,826</u>	<u>\$ 24,419</u>	<u>\$100,245</u>
NET ELIGIBLE EXPENSES	<u><u>\$398,398</u></u>	<u><u>\$103,374</u></u>	<u><u>\$501,772</u></u>
Maximum Section 5311 reimbursement:			
18.00%	<u>\$ 71,712</u>		
18.50%		<u>\$ 19,124</u>	

State Statutory Operating Assistance -
Reimbursement Amount:

39.1981% of eligible expenses for nonurbanized areas (rate based on reconcile)
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>10-1-18 to 6-30-19</u>	<u>7-1-19 to 9-30-19</u>	<u>Total</u>
\$193,891	\$ 47,624	\$ 241,515
140,239	33,652	173,891
3,979	995	4,974
50,693	21,365	72,058
10,058	1,428	11,486
9,455	3,064	12,519
5,877	954	6,831
<u>60,032</u>	<u>18,711</u>	<u>78,743</u>
<u>\$474,224</u>	<u>\$127,793</u>	<u>\$ 602,017</u>
\$ 1,038	\$ 2,357	\$ 3,395
-	-	-
-	-	-
-	3,351	3,351
30	-	30
55	-	55
<u>60,032</u>	<u>18,711</u>	<u>78,743</u>
<u>\$ 61,155</u>	<u>\$ 24,419</u>	<u>\$ 85,574</u>
<u>\$413,069</u>	<u>\$103,374</u>	<u>\$ 516,443</u>

\$160,416

\$ 39,459

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN OPERATING EXPENSES
Year ended June 30, 2020

	07-01-19 to <u>09-30-19</u>	10-01-19 to <u>06-30-20</u>	<u>Total</u>
Expenses:			
Labor	\$ 47,624	\$187,484	\$235,108
Fringe benefits	30,301	118,976	149,277
Pension	3,351	10,052	13,403
Services	995	4,185	5,180
Materials and supplies	21,365	48,706	70,071
Utilities	1,428	10,090	11,518
Casualty and liability costs	3,064	9,194	12,258
Miscellaneous expenses	954	2,596	3,550
Depreciation	<u>18,711</u>	<u>56,134</u>	<u>74,845</u>
TOTAL OPERATING EXPENSES	<u>\$127,793</u>	<u>\$447,417</u>	<u>\$575,210</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, 2019

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 176,719	\$ -	\$ -	\$176,719
Other salaries and wages	-	34,193	30,603	64,796
Fringe benefits	109,101	23,433	20,206	152,740
Pension	9,024	6,273	5,854	21,151
Services:				
Audit cost	-	-	2,500	2,500
Contracted services	-	1,907	-	1,907
Printing and publishing	-	-	567	567
Materials and supplies:				
Fuel and lubricants	21,624	-	-	21,624
Tires and tubes	3,767	-	-	3,767
Other materials and supplies	17,018	29,649	-	46,667
Utilities	105	10,680	701	11,486
Casualty and liability insurance	-	12,519	-	12,519
Miscellaneous expenses:				
Travel, meetings, and training	1,141	694	761	2,596
Other miscellaneous expenses	1,962	1,155	1,118	4,235
Depreciation	55,410	14,726	8,607	78,743
TOTAL EXPENSES	<u>\$ 395,871</u>	<u>\$ 135,229</u>	<u>\$ 70,917</u>	<u>\$602,017</u>
Ineligible expenses:				
RTAP reimbursements	\$ 3,395	\$ -	\$ -	\$ 3,395
GASB68 and GASB75 adjustments	13,499	2,362	2,161	18,022
Finance fees	-	-	30	30
NSF	-	-	55	55
Depreciation	55,410	14,726	8,607	78,743
TOTAL INELIGIBLE EXPENSES	<u>\$ 72,304</u>	<u>\$ 17,088</u>	<u>\$ 10,853</u>	<u>\$100,245</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 323,567</u>	<u>\$ 118,141</u>	<u>\$ 60,064</u>	<u>\$501,772</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, 2019

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	23,328
Second Quarter	20,495
Third Quarter	19,003
Fourth Quarter	<u>16,671</u>
	<u>79,497</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, 2019 year end

Farebox revenue:	
Passenger fares	\$102,134
Contract fares	12,852
State formula and contracts -	
State operating assistance	199,875
Federal contracts -	
Section 5311	<u>90,836</u>
TOTAL NONURBAN REGULAR SERVICE REVENUES	<u>\$405,697</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

January 14, 2021

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, 2020, 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 January 14, 2021.

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 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

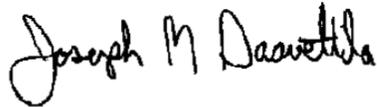
As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of Houghton, Michigan's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

SECTION I - FINANCIAL STATEMENT FINDINGS

2020-001 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.

2020-002 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

January 14, 2021

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units of the City of Houghton, as of and for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 17, 2019 during our audit planning meetings with the Treasurer and City Manager.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated January 14, 2021.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

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

We reported significant deficiencies in our "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*" as described in the Schedule of Findings and Responses as item 2020-001 and 2020-002 during the audit. We also issued a separate letter to management dated January 14, 2021.

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

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

Significant Accounting Estimates

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

The most sensitive estimates affecting the financial statements were:

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

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management.

Management Consultations with Other Accountants

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

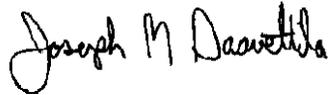
Other Significant Matters, Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

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



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
SUMMARY OF AUDIT DIFFERENCES
All Funds
Year Ended June 30, 2020

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

Unadjusted audit differences	None
Prior year unadjusted audit differences	None