

FINANCIAL STATEMENTS

CITY OF HOUGHTON, MICHIGAN

June 30, 2015

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

December 29, 2015

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, 2015, 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, 2015 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 budgetary comparison information on pages 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

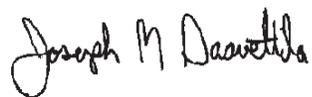
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Houghton's basic financial statements. The Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Other Financial 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 Financial Information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information has been derived from the City's 2014 financial statements and, in our report dated December 12, 2014, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each fund.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City of Houghton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Houghton's internal control over financial reporting and compliance.



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2015
(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, 2015. 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 15-16) 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 17. 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 16 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 25 and 26. 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, 2015 the net position changed as follows:

Table 1
City of Houghton's Net Position

| | <u>Governmental</u> | | <u>Business-Type</u> | |
|--|---------------------|---------------------|----------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | <u>Activities</u> | | <u>Activities</u> | |
| Current and other assets | \$ 3,290,960 | \$ 3,242,463 | \$ 2,670,790 | \$ 2,042,424 |
| Capital assets | <u>9,112,578</u> | <u>9,291,669</u> | <u>17,858,829</u> | <u>17,815,672</u> |
| Total assets | <u>\$12,403,538</u> | <u>\$12,534,132</u> | <u>\$20,529,619</u> | <u>\$19,858,096</u> |
| Long-term liabilities | \$ 2,127,713 | \$ 2,416,172 | \$10,893,000 | \$11,003,000 |
| Other liabilities | <u>638,229</u> | <u>557,389</u> | <u>549,494</u> | <u>398,221</u> |
| Total liabilities | <u>\$ 2,765,942</u> | <u>\$ 2,973,561</u> | <u>\$11,442,494</u> | <u>\$11,401,221</u> |
| Net position: | | | | |
| Invested in capital assets, net of related debt | \$ 6,967,845 | \$ 6,993,124 | \$ 6,730,829 | \$ 6,581,672 |
| Restricted | - | - | 847,615 | 636,514 |
| Unrestricted | <u>2,669,751</u> | <u>2,567,447</u> | <u>1,508,681</u> | <u>1,238,689</u> |
| Total net position | <u>\$ 9,637,596</u> | <u>\$ 9,560,571</u> | <u>\$ 9,087,125</u> | <u>\$ 8,456,875</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.

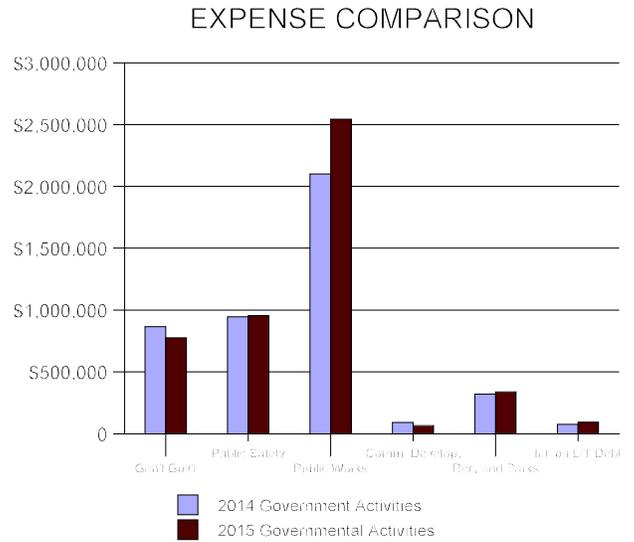
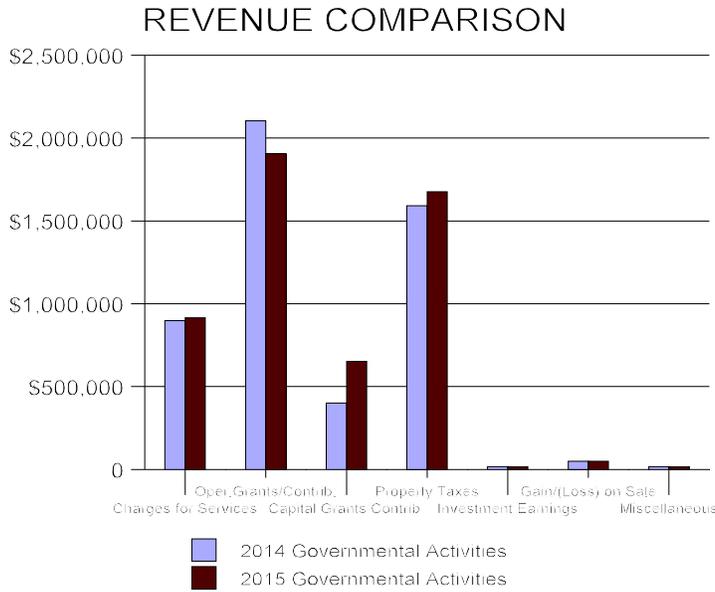
Total Primary
Government

| <u>2015</u> | <u>2014</u> |
|---------------------|---------------------|
| \$ 5,961,750 | \$ 5,284,887 |
| <u>26,971,407</u> | <u>27,107,341</u> |
| <u>\$32,933,157</u> | <u>\$32,392,228</u> |
| \$13,020,713 | \$13,419,172 |
| <u>1,187,723</u> | <u>955,610</u> |
| <u>\$14,208,436</u> | <u>\$14,374,782</u> |
| | |
| \$13,698,674 | \$13,574,796 |
| 847,615 | 636,514 |
| <u>4,178,432</u> | <u>3,806,136</u> |
| <u>\$18,724,721</u> | <u>\$18,017,446</u> |

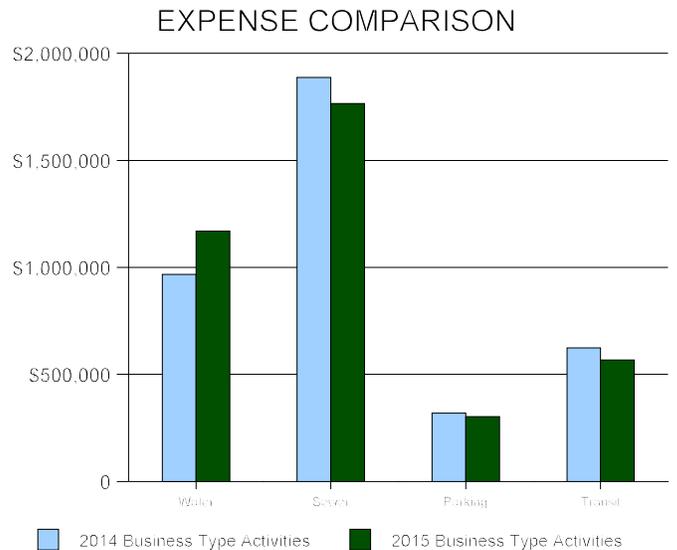
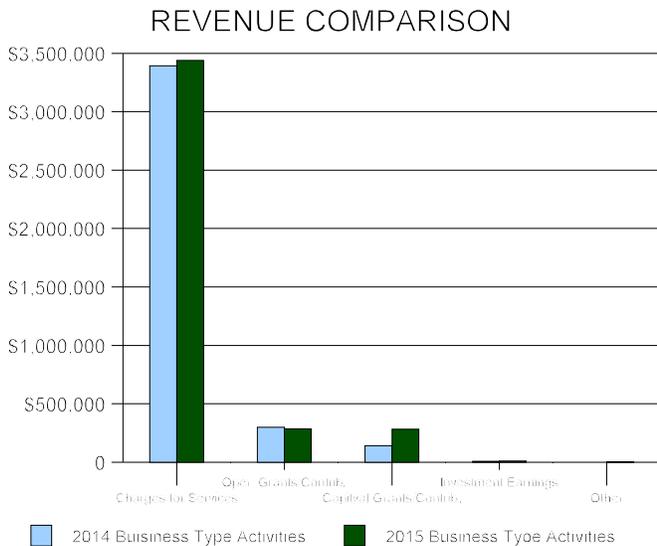
Total Primary
Government

| 2015 | 2014 |
|--------------|--------------|
| \$ 4,353,441 | \$ 4,292,064 |
| 2,192,064 | 2,401,977 |
| 933,533 | 535,981 |
| 1,676,558 | 1,591,580 |
| 26,480 | 25,354 |
| 50,642 | 49,650 |
| 15,857 | 15,402 |
| \$ 9,248,575 | \$ 8,912,008 |
| | |
| \$ 776,270 | \$ 867,107 |
| 956,697 | 946,028 |
| 2,545,413 | 2,101,708 |
| 65,571 | 90,711 |
| 339,082 | 321,312 |
| 94,291 | 77,043 |
| 1,169,568 | 966,985 |
| 1,764,598 | 1,886,290 |
| 302,788 | 319,061 |
| 567,709 | 623,743 |
| \$ 8,581,987 | \$ 8,199,988 |
| | |
| \$ 666,588 | \$ 712,020 |
| 40,687 | 82,553 |
| \$ 707,275 | \$ 794,573 |
| 18,017,446 | 17,222,873 |
| \$18,724,721 | \$18,017,446 |

Governmental Activities Comparison FY 2014 - FY 2015



Business-Type Activities Comparison FY 2014 - FY 2015



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

The City's capital assets decreased in FY 2015 due to depreciation and the City not acquiring major assets. The long-term liabilities decreased with the scheduled paying down of long-term debt. "Other" liabilities increased slightly as they can fluctuate yearly based on where payables fall in the budget cycle. Program revenues were up due to the increase in grants received and to a lesser extent because of an increase in property tax revenue and the sale of assets. In total the net position was relatively stable; increasing by less than 1%.

General Fund expenses increased by about 8% over FY 2014 with a significant increase in Public Works spending for road projects and for snow removal due to the second severe winter in a row. However, FY 2015 did see a decrease in General Government spending compared with FY 2014 with the full retirement of the previous City Manager. Budget adjustments were made prior to year-end to account for the additional expense for the snow removal.

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

The City's capital assets increased only slightly as some construction projects were done, but not to the magnitude of the major water/sewer projects in previous years. Overall liabilities increased slightly as well due to significant payables in the Water and Sewer Funds. In total the net position increased by 7%.

Revenues for services saw a modest increase which can be explained by regular fluctuations in water/sewer use, parking fines, and transit ridership. Capital grants increased with the receipt of an MDEQ SAW Grant for study of the sewer system. Sewer expenses were down; the past project work being a major factor in the system requiring less maintenance. Water system expenses increased due to the harsh winter having a more costly effect on that infrastructure necessitating repairs. Parking expenses were down slightly with snow removal operations being done more efficiently which offset the cost of the parking deck recoating project being completed. Transit expenses were down almost 9% on fuel prices being lower and the scaling back of one route that was not being efficiently used.

CITY FUNDS

General Fund

Overall Revenue increased in 2015 with the largest single revenue being tax revenue. State grants, and changes in charges for services were up slightly from last year. Construction projects in both the commercial and residential sectors that began in 2014 were taxed this year. Overall home and business property tax values have increased by the inflation rate. Sales studies show that property values are remaining the same or increasing slightly in the City of Houghton.

Overall Expenditures increased most notably in Debt Service with repayment of the 2013/2014 refinancing of old bonds with full years' payments now due. Public Works spending was also up with an increase in the number of projects to repair and improve many of the City's facilities used by the public. Public Safety expenses increased with additional police hours and the need to replace pieces of fire department equipment.

Major Street Fund

State Act 51 money was up over 2014, though overall the end of year balance was about the same as the previous year. Snow Removal income and expense, a large portion of that being reimbursement, were both down from the previous year even with the significant winter snowfall and overall length. In 2015 more resources were put into Street Preservation with pothole patching and paving over 2014 resulting in expenses being higher; Through much of that work was reimbursable work on State trunklines. Routine Maintenance expenses decreased with many of the streets having been repaved in 2013 and 2014 as part of the water/sewer project and other major paving projects those years.

Local Street Fund

Like the General Fund, there was a slight increase in tax revenue. The State Grant Act 51 was increased from last year with some mid-year disbursements. Winter maintenance was decreased from last year with the snow being handled differently. Street Preservation expenses were lower due to many streets being recently paved and new projects being held into the new fiscal year.

Revolving Loan Fund

Loan payments were up compared to last year as a some of the new loans were taken as expected, but repayments were less than budgeted as some of those expected loans were not drawn until after the start of the new fiscal year.

Public Improvement Fund

The fund saw significant growth this year with the 2015 round of facade grants and grantee contributions. Expenses exceeded revenues due to new projects repairing docks and improvements in the parks partially funded with cash from the previous year. A list of these projects is on page 73.

Debt Service Fund

This fund had little activity as the City did not incur any significant debt in 2015.

Water Fund

Overall Water revenue was up approximately 3% and basically can be considered unchanged with sales up slightly and other, smaller revenue sources such as sales of bulk water for construction up more significantly with increased activity. Source (water plant) expense was up due to increased electrical costs and attention to some maintenance items. Maintenance costs were increased due to the extreme cold temperatures as crews maintained service to customers with frozen pipes. The net position decreased by about 3%, but revenues continue to cover expenses.

Sewer Fund

Sewer sales revenue varied by less than 1% from the previous year. The sewer system maintenance expense was down from 2014 in that even with the extreme winter, the sewer is less affected and many of the cold-related problems were addressed the previous winter. The Portage Lake Water and Sewage Authority disposal cost decreased by almost 4% with continued improvements in the overall system efficiency. With the lowered expenses, the net operating income and net position increase will be able to finance further improvements to the system to maintain the efficiencies gained in recent years.

Parking Fund

Parking system revenue was down about 2% from 2014 with most notable differences in towing fees and permit revenue. Expenses were lower overall with lower snow removal costs, but an increase in overall maintenance with repairs to the deck surface. The net position had a significant increase with a transfer made to cover deck surface repairs.

Transit Fund

Fare revenue was down approximately 6.7% from 2014. Operating expenses were down 9.7%. Both can be attributed to lower fuel prices and the elimination of one route from the system. State and federal grants proceeds remained relatively unchanged.

Equipment Fund

Income was down over 10% from 2014 due to the new efficiencies, primarily in snow removal and the changing need for certain pieces of equipment. Overall expenses for repairs and maintenance were down from 2014 with lowered fuel prices and preventive maintenance.

Employee Benefit Fund

Revenue was down 6.7% from the previous year with recalculated lower rate applied to labor expended to more accurately cover expenses without significantly overfunding the fund. Employees received a 2% raise. Health insurance costs decreased by 14% with a change to a different insurer. Worker's compensation decreased by 24% with the City's continued participation in a municipal pool. Retirement contributions were down 22% with the retirement of one employee and resignation of another. Sick pay increased with the payout of accrued sick time for the departing employees in addition to regular use. Overall the rest of the expenses were relatively the same as the previous year.

General Fund Budgetary Highlights

Revenue

Revenue for Real Property Taxes was up from last year as reflected in the budget. Personal Property Tax revenue was down. State grants for both fire protection and revenue sharing were both at expected levels, up from the previous year. Contributions were up mostly due to a City Center tenant that partially funded HVAC improvements to the building to serve their rented space on the second and third floor. The rest of the General Fund revenue was about the same as previous years.

Expenses

General Fund:

- a. City Manager expense decreased with the full retirement of the former manager.
- b. An election was held.
- c. Capital Outlay increased with work to the City Center HVAC System.
- d. Street Lighting costs reflect increased electrical rates.
- e. Recreational spending was up with additional funds put into parks, docks, and beach.
- f. Debt Service spending increased with the first full year of the refinanced bonds.
- g. The Transit Fund contribution was increased by about \$7,000 to make up for lowered grant funds.

Capital Asset and Debt Administration

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| CAPITAL ASSETS | | | | |
| Land | \$ 655,759 | \$ 655,759 | \$ - | \$ - |
| Investment in Portage Lake Water and Sewer Authority | - | - | 941,313 | 941,313 |
| Buildings | 2,651,932 | 2,720,167 | 119,949 | 126,784 |
| Improvements | 1,391,463 | 1,474,549 | 53,689 | 55,549 |
| Equipment | 853,142 | 898,732 | 519,515 | 499,344 |
| Infrastructure | <u>3,560,282</u> | <u>3,542,462</u> | <u>16,224,363</u> | <u>16,192,682</u> |
| Total | <u>\$ 9,112,578</u> | <u>\$ 9,291,669</u> | <u>\$17,858,829</u> | <u>\$17,815,672</u> |
| DEBT | | | | |
| General Obligation Bonds | \$ 1,745,000 | \$ 1,845,000 | \$ - | \$ - |
| Revenue Bonds | - | - | 11,128,000 | 11,234,000 |
| Installment Purchase Contracts | 294,732 | 335,545 | - | - |
| Limited Tax Investment Notes | <u>105,000</u> | <u>118,000</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,144,732</u> | <u>\$ 2,298,545</u> | <u>\$11,128,000</u> | <u>\$11,234,000</u> |

Overall Capital Assets decreased with depreciation and there were no major infrastructure projects done in FY 2015. All other assets remained generally the same.

The debt on General Obligation Bonds and Water/Sewer Revenue Bonds decreased with the pay down of existing bonds. No additional debt was incurred.

Contacting the City's Financial Management

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

Total Primary
Government

| <u>2015</u> | <u>2014</u> |
|---------------------|---------------------|
| \$ 655,759 | \$ 655,759 |
| 941,313 | 941,313 |
| 2,771,881 | 2,846,951 |
| 1,445,152 | 1,530,098 |
| 1,372,657 | 1,398,076 |
| <u>19,784,645</u> | <u>19,735,144</u> |
| <u>\$26,971,407</u> | <u>\$27,107,341</u> |
| \$ 1,745,000 | \$ 1,845,000 |
| 11,128,000 | 11,234,000 |
| 294,732 | 335,545 |
| <u>105,000</u> | <u>118,000</u> |
| <u>\$13,148,877</u> | <u>\$13,532,545</u> |

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2015

| | <u>Primary Government</u> | | | <u>Component Units</u> |
|--|------------------------------------|--|---------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 2,877,658 | \$ 1,248,650 | \$ 4,126,308 | \$ 433,495 |
| Accounts receivable | 82,348 | 253,805 | 336,153 | - |
| Taxes receivable | 14,247 | - | 14,247 | 3,376 |
| Due from other governmental units | 116,762 | 238,707 | 355,469 | - |
| Due from component unit | 272 | - | 272 | - |
| Internal balances | 25,479 | (25,479) | - | - |
| Inventories | 5,554 | - | 5,554 | - |
| Restricted assets | - | 955,107 | 955,107 | - |
| Investments | 10,710 | - | 10,710 | - |
| Long-term loans | 157,930 | - | 157,930 | - |
| Capital assets - net | <u>9,112,578</u> | <u>17,858,829</u> | <u>26,971,407</u> | <u>5,338,686</u> |
| TOTAL ASSETS | <u>\$ 12,403,538</u> | <u>\$20,529,619</u> | <u>\$32,933,157</u> | <u>\$5,775,557</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | \$ 235,677 | \$ 104,458 | \$ 340,135 | \$ 15,938 |
| Accrued expenses | 106,857 | 157,252 | 264,109 | 11,032 |
| Due to other governmental units | - | 52,784 | 52,784 | - |
| Due to component unit | 80,081 | - | 80,081 | (130,879) |
| Noncurrent liabilities: | | | | |
| Due within one year | 215,614 | 235,000 | 450,614 | 135,000 |
| Due in more than one year | <u>2,127,713</u> | <u>10,893,000</u> | <u>13,020,713</u> | <u>350,000</u> |
| TOTAL LIABILITIES | <u>\$ 2,765,942</u> | <u>\$11,442,494</u> | <u>\$14,208,436</u> | <u>\$ 381,091</u> |
| <u>NET POSITION</u> | | | | |
| Invested in capital assets, net of related debt | \$ 6,967,845 | \$ 6,730,829 | \$13,698,674 | \$5,148,686 |
| Restricted for debt service | - | 847,615 | 847,615 | - |
| Unrestricted | <u>2,669,751</u> | <u>1,508,681</u> | <u>4,178,432</u> | <u>245,780</u> |
| TOTAL NET POSITION | <u>\$ 9,637,596</u> | <u>\$ 9,087,125</u> | <u>\$18,724,721</u> | <u>\$5,394,466</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, 2015

| | 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 | \$ 791,570 | \$ 314,266 | \$ 798,292 | \$ 50,000 |
| Public safety | 956,697 | 125,224 | 30,158 | - |
| Public works | 2,530,113 | 331,911 | 1,078,326 | 602,140 |
| Community development | 65,571 | - | - | - |
| Recreation and parks | 339,082 | 143,215 | - | - |
| Interest on long-term debt | 94,291 | - | - | - |
| TOTAL GOVERNMENTAL ACTIVITIES | \$4,777,324 | \$ 914,616 | \$ 1,906,776 | \$ 652,140 |
| Business-type activities: | | | | |
| Water | \$1,169,568 | \$1,122,372 | \$ - | \$ - |
| Sewer | 1,764,598 | 2,004,724 | - | 160,186 |
| Parking | 302,788 | 197,923 | - | - |
| Transit | 567,709 | 113,806 | 285,288 | 121,207 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$3,804,663 | \$3,438,825 | \$ 285,288 | \$ 281,393 |
| TOTAL PRIMARY GOVERNMENT | \$8,581,987 | \$4,353,441 | \$ 2,192,064 | \$ 933,533 |
| Component Units: | | | | |
| DDA | \$ 133,181 | \$ - | \$ 21,436 | \$ - |
| TIFA | 439,150 | - | - | - |
| TOTAL COMPONENT UNITS | \$ 572,331 | \$ - | \$ 21,436 | \$ - |

General revenues:

Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item - Gain (loss) on sale of assets
Transfers

Total general revenues, special items and transfers

Change in net position

Net position, beginning of year, as adjusted

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

| <u>Government Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> | <u>Component Units</u> |
|----------------------------------|--|-----------------------|----------------------------|
| \$ 386,288 | \$ - | \$ 386,288 | |
| (801,315) | - | (801,315) | |
| (533,036) | - | (533,036) | |
| (65,571) | - | (65,571) | |
| (195,867) | - | (195,867) | |
| (94,291) | - | (94,291) | |
| <u>(\$1,303,792)</u> | <u>\$ -</u> | <u>(\$ 1,303,792)</u> | |
| | | | |
| \$ - | (\$ 47,196) | (\$ 47,196) | |
| - | 400,312 | 400,312 | |
| - | (104,865) | (104,865) | |
| <u>-</u> | <u>(47,408)</u> | <u>(47,408)</u> | |
| <u>\$ -</u> | <u>\$ 200,843</u> | <u>\$ 200,843</u> | |
| <u>(\$1,303,792)</u> | <u>\$ 200,843</u> | <u>(\$ 1,102,949)</u> | |
| | | | |
| \$ - | \$ - | \$ - | (\$ 111,745) |
| - | - | - | (439,150) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 550,895)</u> |
| | | | |
| \$1,676,558 | \$ - | \$ 1,676,558 | \$ 992,070 |
| 16,712 | 9,768 | 26,480 | 3,673 |
| 15,857 | - | 15,857 | - |
| 48,360 | 2,282 | 50,642 | - |
| (376,670) | 417,357 | 40,687 | (40,687) |
| <u>\$1,380,817</u> | <u>\$ 429,407</u> | <u>\$ 1,810,224</u> | <u>\$ 955,056</u> |
| | | | |
| \$ 77,025 | \$ 630,250 | \$ 707,275 | \$ 404,161 |
| <u>9,560,571</u> | <u>8,456,875</u> | <u>18,017,446</u> | <u>4,990,305</u> |
| <u>\$9,637,596</u> | <u>\$9,087,125</u> | <u>\$18,724,721</u> | <u>\$5,394,466</u> |

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> |
|--|--------------------|-------------------------|-------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$1,401,344 | \$ 303,833 | \$ 353,666 |
| Accounts receivable | 80,448 | - | - |
| Taxes receivable | 14,247 | - | - |
| Inventories | 5,554 | - | - |
| Due from other funds | 5,875 | - | 4,972 |
| Due from other governmental units | 2,677 | 60,939 | 53,146 |
| Long-term loan | - | - | - |
| Investments | 10,710 | - | - |
| | <u>\$1,520,855</u> | <u>\$ 364,772</u> | <u>\$ 411,784</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 127,667 | \$ 43,477 | \$ 42,018 |
| Accrued expenses | 79,527 | 2,931 | 3,928 |
| Due to other funds | 76,894 | 8,491 | 119,322 |
| Due to component units | - | - | - |
| | <u>\$ 284,088</u> | <u>\$ 54,899</u> | <u>\$ 165,268</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable revenue - property taxes and other | <u>\$ 14,247</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>FUND BALANCES</u> | | | |
| Assigned for inventory | \$ 5,554 | \$ - | \$ - |
| Unassigned, reported in: | | | |
| General fund | 1,216,966 | - | - |
| Special revenue funds | - | 309,873 | 246,516 |
| Capital project fund | - | - | - |
| Debt service funds | - | - | - |
| | <u>\$1,222,520</u> | <u>\$ 309,873</u> | <u>\$ 246,516</u> |
| TOTAL FUND BALANCES | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS | | | |
| OF RESOURCES AND FUND BALANCES | | | |
| | <u>\$1,520,855</u> | <u>\$ 364,772</u> | <u>\$ 411,784</u> |

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

| <u>Revolving</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|-------------------|-----------------------------|-------------------------|--------------------|
| \$ 148,779 | \$ 173,395 | \$ 134 | \$2,381,151 |
| - | 1,900 | - | 82,348 |
| - | - | - | 14,247 |
| - | - | - | 5,554 |
| 61,363 | 29,000 | - | 101,210 |
| - | - | - | 116,762 |
| 158,120 | - | - | 158,120 |
| - | - | - | 10,710 |
| <u>\$ 368,262</u> | <u>\$ 204,295</u> | <u>\$ 134</u> | <u>\$2,870,102</u> |

| | | | |
|-------------|-------------------|-------------|-------------------|
| \$ - | \$ 7,132 | \$ - | \$ 220,294 |
| - | - | - | 86,386 |
| - | 68,146 | - | 272,853 |
| - | 70,000 | - | 70,000 |
| <u>\$ -</u> | <u>\$ 145,278</u> | <u>\$ -</u> | <u>\$ 649,533</u> |

| | | | |
|-------------------|-------------|-------------|-------------------|
| <u>\$ 158,120</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 172,367</u> |
|-------------------|-------------|-------------|-------------------|

| | | | |
|-------------------|-------------------|---------------|--------------------|
| \$ - | \$ - | \$ - | \$ 5,554 |
| - | - | - | 1,216,966 |
| 210,142 | - | - | 766,531 |
| - | 59,017 | - | 59,017 |
| - | - | 134 | 134 |
| <u>\$ 210,142</u> | <u>\$ 59,017</u> | <u>\$ 134</u> | <u>\$2,048,202</u> |
| <u>\$ 368,262</u> | <u>\$ 204,295</u> | <u>\$ 134</u> | <u>\$2,870,102</u> |

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

| | |
|--|----------------------|
| Total fund balance - total governmental funds | \$ 2,048,202 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | 8,513,916 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 172,177 |
| Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. | 1,261,941 |
| Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. | (15,313) |
| Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | (<u>2,343,327</u>) |
| Net position of governmental activities | <u>\$ 9,637,596</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, 2015

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> |
|--|---------------------|---------------------|---------------------|
| REVENUES: | | | |
| Taxes | \$1,554,450 | \$ - | \$ 143,783 |
| License and permits | 8,460 | - | - |
| State and federal grants | 818,470 | 812,666 | 265,660 |
| Charges for services | 781,313 | - | - |
| Interest and rents | 7,920 | 1,572 | 2,056 |
| Other revenue | 216,959 | - | - |
| TOTAL REVENUES | <u>\$3,387,572</u> | <u>\$ 814,238</u> | <u>\$ 411,499</u> |
| EXPENDITURES: | | | |
| General government | \$ 678,324 | \$ 25,798 | \$ 16,244 |
| Public safety | 929,119 | - | - |
| Public works | 456,327 | 821,982 | 432,454 |
| Recreation and parks | 321,493 | - | - |
| Other expenditures | 74,016 | - | - |
| Capital outlay | 144,581 | - | - |
| Debt service: | | | |
| Principal | 113,812 | - | - |
| Interest and other charges | 84,496 | - | - |
| TOTAL EXPENDITURES | <u>\$2,802,168</u> | <u>\$ 847,780</u> | <u>\$ 448,698</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 585,404</u> | <u>(\$ 33,542)</u> | <u>(\$ 37,199)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | \$ 5,700 | \$ 50,000 | \$ 90,000 |
| Transfers out | (520,824) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(\$ 515,124)</u> | <u>\$ 50,000</u> | <u>\$ 90,000</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>\$ 70,280</u> | <u>\$ 16,458</u> | <u>\$ 52,801</u> |
| Fund balances, beginning of year | <u>\$1,152,240</u> | <u>\$ 293,415</u> | <u>\$ 193,715</u> |
| Fund balances, end of year | <u>\$1,222,520</u> | <u>\$ 309,873</u> | <u>\$ 246,516</u> |

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

| <u>Revolving</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|-------------------|-----------------------------|-------------------------|---------------------|
| \$ - | \$ - | \$ - | \$1,698,233 |
| - | - | - | 8,460 |
| - | 559,339 | - | 2,456,135 |
| - | - | - | 781,313 |
| 3,297 | 280 | 2 | 15,127 |
| <u>37,852</u> | <u>206,018</u> | <u>-</u> | <u>460,829</u> |
| <u>\$ 41,149</u> | <u>\$ 765,637</u> | <u>\$ 2</u> | <u>\$5,420,097</u> |
| \$ 900 | \$ 15,526 | \$ - | \$ 736,792 |
| - | - | - | 929,119 |
| - | 751,095 | - | 2,461,858 |
| - | - | - | 321,493 |
| - | - | 29 | 74,045 |
| - | 55,699 | - | 200,280 |
| - | - | 40,000 | 153,812 |
| - | - | <u>4,125</u> | <u>88,621</u> |
| <u>\$ 900</u> | <u>\$ 822,320</u> | <u>\$ 44,154</u> | <u>\$4,966,020</u> |
| <u>\$ 40,249</u> | <u>(\$ 56,683)</u> | <u>(\$ 44,152)</u> | <u>\$ 454,077</u> |
| \$ - | \$ 80,000 | \$ 44,154 | \$ 269,854 |
| - | - | - | (520,824) |
| <u>\$ -</u> | <u>\$ 80,000</u> | <u>\$ 44,154</u> | <u>(\$ 250,970)</u> |
| <u>\$ 40,249</u> | <u>\$ 23,317</u> | <u>\$ 2</u> | <u>\$ 203,107</u> |
| <u>\$ 169,893</u> | <u>\$ 35,700</u> | <u>\$ 132</u> | <u>\$1,845,095</u> |
| <u>\$ 210,142</u> | <u>\$ 59,017</u> | <u>\$ 134</u> | <u>\$2,048,202</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, 2015

| | | |
|---|-----------|------------------|
| Net change in fund balances - total governmental funds | | \$ 203,107 |
| 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. | | 200,280 |
| 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 \$218,345 and reduced by depreciation recaptured on assets disposed of \$55,800. | | (487,714) |
| Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities. | | 217,173 |
| Repayments of revolving loan fund loan principal, in the amount of \$39,632 are recorded as revenue in the governmental funds. These amounts are not recorded in the statement of activities. | | (39,632) |
| Contributions for capital projects without related expenses in the current year are deferred in the governmental funds but not in the statement of activities. | | (163,217) |
| Some property taxes will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds. | | (21,675) |
| 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. | | (5,670) |
| 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 | \$ 41,776 | |
| Net of amount allocated to business-type and component unit activities | (29,948) | |
| Depreciation expense | 218,345 | |
| Depreciation recapture | (55,800) | <u>174,373</u> |
| Change in net position of governmental activities | | <u>\$ 77,025</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, 2015

| | <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 | \$ 169,050 | \$ 862,408 | \$ 117,143 | \$ 100,049 |
| Accounts receivable | 85,362 | 163,920 | - | 4,522 |
| Due from other funds | - | 33,868 | - | - |
| Due from component units | - | - | - | - |
| Due from other governmental units | - | 231,267 | - | 7,440 |
| TOTAL CURRENT ASSETS | <u>\$ 254,412</u> | <u>\$1,291,463</u> | <u>\$ 117,143</u> | <u>\$ 112,011</u> |
| <u>NONCURRENT ASSETS</u> | | | | |
| Restricted assets | \$ 628,468 | \$ 326,639 | \$ - | \$ - |
| Capital assets: | | | | |
| Property and equipment | 13,968,544 | 9,589,668 | 5,925,533 | 1,505,661 |
| Less accumulated depreciation | (5,327,815) | (4,455,186) | (3,350,153) | (938,736) |
| Investment in Portage Lake Water and Sewer Authority | - | 941,313 | - | - |
| TOTAL NONCURRENT ASSETS | <u>\$ 9,269,197</u> | <u>\$6,402,434</u> | <u>\$2,575,380</u> | <u>\$ 566,925</u> |
| TOTAL ASSETS | <u>\$ 9,523,609</u> | <u>\$7,693,897</u> | <u>\$2,692,523</u> | <u>\$ 678,936</u> |
| <u>LIABILITIES</u> | | | | |
| <u>CURRENT LIABILITIES</u> | | | | |
| Accounts payable | \$ 28,722 | \$ 73,407 | \$ 100 | \$ 2,229 |
| Accrued wages and benefits | 15,843 | 14,078 | 2,089 | 17,650 |
| Accrued expenses | 68,725 | 38,867 | - | - |
| Due to other funds | 54,011 | 7,808 | 29,731 | 3,392 |
| Due to other governmental units | - | - | - | 52,784 |
| Deferred revenue | - | - | - | - |
| Current maturities on long-term debt | 190,000 | 45,000 | - | - |
| TOTAL CURRENT LIABILITIES | <u>\$ 357,301</u> | <u>\$ 179,160</u> | <u>\$ 31,920</u> | <u>\$ 76,055</u> |
| <u>NONCURRENT LIABILITIES</u> | | | | |
| Bonds payable | \$ 7,758,000 | \$3,370,000 | \$ - | \$ - |
| Less current maturities | 190,000 | 45,000 | - | - |
| TOTAL NONCURRENT LIABILITIES | <u>\$ 7,568,000</u> | <u>\$3,325,000</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL LIABILITIES | <u>\$ 7,925,301</u> | <u>\$3,504,160</u> | <u>\$ 31,920</u> | <u>\$ 76,055</u> |
| <u>NET POSITION</u> | | | | |
| Invested in capital assets - net of related debt | \$ 882,729 | \$2,705,795 | \$2,575,380 | \$ 566,925 |
| Restricted for debt service | 559,743 | 287,872 | - | - |
| Unrestricted | 155,836 | 1,196,070 | 85,223 | 35,956 |
| TOTAL NET POSITION | <u>\$ 1,598,308</u> | <u>\$4,189,737</u> | <u>\$2,660,603</u> | <u>\$ 602,881</u> |

Reconciliation to government-wide statement of net position:

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

Net position of business-type activities.

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

| <u>Totals</u> | Governmental Activities - Internal Service Fund |
|---------------------|---|
| \$ 1,248,650 | \$ 496,507 |
| 253,804 | - |
| 33,868 | 232,718 |
| - | 272 |
| <u>238,707</u> | <u>-</u> |
| <u>\$ 1,775,029</u> | <u>\$ 729,497</u> |
| | |
| \$ 955,107 | \$ - |
| 30,989,406 | 3,386,162 |
| (14,071,890) | (2,787,500) |
| <u>941,313</u> | <u>-</u> |
| <u>\$18,813,936</u> | <u>\$ 598,662</u> |
| <u>\$20,588,965</u> | <u>\$ 1,328,159</u> |
| | |
| \$ 104,458 | \$ 15,383 |
| 49,660 | 5,158 |
| 107,592 | - |
| 94,942 | - |
| 52,784 | - |
| - | - |
| <u>235,000</u> | <u>-</u> |
| <u>\$ 644,436</u> | <u>\$ 20,541</u> |
| | |
| \$11,128,000 | \$ - |
| <u>235,000</u> | <u>-</u> |
| <u>\$10,893,000</u> | <u>\$ -</u> |
| <u>\$11,537,436</u> | <u>\$ 20,541</u> |
| | |
| \$ 6,730,829 | \$ 598,662 |
| 847,615 | - |
| <u>1,473,085</u> | <u>708,956</u> |
| <u>\$ 9,051,529</u> | <u>\$ 1,307,618</u> |
| | |
| <u>35,596</u> | |
| <u>\$ 9,087,125</u> | |

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015

| | <u>Business-Type Activities - Enterprise Funds</u> | | | |
|---------------------------------------|--|--------------------|---------------------|--------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Parking</u> | <u>Transit</u> |
| | <u>Supply</u> | <u>Disposal</u> | <u>System</u> | <u>Fund</u> |
| | <u>Fund</u> | <u>System</u> | <u>Fund</u> | <u>Fund</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> |
| Operating revenues: | | | | |
| Utility Services | \$1,087,096 | \$2,004,273 | \$ - | \$ - |
| Parking revenues | - | - | 197,923 | - |
| Transit fares | - | - | - | 110,680 |
| Rents and other revenues | <u>35,276</u> | <u>451</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING REVENUES | <u>\$1,122,372</u> | <u>\$2,004,724</u> | <u>\$ 197,923</u> | <u>\$110,680</u> |
| Operating expenses: | | | | |
| Operating expenses - | | | | |
| Less depreciation | \$ 686,756 | \$1,507,778 | \$ 169,518 | \$402,863 |
| Depreciation | <u>272,576</u> | <u>170,417</u> | <u>142,198</u> | <u>107,561</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 959,332</u> | <u>\$1,678,195</u> | <u>\$ 311,716</u> | <u>\$510,424</u> |
| OPERATING INCOME (LOSS) | <u>\$ 163,040</u> | <u>\$ 326,529</u> | <u>(\$ 113,793)</u> | <u>(\$399,744)</u> |
| Non-operating revenues: | | | | |
| Interest income and other revenue | \$ 3,329 | \$ 5,686 | \$ 696 | \$ 3,183 |
| Gain on sale of equipment | - | - | - | 2,282 |
| Operating grants | <u>-</u> | <u>-</u> | <u>-</u> | <u>285,288</u> |
| TOTAL NON-OPERATING REVENUES | <u>\$ 3,329</u> | <u>\$ 5,686</u> | <u>\$ 696</u> | <u>\$290,753</u> |
| Non-operating expenses: | | | | |
| Interest | \$ 219,201 | \$ 92,617 | \$ - | \$ - |
| Service grants | <u>-</u> | <u>-</u> | <u>-</u> | <u>62,559</u> |
| TOTAL NON-OPERATING EXPENSES | <u>\$ 219,201</u> | <u>\$ 92,617</u> | <u>\$ -</u> | <u>\$ 62,559</u> |
| INCOME (LOSS) BEFORE | | | | |
| CONTRIBUTIONS AND TRANSFERS | (\$ 52,832) | \$ 239,598 | (\$ 113,097) | (\$171,550) |
| Capital contributions | - | 160,186 | - | 121,207 |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>323,000</u> | <u>94,357</u> |
| CHANGE IN NET POSITION | <u>(\$ 52,832)</u> | <u>\$ 399,784</u> | <u>\$ 209,903</u> | <u>\$ 44,014</u> |
| Total net position, beginning of year | <u>\$1,651,140</u> | <u>\$3,789,953</u> | <u>\$2,450,700</u> | <u>\$558,867</u> |
| Total net position, end of year | <u>\$1,598,308</u> | <u>\$4,189,737</u> | <u>\$2,660,603</u> | <u>\$602,881</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> |
|--------------------|---|
| \$3,091,369 | \$ - |
| 197,923 | - |
| 110,680 | - |
| <u>35,727</u> | <u>929,606</u> |
| <u>\$3,435,699</u> | <u>\$ 929,606</u> |
| | |
| \$2,766,915 | \$ 579,231 |
| <u>692,752</u> | <u>218,345</u> |
| <u>\$3,459,667</u> | <u>\$ 797,576</u> |
| (\$ 23,968) | <u>\$ 132,030</u> |
| | |
| \$ 12,894 | \$ 1,586 |
| 2,282 | 33,860 |
| <u>285,288</u> | <u>-</u> |
| <u>\$ 300,464</u> | <u>\$ 35,446</u> |
| | |
| \$ 311,818 | \$ - |
| <u>62,559</u> | <u>-</u> |
| <u>\$ 374,377</u> | <u>-</u> |
| | |
| (\$ 97,881) | \$ 167,476 |
| 281,393 | - |
| <u>417,357</u> | <u>(125,700)</u> |
| \$ 600,869 | <u>\$ 41,776</u> |
| | <u>\$ 1,265,842</u> |
| | <u>\$ 1,307,618</u> |
| | |
| <u>29,380</u> | |
| <u>\$ 630,249</u> | |

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

| | <u>Business-Type Activities</u> <u>Enterprise Funds</u> | | |
|--|--|---|--|
| | <u>Water</u> <u>Supply</u> <u>Fund</u> | <u>Sewer</u> <u>Disposal</u> <u>System</u> <u>Fund</u> | <u>Parking</u> <u>System</u> <u>Fund</u> |
| Cash flows from operating activities: | | | |
| Receipts from customers | \$1,133,515 | \$2,042,463 | \$197,923 |
| Payments to suppliers | (471,663) | (1,247,318) | (104,650) |
| Payments to employees | (176,001) | (201,931) | (64,241) |
| Other receipts (payments) | <u> -</u> | <u> -</u> | <u> -</u> |
| Net cash provided (used) by operating activities | <u>\$ 485,851</u> | <u>\$ 593,214</u> | <u>\$ 29,032</u> |
| Cash flows from noncapital financing activities: | | | |
| (Increase) decrease in due from other funds and component units | \$ - | (\$ 6,224) | \$ 206 |
| (Increase) decrease in due from other governmental units | - | - | - |
| Increase (decrease) in due to other funds and component units | 23,327 | (3,645) | (21,402) |
| Increase (decrease) in due to other governmental units | - | - | - |
| Transfers from other funds and component units | - | - | 323,000 |
| Insurance proceeds | - | - | - |
| Proceeds from grants | - | - | - |
| Specialized services grants paid | <u> -</u> | <u> -</u> | <u> -</u> |
| Net cash provided (used) by noncapital financing activities | <u>\$ 23,327</u> | <u>(\$ 9,869)</u> | <u>\$301,804</u> |
| Cash flows from capital and related financing activities: | | | |
| Capital contributions | \$ - | \$ 160,186 | \$ - |
| Proceeds from sale of equipment | - | - | - |
| Acquisition of property, plant and equipment | (64,497) | (232,443) | (321,206) |
| Issuance of long-term debt | 87,000 | 93,000 | - |
| Reduction of long-term debt | (220,000) | (66,000) | - |
| (Increase) decrease in due from other governmental units | - | (131,571) | - |
| Increase (decrease) in deferred revenue | - | - | - |
| (Increase) decrease in restricted assets | (161,436) | (49,616) | - |
| Interest paid on long-term debt | <u>(219,766)</u> | <u>(92,004)</u> | <u> -</u> |
| Net cash provided (used) by capital and related financing activities | <u>(\$ 578,699)</u> | <u>(\$ 318,448)</u> | <u>(\$321,206)</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> |
|-------------------------|---------------|--|
| \$ 110,043 | \$3,483,944 | \$ 909,320 |
| (107,613) | (1,931,244) | (448,049) |
| (291,153) | (733,326) | (130,162) |
| - | - | 8,624 |
| (\$ 288,723) | \$ 819,374 | \$ 339,733 |
| | | |
| \$ 521 | (\$ 5,497) | \$ - |
| 9,074 | 9,074 | - |
| (16,995) | (18,715) | - |
| 43,862 | 43,862 | - |
| 94,357 | 417,357 | (125,700) |
| 3,126 | 3,126 | - |
| 285,288 | 285,288 | - |
| (62,559) | (62,559) | - |
| \$ 356,674 | \$ 671,936 | (\$ 125,700) |
| | | |
| \$ 121,207 | \$ 281,393 | \$ - |
| 5,726 | 5,726 | 33,860 |
| (121,207) | (739,353) | (164,146) |
| - | 180,000 | - |
| - | (286,000) | - |
| - | (131,571) | - |
| (2,900) | (2,900) | - |
| - | (211,052) | - |
| - | (311,770) | - |
| \$ 2,826 | (\$1,215,527) | (\$ 130,286) |

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2015

| | Business-Type Activities Enterprise Funds | | |
|--|---|-------------------------------------|---------------------------|
| | Water Supply Fund | Sewer Disposal System Fund | Parking System Fund |
| | Cash flows from investing activities - Interest received | \$ 3,329 | \$ 5,686 |
| Net increase (decrease) in cash and cash equivalents | (\$ 66,192) | \$ 270,583 | \$ 10,326 |
| Cash - beginning of year | <u>235,242</u> | <u>591,825</u> | <u>106,817</u> |
| Cash - end of year | <u>\$ 169,050</u> | <u>\$ 862,408</u> | <u>\$ 117,143</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 163,040 | \$ 326,529 | (\$ 113,793) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | | |
| Depreciation expense | 272,576 | 170,417 | 142,198 |
| Changes in assets and liabilities: | | | |
| Receivables | 11,143 | 37,739 | - |
| Due from other funds and component units | - | - | - |
| Accounts and other payables | 24,776 | 67,787 | (64) |
| Accrued expenses | 14,316 | (5,339) | 691 |
| Due to other governmental units | <u>-</u> | <u>(3,919)</u> | <u>-</u> |
| Net cash provided by operating activities | <u>\$ 485,851</u> | <u>\$ 593,214</u> | <u>\$ 29,032</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> |
|-------------------------|--------------------|--|
| \$ 57 | \$ 9,768 | \$ 1,586 |
| \$ 70,834 | \$ 285,551 | \$ 85,333 |
| <u>29,215</u> | <u>963,099</u> | <u>411,174</u> |
| <u>\$ 100,049</u> | <u>\$1,248,650</u> | <u>\$ 496,507</u> |
| (\$ 399,744) | (\$ 23,968) | \$ 132,030 |
| 107,561 | 692,752 | 218,345 |
| (637) | 48,245 | - |
| - | - | (11,662) |
| (1,615) | 90,884 | 539 |
| 5,712 | 15,380 | 481 |
| <u>-</u> | <u>(3,919)</u> | <u>-</u> |
| <u>(\$ 288,723)</u> | <u>\$ 819,374</u> | <u>\$ 339,733</u> |

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET POSITION
June 30, 2015

| | <u>Pension Trust Fund Employee Retirement Fund</u> | <u>Employee Benefit Fund</u> | <u>Agency Fund Tax Collection Fund</u> |
|---------------------------------------|--|--------------------------------------|--|
| <u>ASSETS</u> | | | |
| Cash | \$ 6,811 | \$ 959,105 | \$ 84,065 |
| Accounts receivable | - | 93 | - |
| Investments - at fair value | 1,273,670 | - | - |
| Prepaid expenses | - | 31,270 | - |
| Due from other governmental units | - | - | - |
| Loans to retirement plan participants | <u>54,160</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 1,334,641</u> | <u>\$ 990,468</u> | <u>\$ 84,065</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ - | \$ 1,790 | \$ - |
| Due to other governmental units | - | - | 32,994 |
| Due to component units | - | - | 51,071 |
| Accumulated employee sick leave | - | 83,249 | - |
| Accumulated employee vacation | <u>-</u> | <u>126,545</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 211,584</u> | <u>\$ 84,065</u> |
| <u>NET POSITION</u> | | | |
| Held in trust for pension benefits | \$1,334,641 | \$ - | \$ - |
| Restricted for employee benefits | <u>-</u> | <u>778,884</u> | <u>-</u> |
| TOTAL NET POSITION | <u>\$1,334,641</u> | <u>\$ 778,884</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, 2015

| | <u>Pension Trust Fund Employee Retirement Fund</u> | <u>Employee Benefit Fund</u> |
|---|--|--------------------------------------|
| Operating revenues: | | |
| Employer contributions | \$ 61,826 | \$ - |
| Investment income (loss) | 99,214 | - |
| Charges for services | - | 1,050,204 |
| Other revenue | - | <u>12,487</u> |
| TOTAL OPERATING REVENUES | <u>\$ 161,040</u> | <u>\$1,062,691</u> |
| Operating expenses: | | |
| Payroll taxes - employer share | \$ - | \$ 141,679 |
| Hospitalization insurance | - | 368,240 |
| Sick pay | - | 118,765 |
| Vacation pay | - | 117,956 |
| Holiday pay | - | 47,499 |
| Funeral leave | - | 3,524 |
| Longevity pay | - | 8,625 |
| Workers' compensation insurance | - | 34,205 |
| Unemployment insurance | - | 16,790 |
| Retirement contributions | - | 172,727 |
| Life insurance | - | 37,208 |
| Disability insurance | - | 6,998 |
| Other | - | <u>24,426</u> |
| TOTAL OPERATING EXPENSES | <u>\$ -</u> | <u>\$1,098,642</u> |
| OPERATING INCOME (LOSS) | \$ 161,040 | (\$ 35,951) |
| Nonoperating revenues (expenses) - | | |
| Net appreciation (depreciation) in fair value of investments | (50,421) | - |
| Changes in net position | \$ 110,619 | (\$ 35,951) |
| Net position, beginning of year | <u>1,224,022</u> | <u>814,835</u> |
| Net position, end of year | <u>\$1,334,641</u> | <u>\$ 778,884</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, 2015

| | <u>Downtown Development Authority</u> | <u>Tax Increment Finance Authority</u> | <u>Totals</u> |
|--|---|--|----------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 116,837 | \$ 316,658 | \$ 433,495 |
| Taxes receivable | 2,353 | 1,023 | 3,376 |
| Due from primary government | 30,139 | 101,012 | 131,151 |
| Capital assets-net | <u>751,255</u> | <u>4,587,431</u> | <u>5,338,686</u> |
| TOTAL ASSETS | \$ <u>900,584</u> | \$ <u>5,006,124</u> | \$ <u>5,906,708</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 3,190 | \$ 12,748 | \$ 15,938 |
| Accrued expenses | 4,627 | 6,405 | 11,032 |
| Due to primary government | 13 | 259 | 272 |
| Noncurrent liabilities: | | | |
| Due within one year | 95,000 | 40,000 | 135,000 |
| Due in more than one year | <u>200,000</u> | <u>150,000</u> | <u>350,000</u> |
| TOTAL LIABILITIES | \$ <u>302,830</u> | \$ <u>209,412</u> | \$ <u>512,242</u> |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | \$ 751,255 | \$4,397,431 | \$5,148,686 |
| Unrestricted | <u>(153,501)</u> | <u>399,281</u> | <u>245,780</u> |
| TOTAL NET POSITION | \$ <u><u>597,754</u></u> | \$ <u><u>4,796,712</u></u> | \$ <u><u>5,394,466</u></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, 2015

| | Program Revenues | | |
|--|----------------------------|--|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs | | | |
| Downtown Development | | | |
| Authority: | | | |
| General government | \$ 52,005 | \$ - | \$ - |
| Parks and recreation | 57,438 | - | 21,436 |
| Public works | 23,738 | - | - |
| TOTAL DOWNTOWN DEVELOPMENT AUTHORITY | \$ 133,181 | \$ - | \$ 21,436 |
| Tax Increment | | | |
| Finance Authority: | | | |
| General government | \$ 194,172 | \$ - | \$ - |
| Public safety | 120,000 | - | - |
| Public works | 124,978 | - | - |
| TOTAL TAX INCREMENT FINANCE AUTHORITY | \$ 439,150 | \$ - | \$ - |

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

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

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

Net (Expenses) Revenues
and Changes in Net Assets

| Downtown Development Authority | Tax Increment Finance Authority | Total |
|--------------------------------------|---------------------------------------|--------------|
| (\$ 52,005) | \$ - | (\$ 52,005) |
| (36,002) | - | (36,002) |
| (23,738) | - | (23,738) |
| (\$ 111,745) | \$ - | (\$ 111,745) |
| \$ - | (\$ 194,172) | (\$ 194,172) |
| - | (120,000) | (120,000) |
| - | (124,978) | (124,978) |
| \$ - | (\$ 439,150) | (\$ 439,150) |
| \$ 283,568 | \$ 708,502 | \$ 992,070 |
| 1,056 | 2,617 | 3,673 |
| (40,687) | - | (40,687) |
| \$ 243,937 | \$ 711,119 | \$ 955,056 |
| \$ 132,192 | \$ 271,969 | \$ 404,161 |
| 465,562 | 4,524,743 | 4,990,305 |
| \$ 597,754 | \$ 4,796,712 | \$5,394,466 |

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

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, 2014, is as follows:

| | |
|---|---------------------------|
| Assets: | |
| Current assets | \$ 274,025 |
| Net capital assets | <u>3,735,528</u> |
| Total Assets | <u>\$4,009,553</u> |
| Liabilities: | |
| Current liabilities | \$ 66,602 |
| Other | <u>5,871</u> |
| Total Liabilities | <u>\$ 72,473</u> |
| Net Assets: | |
| Net investment in capital assets | \$3,735,528 |
| Restricted | - |
| Unrestricted net assets | <u>201,552</u> |
| Total Net Assets | <u><u>\$3,937,080</u></u> |
| Operating Revenues: | |
| Tenant revenue | \$ 260,405 |
| Program grants - subsidies | 108,776 |
| Other | <u>101,429</u> |
| Total Operating Revenues | <u>\$ 470,610</u> |
| Operating Expenses: | |
| General operations | \$ 476,658 |
| Depreciation | <u>229,281</u> |
| Total Operating Expenses | <u>\$ 705,939</u> |
| Operating Income (Loss) | (<u>\$ 235,329</u>) |
| Nonoperating Revenues (Expenses) | <u>\$ 1,994</u> |
| Other Revenues, Expenses, Gains, Losses and Transfers | |
| Capital grant contributions | <u>\$ 82,381</u> |
| Change in Net Position | (<u>\$ 150,954</u>) |
| Net Position, beginning of period | <u>4,088,034</u> |
| Net Position, end of period | <u><u>\$3,937,080</u></u> |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

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

Audited financial information for the joint venture as of June 30, 2015:

| | |
|-----------------------------------|---------------------|
| Total Assets | <u>\$14,248,495</u> |
| Liabilities: | |
| Current liabilities | \$ 1,144,469 |
| Non-current liabilities | <u>5,088,758</u> |
| | <u>\$ 6,233,227</u> |
| Net Position: | |
| Net investment in capital assets | \$ 6,674,380 |
| Unrestricted | <u>1,340,887</u> |
| Total net position | <u>\$ 8,015,267</u> |
| Total revenues | \$ 2,186,208 |
| Total expenditures | <u>1,942,198</u> |
| Change in net assets | \$ 244,010 |
| Net assets, beginning of the year | <u>7,771,257</u> |
| Net assets, end of year | <u>\$ 8,015,267</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 2014 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 |

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

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

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

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

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

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

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, 2015, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Governmental</u> | <u>Business-</u> | <u>Fiduciary</u> | <u>Total</u> | <u>Component</u> |
|---------------------------|---------------------|--------------------|--------------------|--------------------|-------------------|
| | <u>Activities</u> | <u>Type</u> | <u>Funds</u> | <u>Primary</u> | <u>Units</u> |
| Cash and cash equivalents | \$ 2,877,658 | \$1,248,650 | \$1,049,981 | \$5,176,289 | \$ 433,495 |
| Investments | 10,710 | - | 1,273,670 | 1,284,380 | - |
| Restricted assets | - | 955,107 | - | 955,107 | - |
| Total | <u>\$ 2,888,368</u> | <u>\$2,203,757</u> | <u>\$2,323,651</u> | <u>\$7,415,776</u> | <u>\$ 433,495</u> |

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

| | <u>Bank Balances</u> | | |
|---------------------------|----------------------|-------------------|---------------------|
| <u>Deposits</u> | <u>Primary</u> | <u>Component</u> | |
| | <u>Government</u> | <u>Unit</u> | <u>Total</u> |
| Insured or collateralized | \$ 6,059,033 | \$ 433,863 | \$ 6,492,896 |
| Uninsured | - | - | - |
| Total Deposits | <u>\$ 6,059,033</u> | <u>\$ 433,863</u> | <u>\$ 6,492,896</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

At year end, the carrying amount of cash was \$5,169,478 and \$433,495 for the primary government and component units respectively. Deposits totaling \$955,107 are included with Restricted Assets and deposits of \$6,811 are classified as Retirement Account-Cash. Included with Cash was petty cash of \$2,209. The total carrying amount of deposits in these accounts is \$6,131,396 and \$433,495 for the primary government and component units respectively.

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

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

Investment Type

| | (1) | (2) | (3) | <u>Reported Amount</u> | <u>Fair Value</u> |
|---------------------------------------|------------------|-------------|-------------|----------------------------|-----------------------|
| Risk-Categorized | | | | | |
| Cash equivalents | \$ 10,710 | \$ - | \$ - | \$ 10,710 | \$ 10,710 |
| Stocks, bonds and secure mortgages | <u>74,104</u> | <u>-</u> | <u>-</u> | <u>74,104</u> | <u>74,104</u> |
| | <u>\$ 84,814</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 84,814</u> | <u>\$ 84,814</u> |
| Nonrisk-Categorized | | | | | |
| Mutual funds | | | | <u>\$1,199,566</u> | <u>\$1,199,566</u> |
| Total investments | | | | <u>\$1,284,380</u> | <u>\$1,284,380</u> |

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES

Receivables as of June 30, 2015 are as follows:

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Capital Projects Fund</u> | <u>Water Fund</u> | <u>Sewer Fund</u> |
|-------------------|-------------------------|--------------------------------------|--------------------------------------|-----------------------|-----------------------|
| Taxes receivable | \$ 14,247 | \$ - | \$ - | \$ - | \$ - |
| Accounts | 80,448 | - | 1,900 | 85,362 | 163,920 |
| Long-term loans | - | 158,120 | - | - | - |
| Intergovernmental | <u>2,677</u> | <u>114,085</u> | <u>-</u> | <u>-</u> | <u>231,267</u> |
| Total receivables | <u>\$ 97,372</u> | <u>\$272,205</u> | <u>\$ 1,900</u> | <u>\$ 85,362</u> | <u>\$ 395,187</u> |

| | <u>Transit Fund</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|-------------------|-------------------------|----------------------------|-------------------|
| Taxes receivable | \$ - | \$ - | \$ 14,247 |
| Accounts | 4,522 | 93 | 336,245 |
| Long-term loans | - | 54,160 | 212,280 |
| Intergovernmental | <u>7,440</u> | <u>-</u> | <u>355,469</u> |
| Total receivables | <u>\$ 11,962</u> | <u>\$ 54,253</u> | <u>\$ 918,241</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 | \$ 14,247 |
| Long-term loans receivable | <u>158,120</u> |
| Total | <u>\$ 172,367</u> |

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$158,120 consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

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

NOTE D - RECEIVABLES (CONTINUED)

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the statement of net position at June 30, 2015. The amount receivable (owed) and the applicable years are as follows:

| <u>For Fiscal Year</u> | <u>Due from (to) State</u> |
|--------------------------------|------------------------------------|
| 2009-10 | (\$ 7,174) |
| 2010-11 | (4,922) |
| 2013-14 | (39,553) |
| 2014-15 | <u>(1,135)</u> |
| | <u>(\$ 52,784)</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, 2015. The amounts and the applicable years are as follows:

| <u>For Fiscal Year</u> | <u>Amount Receivable (Payable)</u> |
|--------------------------------|--|
| 1998-99 | (\$ 167) |
| 1999-00 | (3,070) |
| 2000-01 | (72) |
| 2001-02 | (28) |
| 2003-04 | (654) |
| 2004-05 | (2,263) |
| 2005-06 | 8 |
| 2006-07 | (3,223) |
| 2007-08 | 2,663 |
| 2009-10 | (9,825) |
| 2010-11 | (493) |
| 2011-12 | (443) |
| 2012-13 | 4,619 |
| 2013-14 | 1,053 |
| 2014-15 | <u>19,335</u> |
| | <u>\$ 7,440</u> |

c. The amount of the 2014-15 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

| | <u>State Operating Assistance</u> | <u>Federal Section 5311 Funds</u> |
|-----------------------------------|---|---|
| Maximum allowable per computation | \$ 123,254 | \$ 58,020 |
| 2014-15 receipts | <u>(124,389)</u> | <u>(38,685)</u> |
| Amount receivable (payable) | <u>(\$ 1,135)</u> | <u>\$ 19,335</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 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 | 4,310,356 | - |
| Equipment | 4,032,238 | 241,107 |
| Infrastructure | <u>5,863,896</u> | <u>123,320</u> |
| Total capital assets being depreciated | <u>\$18,080,465</u> | <u>\$ 364,427</u> |
| Less accumulated depreciation for: | | |
| Buildings | (\$ 1,153,808) | (\$ 68,235) |
| Improvements | (2,835,807) | (83,086) |
| Equipment | (3,133,506) | (286,697) |
| Infrastructure | <u>(2,321,434)</u> | <u>(105,500)</u> |
| Total accumulated depreciation | <u>(\$ 9,444,555)</u> | <u>(\$ 543,518)</u> |
| Total capital assets, being depreciated, net | <u>\$ 8,635,910</u> | <u>(\$ 179,091)</u> |
| Governmental activities capital assets, net | <u>\$ 9,291,669</u> | <u>(\$ 179,091)</u> |
| Business-type activities: | | |
| Capital assets not being depreciated - PLWSA | \$ 941,313 | \$ - |
| Capital assets being depreciated: | | |
| Buildings | \$ 276,443 | \$ - |
| Improvements | 74,334 | - |
| Equipment | 1,745,011 | 141,232 |
| Infrastructure | <u>28,402,322</u> | <u>594,677</u> |
| Total capital assets being depreciated | <u>\$30,498,110</u> | <u>\$ 735,909</u> |
| Less accumulated depreciation for: | | |
| Buildings | (\$ 149,659) | (\$ 6,835) |
| Improvements | (18,785) | (1,860) |
| Equipment | (1,245,667) | (121,061) |
| Infrastructure | <u>(12,209,640)</u> | <u>(562,996)</u> |
| Total accumulated depreciation | <u>(\$13,623,751)</u> | <u>(\$ 692,752)</u> |
| Total capital assets being depreciated, net | <u>\$16,874,359</u> | <u>\$ 43,157</u> |
| Business-type activities capital assets, net | <u>\$17,815,672</u> | <u>\$ 43,157</u> |
| Component unit activities: | | |
| Capital assets not being depreciated - land | \$ 52,111 | \$ - |
| Capital assets being depreciated: | | |
| Buildings | \$ 635,570 | \$ - |
| Infrastructure | <u>6,546,548</u> | <u>138,908</u> |
| Total capital assets being depreciated | <u>\$ 7,182,118</u> | <u>\$ 138,908</u> |
| Less accumulated depreciation for: | | |
| Buildings | (\$ 217,463) | (\$ 12,711) |
| Infrastructure | <u>(1,668,272)</u> | <u>(136,005)</u> |
| Total accumulated depreciation | <u>(\$ 1,885,735)</u> | <u>(\$ 148,716)</u> |
| Total capital assets being depreciated, net | <u>\$ 5,296,383</u> | <u>(\$ 9,808)</u> |
| Component unit activities capital assets, net | <u>\$ 5,348,494</u> | <u>(\$ 9,808)</u> |

| <u>Retirements</u> | <u>Balance June 30</u> |
|--------------------|----------------------------|
| \$ - | \$ 655,759 |
| \$ - | \$ 3,873,975 |
| - | 4,310,356 |
| 55,800 | 4,217,545 |
| - | 5,987,216 |
| <u>\$ 55,800</u> | <u>\$18,389,092</u> |
| \$ - | (\$ 1,222,043) |
| - | (2,918,893) |
| 55,800 | (3,364,403) |
| - | (2,426,934) |
| <u>\$ 55,800</u> | <u>(\$ 9,932,273)</u> |
| <u>\$ -</u> | <u>\$ 8,456,819</u> |
| <u>\$ -</u> | <u>\$ 9,112,578</u> |
| <u>\$ -</u> | <u>\$ 941,313</u> |
| \$ - | \$ 276,443 |
| - | 74,334 |
| 244,615 | 1,641,628 |
| - | 28,996,999 |
| <u>244,615</u> | <u>\$30,989,404</u> |
| \$ - | (\$ 156,494) |
| - | (20,645) |
| 244,615 | (1,122,113) |
| - | (12,772,636) |
| <u>\$ 244,615</u> | <u>(\$14,071,888)</u> |
| <u>\$ -</u> | <u>\$16,917,516</u> |
| <u>\$ -</u> | <u>\$17,858,829</u> |
| <u>\$ -</u> | <u>\$ 52,111</u> |
| \$ - | \$ 635,570 |
| - | 6,685,456 |
| <u>\$ -</u> | <u>\$ 7,321,026</u> |
| \$ - | (\$ 230,174) |
| - | (1,804,277) |
| <u>\$ -</u> | <u>(\$ 2,034,451)</u> |
| <u>\$ -</u> | <u>\$ 5,286,575</u> |
| <u>\$ -</u> | <u>\$ 5,338,686</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 | \$ 99,903 |
| Public works | 149,570 |
| Public safety | 57,024 |
| Recreation and parks | <u>18,672</u> |
| Total depreciation expense - Governmental activities | <u>\$ 325,169</u> |
| Business-type activities: | |
| Water | \$ 272,576 |
| Sewer | 170,417 |
| Parking | 142,198 |
| Transit | <u>107,561</u> |
| Total depreciation expense - Business-type activities | <u>\$ 692,752</u> |

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2015 are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|------------------|---------------------------------|--------------------|------------------------------|
| General | \$ <u>5,875</u> | Water | \$ <u>5,875</u> |
| Local Street | \$ <u>4,972</u> | Major Street | \$ <u>4,972</u> |
| Capital Projects | \$ <u>29,000</u> | Parking System | \$ <u>29,000</u> |
| Revolving | \$ <u>61,363</u> | Public Improvement | \$ <u>61,363</u> |
| Sewer Disposal | \$ <u>33,868</u> | Water | \$ <u>33,868</u> |
| Equipment | \$ 232,718 | General | \$ 76,894 |
| | | Major Street | 3,519 |
| | | Local Street | 119,322 |
| | | Public Improvement | 6,783 |
| | | Water | 14,269 |
| | | Sewer | 7,808 |
| | | Transit | 3,392 |
| | | Parking System | <u>731</u> |
| SUBTOTAL | \$ <u>232,718</u> | SUBTOTAL | \$ <u>232,718</u> |
| TOTALS | \$ <u>367,796</u> | TOTALS | \$ <u>367,796</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

The amounts of receivables and payables between primary government and component units at June 30, 2015 are as follows:

| | <u>Receivable from Primary Government</u> | <u>Payable to Primary Government</u> | | <u>Receivable from Component Unit</u> | <u>Payable to Component Unit</u> |
|--|---|--|----------------|---|--|
| Downtown Development Authority - General | \$ 24,057 | \$ 13 | Equipment | \$ 13 | \$ - |
| | | | Tax Collection | <u>-</u> | <u>24,057</u> |
| | <u>\$ 24,057</u> | <u>\$ 13</u> | | <u>\$ 13</u> | <u>\$ 24,057</u> |
| Tax Increment Finance Authority - General | \$ 97,014 | \$ 259 | Equipment | \$ 259 | - |
| | | | Transit | | - |
| | | | Public | | |
| | | | Improvement | - | 70,000 |
| | | | Tax Collection | <u>-</u> | <u>27,014</u> |
| | <u>\$ 97,014</u> | <u>\$ 259</u> | | <u>\$ 259</u> | <u>\$ 97,014</u> |
| TOTALS | <u>\$ 121,071</u> | <u>\$ 272</u> | TOTALS | <u>\$ 272</u> | <u>\$ 121,071</u> |

NOTE G - LONG-TERM DEBT

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

| | <u>Governmental</u> | <u>Business- Type</u> |
|---|---------------------|---------------------------|
| At June 30, 2015 bonds payable consisted of the following individual issues: | | |
| Water supply and sewage disposal system revenue bonds dated March 9, 1978, mature annually on February 1, 2016 through February 1, 2017, with interest at 5.00% per annum | \$ - | \$ 20,000 |
| Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2016 through May 1, 2019, with interest at 5.00 % per annum. | - | 63,000 |
| Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2015 through August 13, 2052, with interest at 2.125% per annum. | - | 3,990,000 |
| Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2015 through August 1, 2052 with interest at 2.75% per annum. | - | 3,379,000 |
| Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2015 through October 1, 2035 with interest ranging from 2.0% to 4.0% | 1,690,000 | 3,685,000 |
| Limited tax general obligation bonds dated July 19, 2005, mature annually on November 1, 2015 through November 1, 2034, with interest at 4.25% per annum. | <u>55,000</u> | <u>-</u> |
| Total bonds payable | <u>\$ 1,745,000</u> | <u>\$11,128,000</u> |
| <u>INSTALLMENT NOTE</u> | | |
| 2006 Rural Development Service Installment note, matures annually on July 1, 2015 through July 1, 2021 with interest at 4.25% per annum. | <u>\$ 105,000</u> | <u>\$ -</u> |
| <u>INSTALLMENT PURCHASE CONTRACTS</u> | | |
| 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>\$ 294,732</u> | <u>\$ -</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

The long-term portion of employee compensated absences, totaling \$153,357, other post-retirement benefits payable of \$45,238 are paid through the Employee Benefits Fund, and reported as governmental activity in the Government-wide Statement of Net Position.

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015, are as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-------------------------------|--------------------------------|-------------------|---------------------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 132,365 | \$ 77,054 | \$ 235,000 | \$ 310,573 |
| 2017 | 135,449 | 72,283 | 243,000 | 304,655 |
| 2018 | 142,631 | 67,255 | 237,000 | 298,611 |
| 2019 | 125,916 | 62,605 | 257,000 | 292,795 |
| 2020 | 134,309 | 57,978 | 243,000 | 286,082 |
| 2021 | 132,062 | 52,844 | 271,000 | 279,169 |
| 2022 | 87,000 | 48,936 | 280,000 | 271,735 |
| 2023 | 70,000 | 46,475 | 289,000 | 264,054 |
| 2024 | 70,000 | 44,375 | 298,000 | 256,124 |
| 2025 | 75,000 | 42,163 | 307,000 | 247,867 |
| 2026 | 75,000 | 39,800 | 316,000 | 239,190 |
| 2027 | 80,000 | 37,000 | 325,000 | 229,473 |
| 2028 | 85,000 | 33,700 | 339,000 | 218,681 |
| 2029 | 85,000 | 30,300 | 354,000 | 207,389 |
| 2030-2053 | <u>715,000</u> | <u>104,500</u> | <u>7,134,000</u> | <u>2,106,633</u> |
| | <u>\$2,144,732</u> | <u>\$ 817,268</u> | <u>\$11,128,000</u> | <u>\$5,813,031</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 06-30-14</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 06-30-15</u> |
|---|-----------------------------|-------------------|-------------------|-----------------------------|
| <u>PROPRIETARY ACTIVITIES</u> | | | | |
| REVENUE BONDS | | | | |
| Water Supply and Sewage Disposal System Bonds (1978) | \$ 30,000 | \$ - | \$ 10,000 | \$ 20,000 |
| Water Supply and Sewage Disposal System Bonds (1980) | 77,000 | - | 14,000 | 63,000 |
| Construction Bonds (2012) | 3,999,000 | 87,000 | 96,000 | 3,990,000 |
| Junior Lien Sewage Disposal System Construction Bonds (2012) | 3,343,000 | 93,000 | 66,000 | 3,370,000 |
| 2013 Refunding Bonds | <u>3,785,000</u> | <u>-</u> | <u>100,000</u> | <u>3,685,000</u> |
| | <u>\$11,234,000</u> | <u>\$ 180,000</u> | <u>\$ 286,000</u> | <u>\$11,128,000</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

| | <u>Balance</u> <u>06-30-14</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>06-30-15</u> |
|---|-----------------------------------|-------------------|-------------------|-----------------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| GENERAL OBLIGATION BONDS | | | | |
| Building Authority Bonds (1997) | \$ 95,000 | \$ - | \$ 40,000 | \$ 55,000 |
| INSTALLMENT PURCHASE CONTRACTS | | | | |
| Building Improvements | 335,545 | - | 40,813 | 294,732 |
| INSTALLMENT NOTE | | | | |
| 2006 Rural Development Loan | 118,000 | - | 13,000 | 105,000 |
| LIMITED TAX GENERAL OBLIGATION BONDS | | | | |
| 2013 Refunding Bonds | <u>1,750,000</u> | <u>-</u> | <u>60,000</u> | <u>1,690,000</u> |
| | \$ 2,298,545 | \$ - | \$ 153,813 | \$ 2,144,732 |
| Accrued compensated absences payable | 397,345 | - | 34,194 | 363,151 |
| Less current portion, included in Employee Benefit Fund | 180,626 | - | (29,168) | 209,794 |
| Other post-employment benefits payable | <u>45,238</u> | <u>-</u> | <u>-</u> | <u>45,238</u> |
| | <u>\$ 2,560,502</u> | <u>\$ -</u> | <u>\$ 217,175</u> | <u>\$ 2,343,327</u> |
| <u>TAX INCREMENT FINANCE AUTHORITY</u> | | | | |
| LIMITED TAX DEVELOPMENT BONDS | | | | |
| 1998 Refunding Bonds | \$ 125,000 | \$ - | \$ 125,000 | \$ - |
| 1999 Tax Increment Bond | <u>230,000</u> | <u>-</u> | <u>40,000</u> | <u>190,000</u> |
| | <u>\$ 355,000</u> | <u>\$ -</u> | <u>\$ 165,000</u> | <u>\$ 190,000</u> |
| <u>DOWNTOWN DEVELOPMENT AUTHORITY</u> | | | | |
| LIMITED TAX DEVELOPMENT BONDS | | | | |
| 2011 Refunding Bonds | <u>\$ 385,000</u> | <u>\$ -</u> | <u>\$ 90,000</u> | <u>\$ 295,000</u> |
| | <u>\$14,534,502</u> | <u>\$ 180,000</u> | <u>\$ 758,175</u> | <u>\$13,956,327</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1978

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$188,000 originally issued, \$20,000 outstanding) dated March 9, 1978, mature annually on February 1, 2016 through February 1, 2017, with interest at 5.00% per annum.

| <u>Year Ended</u> <u>June 30</u> | <u>August 1</u> <u>Interest</u> | <u>February 1</u> | | <u>Total</u> |
|-------------------------------------|------------------------------------|-------------------|-----------------|------------------|
| | | <u>Principal</u> | <u>Interest</u> | |
| 2016 | \$ 500 | \$ 10,000 | \$ 500 | \$ 11,000 |
| 2017 | 250 | 10,000 | 250 | 10,500 |
| | <u>\$ 750</u> | <u>\$ 20,000</u> | <u>\$ 750</u> | <u>\$ 21,500</u> |

Bonds are subject to redemption prior to maturity, at the option of the City, in inverse numerical order, on any interest payment dates, at par and accrued interest to date of redemption, upon thirty days written notice to the registered bond holder.

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

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$300,000 authorized, \$63,000 outstanding) dated March 6, 1980, mature annually on May 1, 2016 through May 1, 2019, with interest at 5.00% per annum.

| <u>Year Ended</u> <u>June 30</u> | <u>November 1</u> <u>Interest</u> | <u>May 1</u> | | <u>Total</u> |
|-------------------------------------|--------------------------------------|------------------|-----------------|------------------|
| | | <u>Principal</u> | <u>Interest</u> | |
| 2016 | \$ 1,575 | \$ 15,000 | \$ 1,575 | \$ 18,150 |
| 2017 | 1,200 | 15,000 | 1,200 | 17,400 |
| 2018 | 825 | 16,000 | 825 | 17,650 |
| 2019 | 425 | 17,000 | 425 | 17,850 |
| | <u>\$ 4,025</u> | <u>\$ 63,000</u> | <u>\$ 4,025</u> | <u>\$ 71,050</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

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

Water and Sewage system Junior Lien Revenue Bond (\$4,148,000 authorized and \$3,990,000 issued and outstanding), dated August 13, 2012, mature annually on August 1, 2015 through August 1, 2052 with an interest rate of 2.125% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

| Due Year Ended <u>June 30</u> | August 1 | | February 1 | <u>Total</u> |
|-------------------------------------|--------------------|------------------|-------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | |
| 2016 | \$ 65,000 | \$ 42,744 | \$ 42,744 | \$ 150,488 |
| 2017 | 66,000 | 42,054 | 42,054 | 150,108 |
| 2018 | 68,000 | 41,353 | 41,353 | 150,706 |
| 2019 | 70,000 | 40,630 | 40,630 | 151,260 |
| 2020 | 71,000 | 39,886 | 39,886 | 150,772 |
| 2021 | 73,000 | 39,132 | 39,132 | 151,264 |
| 2022 | 75,000 | 38,356 | 38,356 | 151,712 |
| 2023 | 77,000 | 37,559 | 37,560 | 152,119 |
| 2024 | 79,000 | 36,741 | 36,741 | 152,482 |
| 2025 | 81,000 | 35,902 | 35,902 | 152,804 |
| 2026 | 83,000 | 35,041 | 35,041 | 153,082 |
| 2027 | 85,000 | 34,159 | 34,159 | 153,318 |
| 2028 | 87,000 | 33,256 | 33,256 | 153,512 |
| 2029 | 89,000 | 32,332 | 32,332 | 153,664 |
| 2030 | 91,000 | 31,386 | 31,386 | 153,772 |
| 2031 | 94,000 | 30,419 | 30,419 | 154,838 |
| 2032 | 96,000 | 29,421 | 29,421 | 154,842 |
| 2033 | 98,000 | 28,401 | 28,401 | 154,802 |
| 2034 | 101,000 | 27,359 | 27,359 | 155,718 |
| 2035 | 103,000 | 26,286 | 26,286 | 155,572 |
| 2036 | 106,000 | 25,192 | 25,192 | 156,384 |
| 2037 | 109,000 | 24,066 | 24,066 | 157,132 |
| 2038 | 111,000 | 22,908 | 22,908 | 156,816 |
| 2039 | 114,000 | 21,728 | 21,728 | 157,456 |
| 2040 | 117,000 | 20,517 | 20,517 | 158,034 |
| 2041 | 120,000 | 19,274 | 19,274 | 158,548 |
| 2042 | 123,000 | 17,999 | 17,999 | 158,998 |
| 2043 | 126,000 | 16,692 | 16,692 | 159,384 |
| 2044 | 129,000 | 15,353 | 15,353 | 159,706 |
| 2045 | 132,000 | 13,983 | 13,983 | 159,966 |
| 2046 | 136,000 | 12,580 | 12,580 | 161,160 |
| 2047 | 139,000 | 11,135 | 11,135 | 161,270 |
| 2048 | 143,000 | 9,658 | 9,658 | 162,316 |
| 2049 | 146,000 | 8,139 | 8,139 | 162,278 |
| 2050 | 150,000 | 6,588 | 6,588 | 163,176 |
| 2051 | 153,000 | 4,994 | 4,994 | 162,988 |
| 2052 | 157,000 | 3,368 | 3,368 | 163,736 |
| 2053 | 127,000 | 1,700 | 1,700 | 130,400 |
| | <u>\$3,990,000</u> | <u>\$958,291</u> | <u>\$ 958,292</u> | <u>\$5,906,583</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 \$3,370,000 issued and outstanding), dated August 13, 2012, mature annually on August 1, 2015 through August 1, 2052 with an interest rate of 2.75% per annum. The following repayment schedule was projected when the bond was authorized, actual interest payments will be recalculated based on the outstanding principal.

| Due Year Ended <u>June 30</u> | August 1 | | February 1 | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 45,000 | \$ 46,640 | \$ 46,640 | \$ 138,280 |
| 2017 | 47,000 | 46,021 | 46,021 | 139,042 |
| 2018 | 48,000 | 45,375 | 45,375 | 138,750 |
| 2019 | 50,000 | 44,715 | 44,715 | 139,430 |
| 2020 | 52,000 | 44,027 | 44,028 | 140,055 |
| 2021 | 53,000 | 43,313 | 43,312 | 139,625 |
| 2022 | 55,000 | 42,584 | 42,584 | 140,168 |
| 2023 | 57,000 | 41,827 | 41,828 | 140,655 |
| 2024 | 59,000 | 41,044 | 41,043 | 141,087 |
| 2025 | 61,000 | 40,232 | 40,232 | 141,464 |
| 2026 | 63,000 | 39,394 | 39,394 | 141,788 |
| 2027 | 65,000 | 38,527 | 38,528 | 142,055 |
| 2028 | 67,000 | 37,634 | 37,634 | 142,268 |
| 2029 | 70,000 | 36,713 | 36,712 | 143,425 |
| 2030 | 72,000 | 35,750 | 35,750 | 143,500 |
| 2031 | 74,000 | 34,760 | 34,760 | 143,520 |
| 2032 | 77,000 | 33,742 | 33,743 | 144,485 |
| 2033 | 79,000 | 32,684 | 32,684 | 144,368 |
| 2034 | 82,000 | 31,598 | 31,597 | 145,195 |
| 2035 | 85,000 | 30,470 | 30,470 | 145,940 |
| 2036 | 88,000 | 29,301 | 29,301 | 146,602 |
| 2037 | 91,000 | 28,091 | 28,091 | 147,182 |
| 2038 | 94,000 | 26,840 | 26,840 | 147,680 |
| 2039 | 97,000 | 25,547 | 25,548 | 148,095 |
| 2040 | 100,000 | 24,214 | 24,214 | 148,428 |
| 2041 | 104,000 | 22,839 | 22,839 | 149,678 |
| 2042 | 107,000 | 21,409 | 21,409 | 149,818 |
| 2043 | 111,000 | 19,938 | 19,937 | 150,875 |
| 2044 | 115,000 | 18,411 | 18,411 | 151,822 |
| 2045 | 118,000 | 16,830 | 16,830 | 151,660 |
| 2046 | 122,000 | 15,207 | 15,208 | 152,415 |
| 2047 | 127,000 | 13,530 | 13,530 | 154,060 |
| 2048 | 131,000 | 11,784 | 11,784 | 154,568 |
| 2049 | 135,000 | 9,983 | 9,982 | 154,965 |
| 2050 | 140,000 | 8,126 | 8,126 | 156,252 |
| 2051 | 145,000 | 6,201 | 6,201 | 157,402 |
| 2052 | 149,000 | 4,207 | 4,208 | 157,415 |
| 2053 | 135,000 | 2,159 | 2,159 | 139,318 |
| | <u>\$3,370,000</u> | <u>\$1,091,667</u> | <u>\$1,091,668</u> | <u>\$5,553,335</u> |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2013 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

Limited Tax General Obligation Refunding Bonds, Series 2013 (\$5,640,000 authorized and \$5,375,000 issued and outstanding), dated June 20, 2013, mature annually on October 1, 2015 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> | |
| 2015 | \$ 160,000 | \$ 95,040 | \$ 93,440 | \$ 348,480 |
| 2016 | 160,000 | 93,440 | 91,840 | 345,280 |
| 2017 | 160,000 | 91,840 | 90,240 | 342,080 |
| 2018 | 165,000 | 90,240 | 88,590 | 343,830 |
| 2019 | 180,000 | 88,590 | 86,790 | 355,380 |
| 2020 | 185,000 | 86,790 | 84,015 | 355,805 |
| 2021 | 210,000 | 84,015 | 80,865 | 374,880 |
| 2022 | 220,000 | 80,865 | 77,565 | 378,430 |
| 2023 | 225,000 | 77,565 | 74,190 | 376,755 |
| 2024 | 230,000 | 74,190 | 70,740 | 374,930 |
| 2025 | 240,000 | 70,740 | 67,020 | 377,760 |
| 2026 | 245,000 | 67,020 | 63,100 | 375,120 |
| 2027 | 255,000 | 63,100 | 58,000 | 376,100 |
| 2028 | 270,000 | 58,000 | 52,600 | 380,600 |
| 2029 | 280,000 | 52,600 | 47,000 | 379,600 |
| 2030 | 290,000 | 47,000 | 41,200 | 378,200 |
| 2031 | 305,000 | 41,200 | 35,100 | 381,300 |
| 2032 | 325,000 | 35,100 | 28,600 | 388,700 |
| 2033 | 335,000 | 28,600 | 21,900 | 385,500 |
| 2034 | 350,000 | 21,900 | 14,900 | 386,800 |
| 2035 | 365,000 | 14,900 | 7,600 | 387,500 |
| 2036 | <u>380,000</u> | <u>7,600</u> | <u>-</u> | <u>387,600</u> |
| | <u>\$5,375,000</u> | <u>\$1,275,295</u> | <u>\$1,181,855</u> | <u>\$7,832,150</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.

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds (\$955,000 originally issued and \$55,000 outstanding), dated September 1, 1997, mature annually on October 1, 2015 through October 1, 2017.

| Year Ended <u>June 30</u> | Interest <u>Rate</u> | October 1 | | April 1 | <u>Total</u> |
|------------------------------|-------------------------|------------------|-----------------|-----------------|------------------|
| | | <u>Principal</u> | <u>Interest</u> | <u>Interest</u> | |
| 2016 | 5.50 | \$ 15,000 | \$ 1,513 | \$ 1,100 | \$ 17,613 |
| 2017 | 5.50 | 20,000 | 1,100 | 550 | 21,650 |
| 2018 | 5.50 | 20,000 | 550 | - | 20,550 |
| | | <u>\$ 55,000</u> | <u>\$ 3,163</u> | <u>\$ 1,650</u> | <u>\$ 59,813</u> |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2011 DOWNTOWN DEVELOPMENT REFUNDING BONDS (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds (\$385,000 originally issued and \$295,000 outstanding) dated August 2, 2011, mature annually on May 1, 2016, through May 1, 2018 with an interest rate of 3.5% per annum.

| <u>Year Ended</u> <u>June 30</u> | <u>November 1</u> <u>Interest</u> | <u>Principal</u> | <u>May 1</u> <u>Interest</u> | <u>Total</u> |
|-------------------------------------|--------------------------------------|-------------------|---------------------------------|-------------------|
| 2016 | \$ 5,163 | \$ 95,000 | \$ 5,162 | \$ 105,325 |
| 2017 | 3,500 | 100,000 | 3,500 | 107,000 |
| 2018 | 1,750 | 100,000 | 1,750 | 103,500 |
| | <u>\$ 10,413</u> | <u>\$ 295,000</u> | <u>\$ 10,412</u> | <u>\$ 315,825</u> |

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

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$190,000 outstanding) dated October 1, 1999, mature annually on May 1, 2016 through May 1, 2019.

| <u>Year Ended</u> <u>June 30</u> | <u>Interest</u> <u>Rate</u> | <u>November 1</u> <u>Interest</u> | <u>Principal</u> | <u>May 1</u> <u>Interest</u> | <u>Total</u> |
|-------------------------------------|--------------------------------|--------------------------------------|-------------------|---------------------------------|-------------------|
| 2016 | 6.00 | \$ 5,700 | \$ 40,000 | \$ 5,700 | \$ 51,400 |
| 2017 | 6.00 | 4,500 | 45,000 | 4,500 | 54,000 |
| 2018 | 6.00 | 3,150 | 50,000 | 3,150 | 56,300 |
| 2019 | 6.00 | 1,650 | 55,000 | 1,650 | 58,300 |
| | | <u>\$ 15,000</u> | <u>\$ 190,000</u> | <u>\$ 15,000</u> | <u>\$ 220,000</u> |

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

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$105,000 outstanding) matures annually on July 1, 2015 through July 1, 2021 with interest at the rate of 4.25% per annum.

| <u>Year Ended</u> <u>June 30</u> | <u>Principal</u> | <u>July 1</u> <u>Interest</u> | <u>January 1</u> <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|----------------------------------|-------------------------------------|-------------------|
| 2016 | \$ 13,000 | \$ 2,231 | \$ 1,955 | \$ 17,186 |
| 2017 | 14,000 | 1,955 | 1,657 | 17,612 |
| 2018 | 14,000 | 1,657 | 1,360 | 17,017 |
| 2019 | 15,000 | 1,360 | 1,041 | 17,401 |
| 2020 | 16,000 | 1,041 | 701 | 17,742 |
| 2021 | 16,000 | 701 | 361 | 17,062 |
| 2022 | 17,000 | 361 | - | 17,361 |
| | <u>\$ 105,000</u> | <u>\$ 9,306</u> | <u>\$ 7,075</u> | <u>\$ 121,381</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

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) are 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, 2015 was \$1,852,012. The City's contributions to the money purchase plan were calculated using the base salary amount of \$414,730. The City made the required contribution of \$61,826.

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%.

The City is a participating member of the Michigan Employees' Retirement System (MERS) which covers full time union employees under contract. The plan is a multiple-employer, defined benefit, public employee retirement system, administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees' Retirement

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - PENSION (CONTINUED)

System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377. The year-end financial statements from MERS for 2014 were available and used in updating the financial data for disclosure purposes. The most recent information is presented.

The City does not require its employees to contribute to the System. The City pays on behalf of its union work force. The City is required to contribute the remaining amount necessary to fund the System, using the actuarial basis as specified by statute.

The annual required contribution was determined as part of an actuarial valuation at December 31, 2014, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a net long-term investment yield of 8.0%, (b) projected pay increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 28 years.

The City made retirement contributions of \$147,560 on behalf of covered employee's payroll of \$926,569 for the fiscal year ended June 30, 2015.

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Houghton Retirement 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, 2013, membership of the plan consisted of 26 active plan members, and 17 retirees and beneficiaries receiving benefits. This plan had previously been established to provide health care insurance benefits to eligible employees and their spouses. On June 13, 2012, the City Council passed a resolution to treat these payments as retirement benefits rather than as health care insurance benefits but has continued to account for them under the rules of Other Post-Employment Benefits.

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, 2013, 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 | \$ 20,288 |
| Interest | 811 |
| Total normal cost | <u>\$ 21,099</u> |
| Amortization component | |
| Actuarial accrued liability | \$934,889 |
| Less - assets | - |
| Unfunded actuarial accrued liability | <u>\$934,889</u> |
| Divided by present value factor | <u>26.1695</u> |
| Amortization payment | \$ 35,724 |
| Interest | 1,429 |
| Total amortization payment | <u>\$ 37,153</u> |
| Annual required contribution | <u>\$ 58,252</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

| | |
|---|-----------------|
| Annual required contribution | \$58,252 |
| Interest on Net OPEB obligation | 1,211 |
| Adjustments to ARC | (1,168) |
| Annual OPEB cost (expense) | \$58,295 |
| Contributions made | <u>43,320</u> |
| Increase in net OPEB obligation | \$14,975 |
| Net OPEB obligation - beginning of year | <u>30,263</u> |
| Net OPEB obligation - end of year | <u>\$45,238</u> |

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 is as follows:

| | |
|------------------------|----------|
| Annual OPEB costs | \$58,295 |
| Percentage contributed | 22.4% |
| Net OPEB obligation | \$45,238 |

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the actuarial accrued liability was \$934,889. The plan had no assets set aside in trust, resulting in an unfunded actuarial accrued liability of \$934,889.

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

ALTERNATIVE MEASUREMENT METHOD AND ASSUMPTIONS

In the June 30, 2013 valuation of the annual required contribution, the City used the alternative measurement method in lieu of obtaining an actuarial valuation. This alternate calculation requires the same broad measurement steps as would be necessary in the actuarial process, but allows an organization to utilize a set of predetermined assumptions that simplify the calculations necessary to determine the OPEB liability. Assumptions used in the preparation of the alternate calculation included a discount rate of 4% and post retirement interest rate of 4%.

NOTE K - 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 L - 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 M - 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, 2015.

| | June 30, | |
|-----------------------------|---------------------|--------------------|
| | Required Reserve | Reserve Balance |
| Water Fund: | | |
| Junior Lien Bond Redemption | \$ 83,558 | \$ 127,865 |
| Junior Lien Bond Reserve | 55,650 | 62,711 |
| Water Bond Reserve | 29,700 | 29,700 |
| | \$ 168,908 | \$ 220,276 |
| Sewer Fund: | | |
| Junior Lien Bond Redemption | \$ 68,730 | \$ 151,840 |
| Junior Lien Bond Reserve | 44,000 | 62,401 |
| | \$ 112,730 | \$ 214,241 |
| | \$ 281,638 | \$ 434,517 |

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

NOTE N - RESTATEMENT OF INFORMATION

For the year ended June 30, 2014, grant revenue, due from other governmental units, and fund balance of the Local Street Fund were overstated by \$6,355. These accounts have been restated to correct this error.

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by GASB in June 2012 and will be effective for the City's 2016 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation of the net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement will also improve the comparability and consistency of how governments calculate the pension liabilities and expense. The City is in the process of evaluating the financial statement impact of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Favorable (Unfavorable)</u> |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$1,467,000 | \$1,513,725 | \$1,554,450 | \$ 40,725 |
| Licenses and permits | 3,300 | 8,000 | 8,460 | 460 |
| State grants | 828,082 | 828,082 | 818,470 | (9,612) |
| Interest | 20,000 | 20,000 | 7,920 | (12,080) |
| Charges for services | 778,000 | 781,200 | 781,313 | 113 |
| Other revenues | <u>136,500</u> | <u>154,200</u> | <u>216,959</u> | <u>62,759</u> |
| TOTAL REVENUES | <u>\$3,232,882</u> | <u>\$3,305,207</u> | <u>\$3,387,572</u> | <u>\$ 82,365</u> |
| Expenditures: | | | | |
| General government administration | \$ 755,521 | \$ 740,419 | \$ 792,376 | (\$ 51,957) |
| Public safety | 968,489 | 968,589 | 958,565 | 10,024 |
| Public works | 424,852 | 452,444 | 456,327 | (3,883) |
| Recreation and parks | 322,652 | 347,666 | 322,576 | 25,090 |
| Debt service | 193,620 | 198,625 | 198,308 | 317 |
| Other expenditures | <u>190,483</u> | <u>82,199</u> | <u>74,016</u> | <u>8,183</u> |
| TOTAL EXPENDITURES | <u>\$2,855,617</u> | <u>\$2,789,942</u> | <u>\$2,802,168</u> | <u>(\$ 12,226)</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>\$ 377,265</u> | <u>\$ 515,265</u> | <u>\$ 585,404</u> | <u>\$ 70,139</u> |
| Other financing sources(uses): | | | | |
| Operating transfers in | \$ 5,700 | \$ 5,700 | \$ 5,700 | \$ - |
| Operating transfers out | <u>(382,965)</u> | <u>(520,965)</u> | <u>(520,824)</u> | <u>141</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(\$ 377,265)</u> | <u>(\$ 515,265)</u> | <u>(\$ 515,124)</u> | <u>\$ 141</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ - | \$ 70,280 | \$ 70,280 |
| Fund balance, beginning of year | <u>1,152,240</u> | <u>1,152,240</u> | <u>1,152,240</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$1,152,240</u></u> | <u><u>\$1,152,240</u></u> | <u><u>\$1,222,520</u></u> | <u><u>\$ 70,280</u></u> |

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance With Final Budget Favorable (Unfavorable) |
|--|--------------------------|--------------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| State grants | \$ 398,076 | \$ 398,076 | \$ 402,033 | \$ 3,957 |
| Interest and rents | <u>2,500</u> | <u>1,400</u> | <u>1,572</u> | <u>172</u> |
| TOTAL REVENUES | <u>\$ 400,576</u> | <u>\$ 399,476</u> | <u>\$ 403,605</u> | <u>\$ 4,129</u> |
| Expenditures: | | | | |
| General government administration | \$ 35,558 | \$ 35,558 | \$ 25,798 | \$ 9,760 |
| Public works: | | | | |
| Street preservation | 16,000 | 96,200 | 96,147 | 53 |
| Routine maintenance | 38,100 | 39,100 | 43,002 | (3,902) |
| Traffic services | 16,537 | 16,537 | 12,793 | 3,744 |
| Snow and ice control | 223,807 | 236,400 | 227,094 | 9,306 |
| Roadway inspections | 31,058 | 31,058 | 18,918 | 12,140 |
| Contingency | <u>10,340</u> | <u>170</u> | <u>-</u> | <u>170</u> |
| TOTAL EXPENDITURES | <u>\$ 371,400</u> | <u>\$ 455,023</u> | <u>\$ 423,752</u> | <u>\$ 31,271</u> |
| EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE | <u>\$ 29,176</u> | <u>(\$ 55,547)</u> | <u>(\$ 20,147)</u> | <u>\$ 35,400</u> |
| State trunkline maintenance - Excess of revenues (expenditures) | <u>(\$ 29,176)</u> | <u>\$ 5,547</u> | <u>(\$ 13,395)</u> | <u>(\$ 18,942)</u> |
| Other financing sources (uses) - Operating transfers in | <u>\$ -</u> | <u>\$ 50,000</u> | <u>\$ 50,000</u> | <u>\$ -</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,458</u> | <u>\$ 16,458</u> |
| Fund balance, beginning of year | <u>293,415</u> | <u>293,415</u> | <u>293,415</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 293,415</u></u> | <u><u>\$ 293,415</u></u> | <u><u>\$ 309,873</u></u> | <u><u>\$ 16,458</u></u> |

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 LOCAL STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance With Final Budget Favorable (Unfavorable) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$140,000 | \$140,000 | \$143,783 | \$ 3,783 |
| State grants | 233,239 | 276,199 | 265,660 | (10,539) |
| Interest and rents | <u>1,000</u> | <u>1,000</u> | <u>2,056</u> | <u>1,056</u> |
| TOTAL REVENUES | <u>\$374,239</u> | <u>\$417,199</u> | <u>\$411,499</u> | (\$ <u>5,700</u>) |
| Expenditures: | | | | |
| General government administration | \$ 28,300 | \$ 28,100 | \$ 16,244 | \$ 11,856 |
| Public works: | | | | |
| Street preservation | 55,925 | 120,435 | 104,729 | 15,706 |
| Routine maintenance | 54,850 | 68,000 | 64,925 | 3,075 |
| Traffic services | 13,385 | 14,885 | 8,624 | 6,261 |
| Snow and ice removal | 243,530 | 275,400 | 254,176 | 21,224 |
| Contingency | <u>18,249</u> | <u>379</u> | <u>-</u> | <u>379</u> |
| TOTAL EXPENDITURES | <u>\$414,239</u> | <u>\$507,199</u> | <u>\$448,698</u> | \$ <u>58,501</u> |
| EXCESS OF REVENUES (EXPENDITURES) | (\$ <u>40,000</u>) | (\$ <u>90,000</u>) | (\$ <u>37,199</u>) | \$ <u>52,801</u> |
| Other financing sources (uses)- | | | | |
| Operating transfers in | <u>\$ 40,000</u> | <u>\$ 90,000</u> | <u>\$ 90,000</u> | <u>\$ -</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ - | \$ 52,801 | \$ 52,801 |
| Fund balance, beginning of year | <u>193,715</u> | <u>193,715</u> | <u>193,715</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$193,715</u> | <u>\$193,715</u> | <u>\$246,516</u> | <u>\$ 52,801</u> |

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance With Final Budget Favorable <u>(Unfavorable)</u> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Interest and rents | \$ - | \$ - | \$ 3,297 | \$ 3,297 |
| Other revenue - | | | | |
| Loan repayments | <u>53,662</u> | <u>53,662</u> | <u>37,852</u> | <u>(15,810)</u> |
| TOTAL REVENUES | <u>\$ 53,662</u> | <u>\$ 53,662</u> | <u>\$ 41,149</u> | <u>(\$ 12,513)</u> |
| Expenditures - | | | | |
| General government administration | <u>\$ 900</u> | <u>\$ 900</u> | <u>\$ 900</u> | <u>\$ -</u> |
| EXCESS OF REVENUES (EXPENDITURES) | \$ 52,762 | \$ 52,762 | \$ 40,249 | (\$ 12,513) |
| Fund balance, beginning of year | <u>169,893</u> | <u>169,893</u> | <u>169,893</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$222,655</u></u> | <u><u>\$222,655</u></u> | <u><u>\$210,142</u></u> | <u><u>(\$ 12,513)</u></u> |

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2015

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.

During the year ended June 30, 2015, the City incurred expenditures in a certain budgeted fund which was in excess of the amount appropriated as follows:

| <u>Fund</u> | <u>Budget Appropriation</u> | <u>Actual Expenditures</u> |
|--------------|---------------------------------|--------------------------------|
| General Fund | \$ 2,789,942 | \$ 2,802,168 |

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

| | <u>June 30,</u> | |
|-------------------------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$1,401,344 | \$1,287,650 |
| Accounts receivable | 80,448 | 31,802 |
| Inventory | 5,554 | 5,554 |
| Taxes receivable | 14,247 | 35,922 |
| Due from other governmental units | 2,677 | - |
| Due from other funds | <u>5,875</u> | <u>23,191</u> |
| TOTAL CURRENT ASSETS | <u>\$1,510,145</u> | <u>\$1,384,119</u> |
| <u>OTHER ASSETS</u> | | |
| Investments | <u>\$ 10,710</u> | <u>\$ 10,255</u> |
| | <u>\$1,520,855</u> | <u>\$1,394,374</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 127,667 | \$ 70,006 |
| Accrued wages and benefits | 79,527 | 64,631 |
| Due to other funds | <u>76,894</u> | <u>71,575</u> |
| TOTAL CURRENT LIABILITIES | \$ 284,088 | \$ 206,212 |
| <u>OTHER LIABILITIES</u> | | |
| Deferred revenues | <u>14,247</u> | <u>35,922</u> |
| TOTAL LIABILITIES | <u>\$ 298,335</u> | <u>\$ 242,134</u> |
| <u>FUND BALANCE</u> | | |
| Unreserved | \$1,216,966 | \$1,146,686 |
| Reserved | <u>5,554</u> | <u>5,554</u> |
| TOTAL FUND BALANCE | <u>\$1,222,520</u> | <u>\$1,152,240</u> |
| | <u>\$1,520,855</u> | <u>\$1,394,374</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, 2015
 With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance | 2014 |
|--|---------------------|---------------------|--------------------|---------------------|
| | Budget | Actual | Favorable | Actual |
| | | | (Unfavorable) | |
| Revenues: | | | | |
| Taxes | \$1,513,725 | \$1,554,450 | \$ 40,725 | \$1,447,774 |
| Licenses and permits | 8,000 | 8,460 | 460 | 7,360 |
| State grants | 828,082 | 818,470 | (9,612) | 796,767 |
| Interest | 20,000 | 7,920 | (12,080) | 8,934 |
| Charges for services | 781,200 | 781,313 | 113 | 770,729 |
| Other revenues | <u>154,200</u> | <u>216,959</u> | <u>62,759</u> | <u>134,973</u> |
| TOTAL REVENUES | <u>\$3,305,207</u> | <u>\$3,387,572</u> | <u>\$ 82,365</u> | <u>\$3,166,537</u> |
| Expenditures: | | | | |
| General government administration | \$ 740,419 | \$ 792,376 | (\$ 51,957) | \$ 746,245 |
| Public safety | 968,589 | 958,565 | 10,024 | 909,980 |
| Public works | 452,444 | 456,327 | (3,883) | 386,835 |
| Recreation and parks | 347,666 | 322,576 | 25,090 | 302,060 |
| Debt service | 198,625 | 198,308 | 317 | 106,374 |
| Other expenditures | <u>82,199</u> | <u>74,016</u> | <u>8,183</u> | <u>92,387</u> |
| TOTAL EXPENDITURES | <u>\$2,789,942</u> | <u>\$2,802,168</u> | <u>(\$ 12,226)</u> | <u>\$2,543,881</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>\$ 515,265</u> | <u>\$ 585,404</u> | <u>\$ 70,139</u> | <u>\$ 622,656</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | \$ 5,700 | \$ 5,700 | \$ - | \$ 21,279 |
| Operating transfers out | (520,965) | (520,824) | 141 | (399,576) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(\$ 515,265)</u> | <u>(\$ 515,124)</u> | <u>\$ 141</u> | <u>(\$ 378,297)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | <u>\$ -</u> | <u>\$ 70,280</u> | <u>\$ 70,280</u> | <u>\$ 244,359</u> |
| Fund balance, beginning of year | <u>1,152,240</u> | <u>1,152,240</u> | <u>-</u> | <u>907,881</u> |
| FUND BALANCE, END OF YEAR | <u>\$1,152,240</u> | <u>\$1,222,520</u> | <u>\$ 70,280</u> | <u>\$1,152,240</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, 2015
With Totals for June 30, 2014

| | <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>2015</u> | <u>2014</u> | | | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 806,278 | \$ 570,491 | \$303,833 | \$353,666 | \$ 148,779 |
| Due from other governmental units | 114,085 | 158,963 | 60,939 | 53,146 | - |
| Due from other funds | 66,335 | 74,660 | - | 4,972 | 61,363 |
| Long-term loans | <u>158,120</u> | <u>197,562</u> | <u>-</u> | <u>-</u> | <u>158,120</u> |
| | <u>\$1,144,818</u> | <u>\$1,001,676</u> | <u>\$364,772</u> | <u>\$411,784</u> | <u>\$ 368,262</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ 85,495 | \$ 1,076 | \$ 43,477 | \$ 42,018 | \$ - |
| Accrued wages and benefits | 6,859 | 8,443 | 2,931 | 3,928 | - |
| Due to other funds | 127,813 | 131,217 | 8,491 | 119,322 | - |
| Deferred revenue | <u>158,120</u> | <u>197,562</u> | <u>-</u> | <u>-</u> | <u>158,120</u> |
| TOTAL LIABILITIES | \$ 378,287 | \$ 338,298 | \$ 54,899 | \$165,268 | \$ 158,120 |
| <u>FUND BALANCE</u> | <u>766,531</u> | <u>663,378</u> | <u>309,873</u> | <u>246,516</u> | <u>210,142</u> |
| | <u>\$1,144,818</u> | <u>\$1,001,676</u> | <u>\$364,772</u> | <u>\$411,784</u> | <u>\$ 368,262</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, 2015

With Totals for June 30, 2014

| | <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>2015</u> | <u>2014</u> | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> |
| Revenues: | | | | | |
| Taxes | \$ 143,783 | \$ 138,980 | \$ - | \$143,783 | \$ - |
| State grants | 1,078,326 | 1,191,439 | 812,666 | 265,660 | - |
| Federal grants | - | 114,578 | - | - | - |
| Interest and rents | 6,925 | 6,862 | 1,572 | 2,056 | 3,297 |
| Other revenue | <u>37,852</u> | <u>23,979</u> | <u>-</u> | <u>-</u> | <u>37,852</u> |
| TOTAL REVENUES | <u>\$1,266,886</u> | <u>\$1,475,838</u> | <u>\$814,238</u> | <u>\$411,499</u> | <u>\$ 41,149</u> |
| Expenditures: | | | | | |
| General government administration | \$ 42,942 | \$ 45,063 | \$ 25,798 | \$ 16,244 | \$ 900 |
| Public works | 1,254,436 | 1,462,152 | 821,982 | 432,454 | - |
| Loans and contingencies | <u>-</u> | <u>151,870</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>\$1,297,378</u> | <u>\$1,659,085</u> | <u>\$847,780</u> | <u>\$448,698</u> | <u>\$ 900</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>(\$ 30,492)</u> | <u>(\$ 183,247)</u> | <u>(\$ 33,542)</u> | <u>(\$ 37,199)</u> | <u>\$ 40,249</u> |
| Other financing sources (uses)- Operating transfers from other funds | <u>\$ 140,000</u> | <u>\$ 61,000</u> | <u>\$ 50,000</u> | <u>\$ 90,000</u> | <u>\$ -</u> |
| | \$ 109,508 | (\$ 122,247) | \$ 16,458 | \$ 52,801 | \$ 40,249 |
| Fund balance, beginning of year | <u>657,023</u> | <u>785,625</u> | <u>293,415</u> | <u>193,715</u> | <u>169,893</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 766,531</u> | <u>\$ 663,378</u> | <u>\$309,873</u> | <u>\$246,516</u> | <u>\$ 210,142</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>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | | |
| Cash | | \$303,833 | \$230,443 |
| Due from other governmental units | | 60,939 | 56,282 |
| Due from other funds | | - | 13,297 |
| | | <u>\$364,772</u> | <u>\$300,022</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts payable | | \$ 43,477 | \$ 855 |
| Accrued wages and benefits | | 2,931 | 3,165 |
| Due to other funds | | <u>8,491</u> | <u>2,587</u> |
| | TOTAL LIABILITIES | \$ 54,899 | \$ 6,607 |
| <u>FUND BALANCE</u> | | <u>309,873</u> | <u>293,415</u> |
| | | <u>\$364,772</u> | <u>\$300,022</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, 2015
 With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--|-------------------------|-------------------------|--|-------------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| State grants | \$398,076 | \$402,033 | \$ 3,957 | \$389,682 |
| Interest and rents | <u>1,400</u> | <u>1,572</u> | <u>172</u> | <u>1,838</u> |
| TOTAL REVENUES | <u>\$399,476</u> | <u>\$403,605</u> | <u>\$ 4,129</u> | <u>\$391,520</u> |
| Expenditures: | | | | |
| General government administration | \$ 35,558 | \$ 25,798 | \$ 9,760 | \$ 24,346 |
| Public works: | | | | |
| Street preservation | 96,200 | 96,147 | 53 | 40,736 |
| Routine maintenance | 39,100 | 43,002 | (3,902) | 69,356 |
| Traffic services | 16,537 | 12,793 | 3,744 | 7,179 |
| Snow and ice control | 236,400 | 227,094 | 9,306 | 281,756 |
| Roadway inspection | 31,058 | 18,918 | 12,140 | 31,547 |
| Contingency | <u>170</u> | <u>-</u> | <u>170</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>\$455,023</u> | <u>\$423,752</u> | <u>\$ 31,271</u> | <u>\$454,920</u> |
| EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE | <u>(\$ 55,547)</u> | <u>(\$ 20,147)</u> | <u>\$ 35,400</u> | <u>(\$ 63,400)</u> |
| State trunkline maintenance - | | | | |
| Excess of revenues (expenditures) | <u>\$ 5,547</u> | <u>(\$ 13,395)</u> | <u>(\$ 18,942)</u> | <u>\$ 57,664</u> |
| Other financing sources (uses)- | | | | |
| Operating transfers in | <u>\$ 50,000</u> | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | <u>\$ -</u> | <u>\$ 16,458</u> | <u>\$ 16,458</u> | <u>(\$ 5,736)</u> |
| Fund balance, beginning of year | <u>293,415</u> | <u>293,415</u> | <u>-</u> | <u>299,151</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$293,415</u></u> | <u><u>\$309,873</u></u> | <u><u>\$ 16,458</u></u> | <u><u>\$293,415</u></u> |

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

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

| | <u>June 30,</u> | |
|-------------------------------------|-----------------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Cash | \$353,666 | \$231,518 |
| Due from other funds | 4,972 | - |
| Due from other governmental units | <u>53,146</u> | <u>96,326</u> |
| | <u>\$411,784</u> | <u>\$327,844</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 42,018 | \$ 221 |
| Accrued wages and benefits | 3,928 | 5,278 |
| Due to other funds | <u>119,322</u> | <u>128,630</u> |
| | TOTAL LIABILITIES \$165,268 | \$134,129 |
| <u>FUND BALANCE</u> | <u>246,516</u> | <u>193,715</u> |
| | <u>\$411,784</u> | <u>\$327,844</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, 2015
 With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance Favorable | 2014 | |
|-----------------------------------|---|-------------|-----------------------|------------|-------------|
| | Budget | Actual | (Unfavorable) | Actual | |
| Revenues: | | | | | |
| Taxes | \$140,000 | \$143,783 | \$ 3,783 | \$138,980 | |
| State grants | 276,199 | 265,660 | (10,539) | 247,281 | |
| Federal grants | - | - | - | 108,223 | |
| Interest and rents | 1,000 | 2,056 | 1,056 | 2,922 | |
| | TOTAL REVENUES | \$417,199 | \$411,499 | (\$ 5,700) | \$497,406 |
| Expenditures: | | | | | |
| General government administration | \$ 28,100 | \$ 16,244 | \$ 11,856 | \$ 19,917 | |
| Public works: | | | | | |
| Street preservation | 120,435 | 104,729 | 15,706 | 161,599 | |
| Routine maintenance | 68,000 | 64,925 | 3,075 | 64,497 | |
| Traffic services | 14,885 | 8,624 | 6,261 | 4,594 | |
| Snow and ice control | 275,400 | 254,176 | 21,224 | 304,076 | |
| Contingency | 379 | - | 379 | - | |
| | TOTAL EXPENDITURES | \$507,199 | \$448,698 | \$ 58,501 | \$554,683 |
| | EXCESS OF REVENUES (EXPENDITURES) | (\$ 90,000) | (\$ 37,199) | \$ 52,801 | (\$ 57,277) |
| Other financing sources(uses) - | | | | | |
| Operating transfers in | \$ 90,000 | \$ 90,000 | \$ - | \$ 61,000 | |
| | EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ 52,801 | \$ 52,801 | \$ 3,723 |
| Fund balance, beginning of year | 193,715 | 193,715 | - | 189,992 | |
| | FUND BALANCE, END OF YEAR | \$193,715 | \$246,516 | \$ 52,801 | \$193,715 |

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>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Cash | \$ 148,779 | \$ 108,530 |
| Due from other funds | 61,363 | 61,363 |
| Long-term loans | <u>158,120</u> | <u>197,562</u> |
| | <u>\$ 368,262</u> | <u>\$ 367,455</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Deferred revenue | \$ 158,120 | \$ 197,562 |
| <u>FUND BALANCE</u> | <u>210,142</u> | <u>169,893</u> |
| | <u>\$ 368,262</u> | <u>\$ 367,455</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, 2015
 With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|-----------------------------------|-------------------------|-------------------------|--|-------------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Interest and rents | \$ - | \$ 3,297 | \$ 3,297 | \$ 2,102 |
| Other revenue - | | | | |
| Loan repayments | <u>53,662</u> | <u>37,852</u> | <u>(15,810)</u> | <u>23,979</u> |
| TOTAL REVENUES | <u>\$ 53,662</u> | <u>\$ 41,149</u> | <u>(\$ 12,513)</u> | <u>\$ 26,081</u> |
| Expenditures: | | | | |
| General government administration | \$ 900 | \$ 900 | \$ - | \$ 800 |
| Loans and contingencies | <u>-</u> | <u>-</u> | <u>-</u> | <u>151,870</u> |
| TOTAL EXPENDITURES | <u>\$ 900</u> | <u>\$ 900</u> | <u>\$ -</u> | <u>\$152,670</u> |
| EXCESS OF REVENUES (EXPENDITURES) | \$ 52,762 | \$ 40,249 | (\$ 12,513) | (\$126,589) |
| Fund Balance, beginning of year | <u>169,893</u> | <u>169,893</u> | <u>-</u> | <u>296,482</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$222,655</u></u> | <u><u>\$210,142</u></u> | <u><u>(\$ 12,513)</u></u> | <u><u>\$169,893</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

| | June 30, | |
|-------------------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| <u>ASSETS</u> | | |
| Cash | \$ 173,395 | \$ 299,112 |
| Grants receivable | - | 158,099 |
| Accounts receivable | 1,900 | - |
| Due from other funds | 29,000 | 33,294 |
| | <u>\$ 204,295</u> | <u>\$ 490,505</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 7,132 | \$ 156,225 |
| Due to other funds | 68,146 | 61,363 |
| Due to component units | 70,000 | 74,000 |
| Unearned revenue | - | 163,217 |
| TOTAL LIABILITIES | <u>\$ 145,278</u> | <u>\$ 454,805</u> |
| <u>FUND BALANCE</u> | <u>\$ 59,017</u> | <u>\$ 35,700</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 204,295</u> | <u>\$ 490,505</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>2015</u> | <u>2014</u> |
| Fund balance, July 1 | \$ 35,700 | \$ 191 |
| Revenues for Capital Outlay: | | |
| Grants | 559,339 | 158,099 |
| Private Contributions | 206,018 | 52,700 |
| Houghton County Contributions | - | 9,148 |
| Interest | <u>280</u> | <u>629</u> |
| TOTAL AVAILABLE FOR CAPITAL OUTLAY | <u>\$ 801,337</u> | <u>\$ 220,767</u> |
| Expenditures for Capital Outlay: | | |
| Downtown Facade | \$ 632,706 | \$ 210,798 |
| Townsend Drive Lighting | - | 20,892 |
| Dock Repair | 25,410 | - |
| Bridge Street Wall | - | 5,393 |
| East Houghton Park | - | 366 |
| Nara Park Culvert | 1,651 | 8,573 |
| Chutes and Ladders | - | 12,110 |
| Signs | 1,102 | 3,219 |
| Security Cameras | - | 12,172 |
| Roy's Pasty & Bakery | 118,389 | - |
| Street Lighting | 2,207 | - |
| Central Houghton Nature Park | 110 | - |
| Park Improvement | 25,219 | - |
| General Administration | <u>15,526</u> | <u>1,544</u> |
| TOTAL EXPENDITURES | <u>\$ 822,320</u> | <u>\$ 275,067</u> |
| | (\$ 20,983) | (\$ 54,300) |
| Other financing sources (uses)- | | |
| Operating transfers from other funds | <u>80,000</u> | <u>90,000</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 59,017</u> | <u>\$ 35,700</u> |

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUND
BALANCE SHEETS

| | <u>June 30,</u> | |
|---|-----------------|---------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Cash | \$ 134 | \$ 132 |
| Due from other governmental units | <u>—</u> | <u>—</u> |
| | <u>\$ 134</u> | <u>\$ 132</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| Liabilities | \$ — | \$ — |
| Fund Balance | <u>134</u> | <u>132</u> |
| | <u>\$ 134</u> | <u>\$ 132</u> |

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUNDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2015
 With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance | 2014 |
|--|-----------|-----------|----------------------------|---------------|
| | Budget | Actual | Favorable (Unfavorable) | Actual |
| Revenues: | | | | |
| Contributions from other funds | \$ 18,608 | \$ 18,467 | (\$ 141) | \$ 19,263 |
| Contributions from component units | 25,948 | 25,687 | (261) | 27,063 |
| Bond proceeds | - | - | - | - |
| Interest | - | 2 | 2 | - |
| TOTAL REVENUES | \$ 44,556 | \$ 44,156 | (\$ 400) | \$ 46,326 |
| Expenditures: | | | | |
| Redemption of serial bonds | \$ 40,000 | \$ 40,000 | \$ - | \$1,760,000 |
| Bond issuance expense | - | 29 | (29) | 764 |
| Interest on bonds | 4,556 | 4,125 | 431 | 19,506 |
| TOTAL EXPENDITURES | \$ 44,556 | \$ 44,154 | \$ 402 | \$1,780,270 |
| EXCESS OF REVENUES (EXPENDITURES) | \$ - | \$ 2 | \$ 2 | (\$1,733,944) |
| Other financing sources(uses)- Transfers to other funds | \$ - | \$ - | \$ - | (\$ 89) |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ 2 | \$ 2 | (\$1,734,033) |
| Fund balance, beginning of year | 132 | 132 | - | 1,734,165 |
| FUND BALANCE, END OF YEAR | \$ 132 | \$ 134 | \$ 2 | \$ 132 |

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, | |
|---|--------------------------------------|--------------|
| | 2015 | 2014 |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 169,050 | \$ 235,242 |
| Accounts receivable | 85,362 | 96,505 |
| | TOTAL CURRENT ASSETS | \$ 331,747 |
| | \$ 254,412 | \$ 331,747 |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u> | | |
| Water distribution system | \$13,968,544 | \$13,904,047 |
| Less accumulated depreciation | 5,327,815 | 5,055,239 |
| | TOTAL PROPERTY, PLANT, AND EQUIPMENT | \$ 8,848,808 |
| | \$ 8,640,729 | \$ 8,848,808 |
| <u>OTHER ASSETS</u> | | |
| Restricted assets: | | |
| 1978 Bond and Interest Redemption Account | \$ 68,746 | \$ 8,000 |
| 1980 Bond and Interest Redemption Account | 27,856 | 10,000 |
| 1978 Water Bond Reserve Account | 10,000 | 10,000 |
| 1980 Water Bond Reserve Account | 29,700 | 29,700 |
| 1978 Water/Sewer Revenue Bonds - Debt Service Account | 2,783 | 3,530 |
| 1980 Water/Sewer Revenue Bonds - Debt Service Account | 8,160 | 8,152 |
| 2012 Water/Sewer Construction: | | |
| Bond and Interest Redemption Account | 57,332 | 35,235 |
| Junior Lien Bond Reserve Account | 125,082 | 126,109 |
| Repair, Replacement and Improvement Account | 143,337 | 100,712 |
| 2013 Refinancing Bond - Debt Service Account | 1,407 | 727 |
| 2013 Refinancing Bond Account | 154,065 | 134,867 |
| | TOTAL OTHER ASSETS | \$ 467,032 |
| | \$ 628,468 | \$ 467,032 |
| | TOTAL ASSETS | \$ 9,647,587 |
| | \$ 9,523,609 | \$ 9,647,587 |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 28,722 | \$ 3,946 |
| Accrued wages and benefits | 15,843 | 1,527 |
| Accrued interest expense | 68,725 | 69,290 |
| Due to other funds | 54,011 | 30,684 |
| Current maturities on long-term debt | 190,000 | 187,000 |
| | TOTAL CURRENT LIABILITIES | \$ 292,447 |
| | \$ 357,301 | \$ 292,447 |
| <u>LONG-TERM DEBT</u> | | |
| Bonds payable | \$ 7,758,000 | \$ 7,891,000 |
| Less current maturities | 190,000 | 187,000 |
| | TOTAL LONG-TERM DEBT | \$ 7,704,000 |
| | \$ 7,568,000 | \$ 7,704,000 |
| | TOTAL LIABILITIES | \$ 7,996,447 |
| | \$ 7,925,301 | \$ 7,996,447 |
| <u>NET POSITION</u> | | |
| Invested in capital assets - net of related debt | \$ 882,729 | \$ 957,808 |
| Restricted for debt service | 559,743 | 397,745 |
| Unrestricted | 155,836 | 295,587 |
| | TOTAL NET POSITION | \$ 1,651,140 |
| | \$ 1,598,308 | \$ 1,651,140 |

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | <u>Year ended June 30,</u> | |
|--|----------------------------|---------------------------|
| | <u>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Water sales | \$1,073,586 | \$1,054,024 |
| Repairs and new customer installations | 13,510 | 10,573 |
| Other revenue | 35,276 | 20,975 |
| TOTAL OPERATING REVENUES | <u>\$1,122,372</u> | <u>\$1,085,572</u> |
| Operating expenses: | | |
| Source of water | \$ 307,410 | \$ 219,537 |
| Meter expenses | 3,751 | 14,099 |
| Customer installations | 4,035 | 2,631 |
| Maintenance of the water supply system, hydrants, and structure | 275,370 | 211,737 |
| Laboratory and office expense | 43,437 | 22,990 |
| Meter reading | 20,369 | 12,468 |
| Engineering and supervision | 27,770 | 28,962 |
| Other | 4,614 | 5,846 |
| Depreciation expense | \$ 686,756 | \$ 518,270 |
| | 272,576 | 233,678 |
| TOTAL OPERATING EXPENSES | <u>\$ 959,332</u> | <u>\$ 751,948</u> |
| NET OPERATING INCOME (LOSS) | <u>\$ 163,040</u> | <u>\$ 333,624</u> |
| Non-operating revenues - Interest | <u>\$ 3,329</u> | <u>\$ 3,078</u> |
| Non-operating expenses - Interest | <u>\$ 219,201</u> | <u>\$ 221,886</u> |
| CHANGES IN NET POSITION (\$ 52,832) | <u>\$ 114,816</u> | <u>\$ 114,816</u> |
| Net position, beginning of year | <u>1,651,140</u> | <u>1,536,324</u> |
| Net position, end of year | <u><u>\$1,598,308</u></u> | <u><u>\$1,651,140</u></u> |

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

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

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$1,133,515 | \$1,075,057 |
| Payments to suppliers | (471,663) | (432,304) |
| Payments to employees | (176,001) | (137,515) |
| Net cash provided (used) by operating activities | <u>\$ 485,851</u> | <u>\$ 505,238</u> |
| Cash flows from noncapital financing activities: | | |
| Increase (decrease) in due from other governmental units | \$ - | \$ 764 |
| Increase (decrease) in due to other funds | <u>23,327</u> | <u>(55,632)</u> |
| Net cash flows from noncapital financing activities | <u>\$ 23,327</u> | <u>(\$ 54,868)</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of property, plant, and equipment | (\$ 64,497) | (\$1,967,821) |
| Issuance of long-term debt | 87,000 | 1,959,000 |
| Reduction of long-term debt | (220,000) | (3,973,000) |
| (Increase) decrease in restricted assets | (161,436) | 3,944,468 |
| Interest paid on long-term debt | <u>(219,766)</u> | <u>(233,167)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(\$ 578,699)</u> | <u>(\$ 270,520)</u> |
| Cash flows from investing activities - | | |
| Interest received | <u>\$ 3,329</u> | <u>\$ 3,078</u> |
| Net increase (decrease) in cash and cash equivalents | (\$ 66,192) | \$ 182,928 |
| Cash - beginning of year | <u>235,242</u> | <u>52,314</u> |
| Cash - end of year | <u>\$ 169,050</u> | <u>\$ 235,242</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 163,040 | \$ 333,624 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | |
| Depreciation expense | 272,576 | 233,678 |
| Changes in assets and liabilities: | | |
| Receivables | 11,143 | (10,515) |
| Accounts and other payables | 24,776 | (47,096) |
| Accrued expenses | <u>14,316</u> | <u>(4,453)</u> |
| Net cash provided by operating activities | <u>\$ 485,851</u> | <u>\$ 505,238</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

| | | June 30, | |
|---|--------------------------------------|-------------|-------------|
| | | 2015 | 2014 |
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Cash | | \$ 862,408 | \$ 591,825 |
| Accounts receivable | | 163,920 | 201,659 |
| Due from other governmental units | | 231,267 | 95,777 |
| Due from other funds and component units | | 33,868 | 27,644 |
| | TOTAL CURRENT ASSETS | \$1,291,463 | \$ 916,905 |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u> | | | |
| Underground sewage collection system | | \$9,589,668 | \$9,357,225 |
| Less accumulated depreciation | | 4,455,186 | 4,284,769 |
| | | \$5,134,482 | \$5,072,456 |
| Original investment in Portage Lake Water and Sewer Authority | | 941,313 | 941,313 |
| | TOTAL PROPERTY, PLANT, AND EQUIPMENT | \$6,075,795 | \$6,013,769 |
| <u>OTHER ASSETS</u> | | | |
| Restricted cash: | | | |
| 2012 Water/Sewer Construction: | | | |
| Junior Lien Bond Reserve Account | | \$ 215,087 | \$ 191,475 |
| Repair, Replacement and Improvement Account | | 111,552 | 85,548 |
| | TOTAL OTHER ASSETS | \$ 326,639 | \$ 277,023 |
| | | \$7,693,897 | \$7,207,697 |
| <u>LIABILITIES</u> | | | |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable | | \$ 73,407 | \$ 5,620 |
| Accrued interest expense | | 38,867 | 38,254 |
| Accrued wages and benefits | | 14,078 | 19,417 |
| Due to other funds | | 7,808 | 11,453 |
| Current maturities on long-term debt | | 45,000 | 44,000 |
| | TOTAL CURRENT LIABILITIES | \$ 179,160 | \$ 118,744 |
| <u>LONG-TERM DEBT</u> | | | |
| Bonds payable | | \$3,370,000 | \$3,343,000 |
| Less current maturities | | 45,000 | 44,000 |
| | TOTAL LONG-TERM DEBT | \$3,325,000 | \$3,299,000 |
| | TOTAL LIABILITIES | \$3,504,160 | \$3,417,744 |
| <u>NET POSITION</u> | | | |
| Invested in net assets - net of related debt | | \$2,705,795 | \$2,670,769 |
| Restricted for debt service | | 287,872 | 238,769 |
| Unrestricted | | 1,196,070 | 880,415 |
| | TOTAL NET POSITION | \$4,189,737 | \$3,789,953 |

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>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Sewer charges | \$2,000,673 | \$1,984,347 |
| Repairs and new customer installations | 3,600 | 700 |
| Other revenue | <u>451</u> | <u>1,145</u> |
| TOTAL OPERATING REVENUES | <u>\$2,004,724</u> | <u>\$1,986,192</u> |
| Operating expenses: | | |
| Customer installations | \$ 1,373 | \$ 2,127 |
| Maintenance of the sewage disposal system and structure | 214,655 | 313,997 |
| Laboratory and office expense | 49,684 | 67,578 |
| Engineering and supervision | 65,983 | 62,519 |
| City share of Portage Lake Water and Sewer Authority expense | 1,171,994 | 1,216,966 |
| Other | <u>4,089</u> | <u>4,291</u> |
| | \$1,507,778 | \$1,667,478 |
| Depreciation expense | <u>170,417</u> | <u>147,749</u> |
| TOTAL OPERATING EXPENSES | <u>\$1,678,195</u> | <u>\$1,815,227</u> |
| NET OPERATING INCOME (LOSS) | <u>\$ 326,529</u> | <u>\$ 170,965</u> |
| Non-operating revenues - Interest | <u>\$ 5,686</u> | <u>\$ 4,613</u> |
| Non-operating expenses - Interest | <u>\$ 92,617</u> | <u>\$ 82,370</u> |
| Other financing sources (uses)- State grant | <u>\$ 160,186</u> | <u>\$ -</u> |
| CHANGES IN NET POSITION | <u>\$ 399,784</u> | <u>\$ 93,208</u> |
| Net position, beginning of year | <u>3,789,953</u> | <u>3,696,745</u> |
| Net position, end of year | <u><u>\$4,189,737</u></u> | <u><u>\$3,789,953</u></u> |

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

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

| | <u>Year ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$2,042,463 | \$1,949,220 |
| Payments to suppliers | (1,247,318) | (1,352,902) |
| Payments to employees | (201,931) | (245,629) |
| Net cash provided (used) by operating activities | <u>\$ 593,214</u> | <u>\$ 350,689</u> |
| Cash flows from noncapital financing activities: | | |
| (Increase) decrease in due from other funds and component units | (\$ 6,224) | \$ 21,826 |
| Increase (decrease) in due to other funds and component units | (3,645) | <u>11,453</u> |
| Net cash flows from noncapital financing activities | <u>(\$ 9,869)</u> | <u>\$ 33,279</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of property, plant and equipment | (\$ 232,443) | (\$1,176,282) |
| Issuance of long-term debt | 93,000 | 1,173,000 |
| Reduction of long-term debt | (66,000) | (42,000) |
| (Increase) decrease in due from other governmental units | (131,571) | - |
| Grant Income | 160,186 | - |
| (Increase) decrease in restricted assets | (49,616) | (97,206) |
| Interest paid on long-term debt | (92,004) | (68,318) |
| Net cash provided (used) by capital and related financing activities | <u>(\$ 318,448)</u> | <u>(\$ 210,806)</u> |
| Cash flows from investing activities - Interest received | <u>\$ 5,686</u> | <u>\$ 4,613</u> |
| Increase (decrease) in cash and cash equivalents | \$ 270,583 | \$ 177,775 |
| Cash - beginning of year | <u>591,825</u> | <u>414,050</u> |
| Cash - end of year | <u>\$ 862,408</u> | <u>\$ 591,825</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 326,529 | \$ 170,965 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | |
| Depreciation expense | 170,417 | 147,749 |
| Changes in assets and liabilities: | | |
| Receivables | 37,739 | (34,461) |
| Accounts and other payables | 67,787 | (13,819) |
| Accrued expenses | (5,339) | 9,447 |
| Due to component unit | - | (2,511) |
| Due from other governmental units | (3,919) | <u>73,319</u> |
| Net cash provided by operating activities | <u>\$ 593,214</u> | <u>\$ 350,689</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>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 117,143 | \$ 106,817 |
| Due from other funds | <u>-</u> | <u>206</u> |
| TOTAL CURRENT ASSETS | <u>\$ 117,143</u> | <u>\$ 107,023</u> |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u> | | |
| Parking deck complex | \$5,925,533 | \$5,604,327 |
| Less accumulated depreciation | <u>3,350,153</u> | <u>3,207,955</u> |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | <u>\$2,575,380</u> | <u>\$2,396,372</u> |
| | <u>\$2,692,523</u> | <u>\$2,503,395</u> |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 100 | \$ 164 |
| Accrued wages and benefits | 2,089 | 1,397 |
| Due to other funds | <u>29,731</u> | <u>51,133</u> |
| TOTAL CURRENT LIABILITIES | <u>\$ 31,920</u> | <u>\$ 52,694</u> |
| <u>NET POSITION</u> | | |
| Invested in capital assets - net of related debt | \$2,575,380 | \$2,396,372 |
| Unrestricted | <u>85,223</u> | <u>54,329</u> |
| TOTAL NET POSITION | <u>\$2,660,603</u> | <u>\$2,450,701</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>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Parking fees - Meters | \$ 1,417 | \$ 1,689 |
| Parking space permits | 90,725 | 92,753 |
| Parking easement | 55,000 | 55,000 |
| Parking fines | 45,779 | 43,102 |
| Towing fees | 5,002 | 11,405 |
| TOTAL OPERATING REVENUES | \$ 197,923 | \$ 203,949 |
| Operating expenses: | | |
| Parking system maintenance | \$ 47,235 | \$ 29,782 |
| Parking law enforcement | 30,578 | 44,642 |
| Winter maintenance | 87,759 | 116,997 |
| Insurance | 1,892 | 1,816 |
| Miscellaneous | 2,054 | 1,734 |
| Depreciation expense | \$ 169,518 | \$ 194,971 |
| TOTAL OPERATING EXPENSES | \$ 311,716 | \$ 331,248 |
| NET OPERATING INCOME (LOSS) | (\$ 113,793) | (\$ 127,299) |
| Non-operating revenues- | | |
| Interest | \$ 696 | \$ 858 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | (\$ 113,097) | (\$ 126,441) |
| Other financing sources (uses)- | | |
| Operating transfers from other funds and component units | \$ 323,000 | \$ 190,000 |
| CHANGES IN NET POSITION | \$ 209,903 | \$ 63,559 |
| Net position, beginning of year | 2,450,700 | 2,387,141 |
| Net position, end of year | \$2,660,603 | \$2,450,700 |

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>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$197,923 | \$203,949 |
| Payment to suppliers | (104,650) | (150,727) |
| Payments to employees | (64,241) | (76,632) |
| Net cash provided (used) by operating activities | <u>\$ 29,032</u> | <u>(\$ 23,410)</u> |
| Cash flows from noncapital financing activities: | | |
| Transfers from other funds and component units | \$323,000 | \$190,000 |
| (Increase) decrease in due from other funds | 206 | (206) |
| Increase (decrease) in due to other funds | (21,402) | (42,852) |
| Net cash provided (used) by noncapital financing activities | <u>\$301,804</u> | <u>\$146,942</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of property, plant, and equipment | (\$321,206) | (\$152,557) |
| Increase (decrease) in accounts payable | <u> -</u> | <u>(156,000)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(\$321,206)</u> | <u>(\$308,557)</u> |
| Cash flows from investment activities - | | |
| Interest received | <u>\$ 696</u> | <u>\$ 858</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 10,326 | (\$184,167) |
| Cash - beginning of year | <u>106,817</u> | <u>290,984</u> |
| Cash - end of year | <u><u>\$117,143</u></u> | <u><u>\$106,817</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | (\$113,793) | (\$127,299) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | |
| Depreciation expense | 142,198 | 136,277 |
| Changes in assets and liabilities: | | |
| Accounts and other payables | (64) | (32,824) |
| Accrued expenses | <u>691</u> | <u>436</u> |
| Net cash provided by operating activities | <u><u>\$ 29,032</u></u> | <u><u>(\$ 23,410)</u></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, | |
|--|-------------|-------------|
| | 2015 | 2014 |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 100,049 | \$ 29,215 |
| Accounts receivable | 4,522 | 3,885 |
| Due from federal government | 7,440 | 16,514 |
| Due from component unit | - | 521 |
| TOTAL CURRENT ASSETS | \$ 112,011 | \$ 50,135 |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u> | | |
| Property and equipment | \$1,505,661 | \$1,632,513 |
| Less accumulated depreciation | 938,736 | 1,075,790 |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | \$ 566,925 | \$ 556,723 |
| | \$ 678,936 | \$ 606,858 |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 2,229 | \$ 3,844 |
| Accrued wages and benefits | 17,650 | 11,938 |
| Due to state - state operating assistance | 52,784 | 8,922 |
| Due to other funds | 3,392 | 20,387 |
| Deferred revenue | - | 2,900 |
| TOTAL CURRENT LIABILITIES | \$ 76,055 | \$ 47,991 |
| <u>NET POSITION</u> | | |
| Invested in capital assets - net of related debt | \$ 566,925 | \$ 556,723 |
| Unrestricted | 35,956 | 2,144 |
| TOTAL NET POSITION | \$ 602,881 | \$ 558,867 |

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>2015</u> | <u>2014</u> |
| Operating revenues | | \$ 110,680 | \$ 118,691 |
| Operating expenses | | <u>510,424</u> | <u>564,841</u> |
| | OPERATING INCOME (LOSS) | (\$ 399,744) | (\$ 446,150) |
| Non-operating revenues | | 385,110 | 386,215 |
| Non-operating expenses | | <u>62,559</u> | <u>67,006</u> |
| | INCOME (LOSS) BEFORE CONTRIBUTIONS | (\$ 77,193) | (\$ 126,941) |
| Capital contributions | | <u>121,207</u> | <u>142,172</u> |
| | CHANGES IN NET POSITION | \$ 44,014 | \$ 15,231 |
| Net position, beginning of year | | <u>\$ 558,867</u> | <u>\$ 543,636</u> |
| Net position, end of year | | <u>\$ 602,881</u> | <u>\$ 558,867</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>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 110,043 | \$ 118,532 |
| Payments to suppliers | (107,613) | (131,840) |
| Payments to employees | (291,153) | (315,003) |
| Net cash provided (used) by operating activities | <u>(\$ 288,723)</u> | <u>(\$ 328,311)</u> |
| Cash flows from noncapital financing activities: | | |
| Transfers from other funds | \$ 94,357 | \$ 87,000 |
| (Increase) decrease in due from other funds and component units | 521 | (521) |
| (Increase) decrease in due from other governmental units and component units | 9,074 | 13,673 |
| Increase (decrease) in due to other governmental units and component units | (16,995) | (23,899) |
| Increase (decrease) in due to other governmental units | 43,862 | 8,922 |
| Proceeds from grants | 285,288 | 299,192 |
| Insurance refund | 3,126 | - |
| Specialized services grants paid | (62,559) | (67,006) |
| Net cash provided (used) by noncapital financing activities | <u>\$ 356,674</u> | <u>\$ 317,361</u> |
| Cash flows from capital and related financing activities: | | |
| Capital contributions | \$ 121,207 | \$ 142,172 |
| Acquisition of property, plant, and equipment | (121,207) | (142,067) |
| Proceeds from sale of assets | 5,726 | - |
| Increase (decrease) in deferred revenue | (2,900) | 50 |
| Net cash provided (used) by capital and related financing activities | <u>\$ 2,826</u> | <u>\$ 155</u> |
| Cash flows from investing activities - Interest received | <u>\$ 57</u> | <u>\$ 23</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 70,834 | (\$ 10,772) |
| Cash - beginning of year | <u>29,215</u> | <u>39,987</u> |
| Cash - end of year | <u><u>\$ 100,049</u></u> | <u><u>\$ 29,215</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | (\$ 399,744) | (\$ 446,150) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | |
| Depreciation expense | 107,561 | 121,563 |
| Changes in assets and liabilities: | | |
| Receivables | (637) | (159) |
| Accounts and other payables | (1,615) | (6) |
| Accrued expenses | <u>5,712</u> | <u>(3,559)</u> |
| Net cash provided (used) by operating activities | <u>(\$ 288,723)</u> | <u>(\$ 328,311)</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>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 496,507 | \$ 411,174 |
| Due from other funds | 232,718 | 221,328 |
| Due from component units | <u>272</u> | <u>-</u> |
| TOTAL CURRENT ASSETS | <u>\$ 729,497</u> | <u>\$ 632,502</u> |
| <u>LAND, BUILDINGS, AND EQUIPMENT</u> | | |
| Land and buildings | \$ 328,229 | \$ 328,229 |
| Equipment | <u>3,057,933</u> | <u>2,949,588</u> |
| | \$3,386,162 | \$3,277,817 |
| Less accumulated depreciation | <u>2,787,500</u> | <u>2,624,955</u> |
| TOTAL LAND, BUILDINGS, AND EQUIPMENT | <u>\$ 598,662</u> | <u>\$ 652,862</u> |
| | <u>\$1,328,159</u> | <u>\$1,285,364</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 15,383 | \$ 14,844 |
| Accrued wages and benefits | <u>5,158</u> | <u>4,678</u> |
| TOTAL LIABILITIES | <u>\$ 20,541</u> | <u>\$ 19,522</u> |
| <u>NET POSITION</u> | | |
| Invested in capital assets - net of related debt | \$ 598,662 | \$ 652,862 |
| Unrestricted | <u>708,956</u> | <u>612,980</u> |
| TOTAL NET POSITION | <u>\$1,307,618</u> | <u>\$1,265,842</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>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Charges for services | \$ 920,982 | \$1,038,582 |
| Other revenue | <u>8,624</u> | <u>480</u> |
| TOTAL OPERATING REVENUES | <u>\$ 929,606</u> | <u>\$1,039,062</u> |
| Operating expenses: | | |
| Equipment operations, maintenance, and storage | \$ 485,899 | \$ 547,661 |
| Insurance on equipment and garage | 33,917 | 32,824 |
| Employee benefits | <u>59,415</u> | <u>43,464</u> |
| | \$ 579,231 | \$ 623,949 |
| Depreciation expense | <u>218,345</u> | <u>246,511</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 797,576</u> | <u>\$ 870,460</u> |
| NET INCOME FROM OPERATIONS | <u>\$ 132,030</u> | <u>\$ 168,602</u> |
| Non-operating income: | | |
| Interest | \$ 1,586 | \$ 357 |
| Gain on sale of equipment | <u>33,860</u> | <u>49,650</u> |
| | <u>\$ 35,446</u> | <u>\$ 50,007</u> |
| Non-operating expense- | | |
| Interest | <u>\$ -</u> | <u>\$ 106</u> |
| Other financing sources (uses): | | |
| Operating transfers from other funds | \$ - | \$ 13,313 |
| Operating transfers to other funds | (125,700) | (26,700) |
| Federal grant | <u>-</u> | <u>17,000</u> |
| | <u>(\$ 125,700)</u> | <u>\$ 3,613</u> |
| CHANGES IN NET POSITION | <u>\$ 41,776</u> | <u>\$ 222,116</u> |
| Net position, beginning of year | <u>1,265,842</u> | <u>1,043,726</u> |
| Net position, end of year | <u><u>\$1,307,618</u></u> | <u><u>\$1,265,842</u></u> |

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

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 909,320 | \$1,149,823 |
| Payments to suppliers | (448,049) | (528,187) |
| Payments to employees | (130,162) | (95,566) |
| Other receipts (payments) | 8,624 | 480 |
| Net cash provided (used) by operating activities | <u>\$ 339,733</u> | <u>\$ 526,550</u> |
| Cash flows from noncapital financing activities: | | |
| Transfers from other funds and component units | \$ - | \$ 13,313 |
| Transfers to other funds and component units | (125,700) | (26,700) |
| Net cash provided (used) by noncapital financing activities | <u>(\$ 125,700)</u> | <u>(\$ 13,387)</u> |
| Cash flows from capital and related financing activities: | | |
| Proceeds from sale of equipment | \$ 33,860 | \$ 62,255 |
| Grant proceeds | - | 17,000 |
| Acquisition of property, plant and equipment | (164,146) | (304,758) |
| Issuance (reduction) of long-term debt | - | (13,000) |
| Interest paid on long-term debt | - | (314) |
| Net cash provided (used) by capital and related financing activities | <u>(\$ 130,286)</u> | <u>(\$ 238,817)</u> |
| Cash flows from investing activities - | | |
| Interest received | <u>\$ 1,586</u> | <u>\$ 357</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 85,333 | \$ 274,703 |
| Cash - beginning of year | <u>411,174</u> | <u>136,471</u> |
| Cash - end of year | <u>\$ 496,507</u> | <u>\$ 411,174</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 132,030 | \$ 168,602 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities - | | |
| Depreciation expense | 218,345 | 246,511 |
| Changes in assets and liabilities: | | |
| Accounts and other payables | 539 | (1,987) |
| Due from other funds and component units | (11,662) | 148,717 |
| Due to other funds | - | (37,476) |
| Accrued expenses | <u>481</u> | <u>2,183</u> |
| Net cash provided by operating activities | <u>\$ 339,733</u> | <u>\$ 526,550</u> |

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
STATEMENTS OF NET POSITION

| | <u>June 30,</u> | |
|---------------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 6,811 | \$ 27,682 |
| Investments | 1,273,670 | 1,138,201 |
| Loans to participants | <u>54,160</u> | <u>58,139</u> |
| | <u>\$1,334,641</u> | <u>\$1,224,022</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable | <u>\$ -</u> | <u>\$ -</u> |
| | <u>\$1,334,641</u> | <u>\$1,224,022</u> |
| <u>NET POSITION</u> | | |

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------------|
| | <u>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Employer contributions | \$ 61,826 | \$ 63,815 |
| Investment income | <u>99,214</u> | <u>46,669</u> |
| TOTAL OPERATING REVENUES | <u>\$ 161,040</u> | <u>\$ 110,484</u> |
| Operating expenses - Plan distributions | <u>\$ -</u> | <u>\$ -</u> |
| NET OPERATING INCOME (LOSS) | \$ 161,040 | \$ 110,484 |
| Net appreciation (depreciation) in fair value of investments | (<u>50,421</u>) | <u>130,962</u> |
| CHANGES IN NET POSITION | \$ 110,619 | \$ 241,446 |
| Net position, beginning of year | <u>1,224,022</u> | <u>982,576</u> |
| Net position, end of year | <u><u>\$1,334,641</u></u> | <u><u>\$1,224,022</u></u> |

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

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

| | | <u>June 30,</u> | |
|---------------------------------|-------------------|-------------------|--------------------|
| | | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | | |
| Cash | | \$ 959,105 | \$ 983,942 |
| Accounts receivable | | 93 | - |
| Prepaid expense | | <u>31,270</u> | <u>26,559</u> |
| | TOTAL ASSETS | <u>\$ 990,468</u> | <u>\$1,010,501</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | | \$ 1,790 | \$ 15,040 |
| Accumulated employee sick leave | | 83,249 | 65,838 |
| Accumulated employee vacation | | <u>126,545</u> | <u>114,788</u> |
| | TOTAL LIABILITIES | <u>\$ 211,584</u> | <u>\$ 195,666</u> |
| <u>NET POSITION</u> | | | |
| Restricted | | <u>\$ 778,884</u> | <u>\$ 814,835</u> |

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | <u>Year ended June 30,</u> | |
|---------------------------------|----------------------------|--------------------|
| | <u>2015</u> | <u>2014</u> |
| Operating revenues: | | |
| Charges for services | \$1,050,204 | \$1,126,283 |
| Other revenue | <u>12,487</u> | <u>14,533</u> |
| TOTAL OPERATING REVENUES | <u>\$1,062,691</u> | <u>\$1,140,816</u> |
| Operating expenses: | | |
| Payroll taxes - Employer share | \$ 141,679 | \$ 142,540 |
| Hospitalization insurance | 368,240 | 426,173 |
| Sick pay | 118,765 | 36,260 |
| Vacation pay | 117,956 | 105,396 |
| Holiday pay | 47,499 | 46,745 |
| Funeral leave | 3,524 | 1,197 |
| Longevity pay | 8,625 | 9,940 |
| Workers' compensation insurance | 34,205 | 45,754 |
| Unemployment insurance | 16,790 | 21,012 |
| Retirement contributions | 172,727 | 220,481 |
| Life insurance | 37,208 | 34,573 |
| Disability insurance | 6,998 | 8,209 |
| Other | <u>24,426</u> | <u>26,850</u> |
| TOTAL OPERATING EXPENSES | <u>\$1,098,642</u> | <u>\$1,125,130</u> |
| CHANGES IN NET POSITION (\$ | 35,951) | \$ 15,686 |
| Net position, beginning of year | <u>814,835</u> | <u>799,149</u> |
| Net position, end of year | <u>\$ 778,884</u> | <u>\$ 814,835</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>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Receipts from customers | \$1,050,204 | \$1,126,283 |
| Payments to suppliers | (24,426) | (26,850) |
| Payments to employees | (1,063,102) | (1,077,520) |
| Other receipts | <u>12,487</u> | <u>14,533</u> |
| Cash flows provided (used) by operating activities | (\$ 24,837) | \$ 36,446 |
| Cash, beginning of year | <u>983,942</u> | <u>947,496</u> |
| Cash, end of year | <u>\$ 959,105</u> | <u>\$ 983,942</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | (\$ 35,951) | \$ 15,686 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (93) | - |
| Prepaid expense | (4,711) | (1,049) |
| Accounts payable | (13,250) | 13,015 |
| Accumulated employee sick leave | 17,411 | (5,865) |
| Accumulated employee vacation | <u>11,757</u> | <u>14,659</u> |
| Net cash provided (used) by operating activities | <u>(\$ 24,837)</u> | <u>\$ 36,446</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, 2015

| | <u>Balance</u> <u>07-01-14</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06-30-15</u> |
|---------------------------------|-----------------------------------|--------------------|--------------------|-----------------------------------|
| <u>ASSETS</u> | | | | |
| Cash | <u>\$ 53,647</u> | <u>\$5,766,195</u> | <u>\$5,735,777</u> | <u>\$ 84,065</u> |
| <u>LIABILITIES</u> | | | | |
| Due to (from) component unit: | | | | |
| Downtown Development Authority | \$ 11,000 | \$ 285,145 | \$ 272,088 | \$ 24,057 |
| Tax Increment Finance Authority | 17,764 | 715,505 | 706,255 | 27,014 |
| Due to other governmental units | <u>24,883</u> | <u>4,765,545</u> | <u>4,757,434</u> | <u>32,994</u> |
| TOTAL LIABILITIES | <u>\$ 53,647</u> | <u>\$5,766,195</u> | <u>\$5,735,777</u> | <u>\$ 84,065</u> |

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

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2015

| | <u>Totals</u> | | | <u>Debt</u> | <u>Long-Term</u> |
|---|--------------------------|-------------------|-------------------|----------------|-------------------|
| | <u>(Memorandum Only)</u> | | <u>General</u> | <u>Service</u> | <u>Debt</u> |
| | <u>2015</u> | <u>2014</u> | <u>Fund</u> | <u>Funds</u> | <u>Group of</u> |
| | | | | | <u>Accounts</u> |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 116,837 | \$ 100,325 | \$ 116,725 | \$ 112 | \$ - |
| Taxes receivable | 2,353 | 6,921 | 2,353 | - | - |
| Due from primary government | 24,057 | 11,000 | 24,057 | - | - |
| Amount to be provided for retirement of long-term debt | <u>295,000</u> | <u>385,000</u> | <u>-</u> | <u>-</u> | <u>295,000</u> |
| | <u>\$ 438,247</u> | <u>\$ 503,246</u> | <u>\$ 143,135</u> | <u>\$ 112</u> | <u>\$ 295,000</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ 3,190 | \$ 7,429 | \$ 3,190 | \$ - | \$ - |
| Accrued wages and benefits | 1,184 | 821 | 1,184 | - | - |
| Deferred revenue | 2,353 | 6,921 | 2,353 | - | - |
| Due to primary government | 13 | - | 13 | - | - |
| Long-term debt | <u>295,000</u> | <u>385,000</u> | <u>-</u> | <u>-</u> | <u>295,000</u> |
| TOTAL LIABILITIES | \$ 301,740 | \$ 400,171 | \$ 6,740 | \$ - | \$ 295,000 |
| <u>FUND BALANCE (DEFICIT)</u> | <u>136,507</u> | <u>103,075</u> | <u>136,395</u> | <u>112</u> | <u>-</u> |
| | <u>\$ 438,247</u> | <u>\$ 503,246</u> | <u>\$ 143,135</u> | <u>\$ 112</u> | <u>\$ 295,000</u> |

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

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

A discretely presented component unit

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

Year ended June 30, 2015

| | <u>Totals</u> | | | |
|---|--------------------------|--------------------------|-------------------------|----------------------|
| | <u>(Memorandum Only)</u> | | <u>General</u> | <u>Debt</u> |
| | <u>2015</u> | <u>2014</u> | <u>Fund</u> | <u>Service</u> |
| | | | | <u>Funds</u> |
| Revenues: | | | | |
| Taxes | \$288,136 | \$275,009 | \$288,136 | \$ - |
| Grants | 500 | - | 500 | - |
| Interest and rents | 1,056 | 1,184 | 1,053 | 3 |
| Miscellaneous | <u>20,936</u> | <u>16,466</u> | <u>20,936</u> | <u>-</u> |
| TOTAL REVENUES | <u>\$310,628</u> | <u>\$292,659</u> | <u>\$310,625</u> | <u>\$ 3</u> |
| Expenditures: | | | | |
| Administration | \$ 35,363 | \$ 33,263 | \$ 35,363 | \$ - |
| Public works | 40,233 | 13,924 | 40,233 | - |
| Recreation and parks | 57,438 | 52,202 | 57,438 | - |
| Debt service: | | | | |
| Principal | 90,000 | 56,469 | - | 90,000 |
| Interest | <u>13,475</u> | <u>167,817</u> | <u>-</u> | <u>13,475</u> |
| TOTAL EXPENDITURES | <u>\$236,509</u> | <u>\$323,675</u> | <u>\$133,034</u> | <u>\$103,475</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>\$ 74,119</u> | <u>(\$ 31,016)</u> | <u>\$177,591</u> | <u>\$103,472</u> |
| Other financing sources (uses): | | | | |
| Operating transfers to primary government | (\$ 40,687) | (\$ 67,063) | (\$ 40,687) | \$ - |
| Operating transfers from other funds | 103,475 | 103,671 | - | 103,475 |
| Operating transfers to other funds | <u>(103,475)</u> | <u>(103,671)</u> | <u>(103,475)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(\$ 40,687)</u> | <u>(\$ 67,063)</u> | <u>(\$144,162)</u> | <u>(\$103,475)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ 33,432 | (\$ 98,079) | \$ 33,429 | \$ 3 |
| Fund balance (deficit), beginning of year | <u>103,075</u> | <u>201,154</u> | <u>102,966</u> | <u>109</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u><u>\$136,507</u></u> | <u><u>\$ 103,075</u></u> | <u><u>\$136,395</u></u> | <u><u>\$ 112</u></u> |

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

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

| | June 30, | |
|-------------------------------------|------------|------------|
| | 2015 | 2014 |
| <u>ASSETS</u> | | |
| Cash | \$ 116,725 | \$ 100,216 |
| Taxes receivable | 2,353 | 6,921 |
| Due from primary government | 24,057 | 11,000 |
| | \$ 143,135 | \$ 118,137 |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 3,190 | \$ 7,429 |
| Accrued wages and benefits | 1,184 | 821 |
| Due to primary government | 13 | - |
| Deferred revenue | 2,353 | 6,921 |
| TOTAL LIABILITIES | \$ 6,740 | \$ 15,171 |
| <u>FUND BALANCE (DEFICIT)</u> | 136,395 | 102,966 |
| | \$ 143,135 | \$ 118,137 |

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, 2015

With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance | 2014 |
|---|--------------------|--------------------|----------------------------|--------------------|
| | Budget | Actual | Favorable (Unfavorable) | Actual |
| Revenues: | | | | |
| Taxes | \$256,019 | \$288,136 | \$ 32,117 | \$275,009 |
| Interest and rents | 500 | 1,053 | 553 | 1,184 |
| Grants | 7,200 | 500 | (6,700) | - |
| Miscellaneous | <u>26,000</u> | <u>20,936</u> | <u>(5,064)</u> | <u>16,466</u> |
| TOTAL REVENUES | <u>\$289,719</u> | <u>\$310,625</u> | <u>\$ 20,906</u> | <u>\$292,659</u> |
| Expenditures: | | | | |
| General government administration | \$ 36,375 | \$ 35,363 | \$ 1,012 | \$ 33,263 |
| Public works | 50,750 | 40,233 | 10,517 | 13,924 |
| Recreation and parks | <u>58,170</u> | <u>57,438</u> | <u>732</u> | <u>52,202</u> |
| TOTAL EXPENDITURES | <u>\$145,295</u> | <u>\$133,034</u> | <u>\$ 12,261</u> | <u>\$ 99,389</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>\$144,424</u> | <u>\$177,591</u> | <u>\$ 33,167</u> | <u>\$193,270</u> |
| Other financing sources (uses): | | | | |
| Operating transfers from other funds | \$ - | \$ - | \$ - | \$ 87 |
| Operating transfers to primary government | (40,949) | (40,687) | 262 | (67,063) |
| Operating transfers to other funds | <u>(103,475)</u> | <u>(103,475)</u> | <u>-</u> | <u>(103,475)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(\$144,424)</u> | <u>(\$144,162)</u> | <u>\$ 262</u> | <u>(\$170,451)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ 33,429 | \$ 33,429 | \$ 22,819 |
| Fund balance (deficit), beginning of year | <u>102,966</u> | <u>102,966</u> | <u>-</u> | <u>80,147</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$102,966</u> | <u>\$136,395</u> | <u>\$ 33,429</u> | <u>\$102,966</u> |

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

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUND
 2011 DDA REFUNDING BONDS
 BALANCE SHEETS

| | | June 30, | |
|------------------------------------|--|----------|--------|
| | | 2015 | 2014 |
| <u>ASSETS</u> | | | |
| Cash | | \$ 112 | \$ 109 |
| Investments | | - | - |
| | | \$ 112 | \$ 109 |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities | | \$ - | \$ - |
| Fund Equity | | 112 | 109 |
| | | \$ 112 | \$ 109 |

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

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUND
 2011 DDA REFUNDING BONDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

| | Year Ended | |
|--------------------------------|----------------------|----------------------|
| | June 30, | |
| | <u>2015</u> | <u>2014</u> |
| Revenues: | | |
| Interest and rents | \$ 3 | \$ - |
| Contributions from other funds | <u>103,475</u> | <u>103,584</u> |
| TOTAL REVENUES | <u>\$103,478</u> | <u>\$103,584</u> |
| Expenditures: | | |
| Debt service: | | |
| Redemption of serial bonds | \$ - | \$ 56,469 |
| Interest on bonds | 103,475 | 167,817 |
| Transfers to other funds | <u>-</u> | <u>196</u> |
| TOTAL EXPENDITURES | <u>\$103,475</u> | <u>\$224,482</u> |
| EXCESS OF REVENUES | \$ 3 | (\$120,898) |
| Fund equity, beginning of year | <u>109</u> | <u>121,007</u> |
| FUND EQUITY, END OF YEAR | <u><u>\$ 112</u></u> | <u><u>\$ 109</u></u> |

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

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

| June 30, | |
|----------|------|
| 2015 | 2014 |

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

| | | |
|--|-------------------|-------------------|
| Amounts to be provided for the retirement of long-term debt | <u>\$ 295,000</u> | <u>\$ 385,000</u> |
|--|-------------------|-------------------|

GENERAL LONG-TERM DEBT PAYABLE

| | | |
|---|------------------------|------------------------|
| Limited tax development bonds, including accrued interest 2011 Refunding Bonds | \$ - <u>295,000</u> | \$ - <u>385,000</u> |
| | <u>\$ 295,000</u> | <u>\$ 385,000</u> |

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

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2015

| | <u>Totals</u> <u>(Memorandum Only)</u> | | <u>General</u> | <u>Debt</u> <u>Service</u> | <u>Long-Term</u> <u>Debt</u> <u>Group of</u> <u>Accounts</u> |
|---|---|-------------------|-------------------|-------------------------------|---|
| | <u>2015</u> | <u>2014</u> | <u>Fund</u> | <u>Funds</u> | <u>Accounts</u> |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 316,658 | \$ 186,352 | \$ 316,523 | \$ 135 | \$ - |
| Taxes receivable | 1,023 | 10,891 | 1,023 | - | - |
| Due from primary government | 97,014 | 91,764 | 97,014 | - | - |
| Amount to be provided for retirement of long-term debt | <u>190,000</u> | <u>355,000</u> | <u>-</u> | <u>-</u> | <u>190,000</u> |
| | <u>\$ 604,695</u> | <u>\$ 644,007</u> | <u>\$ 414,560</u> | <u>\$ 135</u> | <u>\$ 190,000</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ 12,748 | \$ 13,907 | \$ 12,748 | \$ - | \$ - |
| Accrued wages and benefits | 3,473 | 6,399 | 3,473 | - | - |
| Due to primary government | 259 | 3,032 | 259 | - | - |
| Deferred revenue | 1,023 | 10,891 | 1,023 | - | - |
| Long-term debt | <u>190,000</u> | <u>355,000</u> | <u>-</u> | <u>-</u> | <u>190,000</u> |
| TOTAL LIABILITIES | \$ 207,503 | \$ 389,229 | \$ 17,503 | \$ - | \$ 190,000 |
| <u>FUND BALANCE</u> | <u>397,192</u> | <u>254,778</u> | <u>397,057</u> | <u>135</u> | <u>-</u> |
| | <u>\$ 604,695</u> | <u>\$ 644,007</u> | <u>\$ 414,560</u> | <u>\$ 135</u> | <u>\$ 190,000</u> |

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

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

Year ended June 30, 2015

| | Totals | | General Fund | Debt Service Funds |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | (Memorandum Only) | | | |
| | <u>2015</u> | <u>2014</u> | | |
| Revenues: | | | | |
| Taxes | \$ 715,506 | \$ 716,180 | \$ 715,506 | \$ - |
| Interest and rents | <u>5,481</u> | <u>1,960</u> | <u>5,477</u> | <u>4</u> |
| TOTAL REVENUES | <u>\$ 720,987</u> | <u>\$ 718,140</u> | <u>\$ 720,983</u> | <u>\$ 4</u> |
| Expenditures: | | | | |
| General government administration | \$ 177,920 | \$ 180,281 | \$ 177,920 | \$ - |
| Public safety | 120,000 | 120,000 | 120,000 | - |
| Capital outlay | 98,674 | 100,184 | 98,674 | - |
| Debt Service: | | | | |
| Principal | 165,000 | 150,000 | - | 165,000 |
| Interest | <u>16,979</u> | <u>25,195</u> | <u>-</u> | <u>16,979</u> |
| TOTAL EXPENDITURES | <u>\$ 578,573</u> | <u>\$ 575,660</u> | <u>\$ 396,594</u> | <u>\$181,979</u> |
| EXCESS OF REVENUES (EXPENDITURES) | <u>\$ 142,414</u> | <u>\$ 142,480</u> | <u>\$ 324,389</u> | <u>(\$181,975)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers from other funds | \$ 181,979 | \$ 175,195 | \$ - | \$181,979 |
| Operating transfers to other funds | <u>(181,979)</u> | <u>(175,195)</u> | <u>(181,979)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 181,979)</u> | <u>\$181,979</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | <u>\$ 142,414</u> | <u>\$ 142,480</u> | <u>\$ 142,410</u> | <u>\$ 4</u> |
| Fund balance (deficit), beginning of year | <u>254,778</u> | <u>112,298</u> | <u>254,647</u> | <u>131</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u><u>\$ 397,192</u></u> | <u><u>\$ 254,778</u></u> | <u><u>\$ 397,057</u></u> | <u><u>\$ 135</u></u> |

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

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

| | <u>June 30,</u> | |
|-------------------------------------|------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>ASSETS</u> | | |
| Cash | \$316,523 | \$186,221 |
| Taxes receivable | 1,023 | 10,891 |
| Due from primary government | 97,014 | 91,764 |
| | <u>\$414,560</u> | <u>\$288,876</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 12,748 | \$ 13,907 |
| Accrued wages and benefits | 3,473 | 6,399 |
| Due to primary government | 259 | 3,032 |
| Deferred revenue | 1,023 | 10,891 |
| TOTAL LIABILITIES | \$ 17,503 | \$ 34,229 |
| <u>FUND BALANCE</u> | 397,057 | 254,647 |
| | <u>\$414,560</u> | <u>\$288,876</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, 2015

With Actual Amounts for Year Ended June 30, 2014

| | 2015 | | Variance | 2014 |
|--|------------|------------|----------------------------|------------|
| | Budget | Actual | Favorable (Unfavorable) | Actual |
| Revenues: | | | | |
| Taxes | \$ 712,000 | \$ 715,506 | \$ 3,506 | \$ 716,180 |
| Interest and rents | 4,000 | 5,477 | 1,477 | 1,959 |
| TOTAL REVENUES | \$ 716,000 | \$ 720,983 | \$ 4,983 | \$ 718,139 |
| Expenditures: | | | | |
| General government administration | \$ 188,093 | \$ 177,920 | \$ 10,173 | \$ 180,281 |
| Public safety | 120,000 | 120,000 | - | 120,000 |
| Capital outlay | 204,256 | 98,674 | 105,582 | 100,184 |
| Contingency | 21,667 | - | 21,667 | - |
| TOTAL EXPENDITURES | \$ 534,016 | \$ 396,594 | \$ 137,422 | \$ 400,465 |
| EXCESS OF REVENUES (EXPENDITURES) | \$ 181,984 | \$ 324,389 | \$ 142,405 | \$ 317,674 |
| Other financing sources (uses) - | | | | |
| Operating transfers to other fund | (181,984) | (181,979) | 5 | (175,195) |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ - | \$ 142,410 | \$ 142,410 | \$ 142,479 |
| Fund balance (deficit), beginning of year | 254,647 | 254,647 | - | 112,168 |
| FUND BALANCE (DEFICIT), END OF YEAR | \$ 254,647 | \$ 397,057 | \$ 142,410 | \$ 254,647 |

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

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING BALANCE SHEETS
 Year ended June 30, 2015
 With totals for June 30, 2014

| | Totals (Memorandum Only) | | Tax Increment Revenue Bonds | |
|--|-----------------------------|--------|-----------------------------------|--------------------------------|
| | 2015 | 2014 | 1998 LTD Refunding Bonds | 1999 Bluffs Bond Debt |
| <u>ASSETS</u> | | | | |
| Cash | \$ 135 | \$ 131 | \$ 67 | \$ 68 |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| Liabilities | \$ - | \$ - | \$ - | \$ - |
| Fund Equity | 135 | 131 | 67 | 68 |
| | \$ 135 | \$ 131 | \$ 67 | \$ 68 |

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2015

With totals for June 30, 2014

| | Totals (Memorandum Only) | | Tax Increment Revenue Bonds | |
|--------------------------------|-----------------------------|------------------|--------------------------------|------------------------|
| | | | 1998 | 1999 |
| | | | LTD Refunding Bonds | Bluffs Bond Debt |
| | <u>2015</u> | <u>2014</u> | | |
| Revenues: | | | | |
| Interest and rents | \$ 4 | \$ 1 | \$ 2 | \$ 2 |
| Contributions from other funds | <u>181,979</u> | <u>175,195</u> | <u>128,219</u> | <u>53,760</u> |
| TOTAL REVENUES | <u>\$181,983</u> | <u>\$175,196</u> | <u>\$ 128,221</u> | <u>\$ 53,762</u> |
| Expenditures: | | | | |
| Redemption of serial bonds | \$165,000 | \$150,000 | \$ 125,000 | \$ 40,000 |
| Interest on bonds | <u>16,979</u> | <u>25,195</u> | <u>3,219</u> | <u>13,760</u> |
| TOTAL EXPENDITURES | <u>\$181,979</u> | <u>\$175,195</u> | <u>\$ 128,219</u> | <u>\$ 53,760</u> |
| EXCESS OF REVENUES | \$ 4 | \$ 1 | \$ 2 | \$ 2 |
| Fund equity, beginning of year | <u>131</u> | <u>130</u> | <u>65</u> | <u>66</u> |
| FUND EQUITY, END OF YEAR | <u>\$ 135</u> | <u>\$ 131</u> | <u>\$ 67</u> | <u>\$ 68</u> |

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

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

| | June 30, | |
|---|-------------------|-------------------|
| | 2015 | 2014 |
| <u>AMOUNT TO BE PROVIDED FOR THE</u> | | |
| <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u> | | |
| Amounts to be provided for the retirement of bonds payable | <u>\$ 190,000</u> | <u>\$ 355,000</u> |
| <u>GENERAL LONG-TERM DEBT PAYABLE</u> | | |
| 1999 Bluffs Project Bonds | \$ 190,000 | \$ 230,000 |
| 1998 Limited Tax Development Refunding Bonds | <u>-</u> | <u>125,000</u> |
| | <u>\$ 190,000</u> | <u>\$ 355,000</u> |

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

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

| | <u>Year ended June 30,</u> | |
|------------------------------------|---|--|
| | <u>2015</u> | <u>2014</u> |
| REVENUES: | | |
| Taxes: | | |
| Real property taxes | \$ 1,370,762 | \$1,329,097 |
| Personal property taxes | 73,142 | 78,952 |
| Payments in lieu of taxes | 31,532 | 6,744 |
| Previously written off | 7,225 | 927 |
| Administration fees and interest | <u>71,789</u> | <u>32,054</u> |
| | TOTAL TAXES | <u>\$ 1,554,450</u> <u>\$1,447,774</u> |
| Licenses and permits | <u>\$ 8,460</u> | <u>\$ 7,360</u> |
| State grants: | | |
| Sales and use tax | \$ 778,029 | \$ 757,422 |
| Liquor licenses | 10,283 | 9,609 |
| Fire protection | 22,930 | 22,102 |
| Other | <u>7,228</u> | <u>7,634</u> |
| | TOTAL STATE GRANTS | <u>\$ 818,470</u> <u>\$ 796,767</u> |
| Charges for service: | | |
| Accident reports | \$ 1,562 | \$ 1,510 |
| Lighting - MTU | 4,371 | 4,371 |
| Dee Stadium | 143,033 | 149,441 |
| Sanitation | 283,601 | 278,023 |
| Charges to users | <u>348,746</u> | <u>337,384</u> |
| | TOTAL CHARGES FOR SERVICES | <u>\$ 781,313</u> <u>\$ 770,729</u> |
| Interest and rents | | |
| Interest income | <u>\$ 7,920</u> | <u>\$ 8,934</u> |
| Other revenue: | | |
| Sale of assets | \$ 14,500 | \$ - |
| Fines and forfeits | 2,962 | 6,536 |
| Public safety | 120,000 | 120,000 |
| Contributions | 59,980 | - |
| Miscellaneous | <u>19,517</u> | <u>8,437</u> |
| | TOTAL OTHER REVENUE | <u>\$ 216,959</u> <u>\$ 134,973</u> |
| | TOTAL REVENUES | <u>\$ 3,387,572</u> <u>\$3,166,537</u> |
| EXPENDITURES: | | |
| General government administration: | | |
| Legislative | \$ 24,430 | \$ 24,953 |
| City manager | 129,162 | 137,574 |
| Charter commission | - | 245 |
| Elections | 9,922 | 989 |
| Assessor | 39,012 | 26,357 |
| Planning and professional services | 48,995 | 56,464 |
| Clerk | 150,472 | 166,787 |
| Treasurer | 62,630 | 64,430 |
| Accounting and auditing | 18,500 | 17,500 |
| Building and grounds | 150,687 | 175,778 |
| Community promotion | 44,514 | 46,807 |
| Capital outlay | <u>114,052</u> | <u>28,361</u> |
| | TOTAL GENERAL GOVERNMENT ADMINISTRATION | <u>\$ 792,376</u> <u>\$ 746,245</u> |

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND

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

| | Year ended June 30, | |
|---|---------------------|--------------|
| | 2015 | 2014 |
| Public safety: | | |
| Police | \$ 828,376 | \$ 767,666 |
| Fire | 100,743 | 117,486 |
| Capital outlay | 29,446 | 24,828 |
| TOTAL PUBLIC SAFETY | \$ 958,565 | \$ 909,980 |
| Public works: | | |
| Department of public works | \$ 25,429 | \$ 9,579 |
| Building inspection | 85,608 | 76,486 |
| Sidewalks and curbs | 11,425 | 12,758 |
| Street lighting | 115,453 | 99,130 |
| Tree trimming | 261 | 1,433 |
| Security cameras | 11,927 | 13,392 |
| Signs | 11,599 | 207 |
| Refuse collections | 194,625 | 173,850 |
| TOTAL PUBLIC WORKS | \$ 456,327 | \$ 386,835 |
| Recreation and parks: | | |
| Beach | \$ 63,720 | \$ 35,716 |
| Dee Stadium | 119,953 | 151,803 |
| Parks | 137,820 | 114,541 |
| Capital outlay | 1,083 | - |
| TOTAL RECREATION AND PARKS | \$ 322,576 | \$ 302,060 |
| Debt service: | | |
| Principal | \$ 113,812 | \$ 44,904 |
| Interest | 84,496 | 61,470 |
| TOTAL DEBT SERVICE | \$ 198,308 | \$ 106,374 |
| Other expenditures: | | |
| City beautification | \$ 21,057 | \$ 29,023 |
| Insurance and bonds | 49,013 | 50,425 |
| Miscellaneous | 3,946 | 12,939 |
| TOTAL OTHER EXPENDITURES | \$ 74,016 | \$ 92,387 |
| TOTAL EXPENDITURES | \$ 2,802,168 | \$ 2,543,881 |
| EXCESS REVENUES OVER EXPENDITURES | \$ 585,404 | \$ 622,656 |
| Other financing sources (uses): | | |
| Operating transfers in | \$ 5,700 | \$ 21,279 |
| Operating transfers out | (520,824) | (399,576) |
| TOTAL OTHER FINANCING SOURCES (USES) | (\$ 515,124) | (\$ 378,297) |
| EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES) | \$ 70,280 | \$ 244,359 |
| Fund balance, beginning of year | 1,152,240 | 907,881 |
| FUND BALANCE, END OF YEAR | \$ 1,222,520 | \$ 1,152,240 |

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>2015</u> | <u>2014</u> |
| Expenditures: | | |
| Traffic signals | \$ 11,281 | \$ 9,784 |
| Surface maintenance | 18,515 | 2,843 |
| Culvert/underdrain | 12,160 | 8,239 |
| Catch basins | 2,070 | 9,410 |
| Snow and ice control | 371,391 | 463,231 |
| Other | <u>8,611</u> | <u>3,305</u> |
| | \$424,028 | \$496,812 |
| Reimbursements - | | |
| Michigan Department of Highways and Transportation | <u>410,633</u> | <u>554,476</u> |
| | <u>(\$ 13,395)</u> | <u>\$ 57,664</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, 2015

| | 07-01-14 to <u>09-30-14</u> | 10-01-14 to <u>06-30-15</u> | <u>Total</u> |
|--------------------------|-----------------------------------|-----------------------------------|------------------|
| Fare box | \$ 21,554 | \$ 56,179 | \$ 77,733 |
| Special contract fares | 8,528 | 21,621 | 30,149 |
| RTAP reimbursement | <u>-</u> | <u>2,798</u> | <u>2,798</u> |
| TOTAL OPERATING REVENUES | <u>\$ 30,082</u> | <u>\$ 80,598</u> | <u>\$110,680</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, 2015

| | <u>Operations</u> | <u>Maintenance</u> | <u>General Administration</u> | <u>Total System</u> |
|---|-------------------|--------------------|-----------------------------------|-------------------------|
| Labor: | | | | |
| Operators' salaries and wages | \$ 152,193 | \$ - | \$ - | \$152,193 |
| Other salaries and wages | - | 31,982 | 23,359 | 55,341 |
| Fringe benefits | 37,410 | 22,500 | 15,871 | 75,781 |
| Pension | 6,052 | 4,260 | 3,238 | 13,550 |
| Services: | | | | |
| Contracted services | 4,884 | 188 | - | 5,072 |
| Printing and publishing | - | - | 568 | 568 |
| Audit | - | - | 2,200 | 2,200 |
| Materials and supplies consumed: | | | | |
| Fuel and lubricants | 35,946 | - | - | 35,946 |
| Repairs and maintenance | - | 21,842 | - | 21,842 |
| Other materials and supplies | 6,571 | 3,044 | - | 9,615 |
| Utilities | 1,249 | 12,978 | - | 14,227 |
| Casualty and liability cost - Premiums for public liability and property damage insurance | - | 9,983 | - | 9,983 |
| Miscellaneous expenses | 3,009 | 833 | 2,703 | 6,545 |
| Depreciation | <u>85,095</u> | <u>14,313</u> | <u>8,153</u> | <u>107,561</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 332,409</u> | <u>\$ 121,923</u> | <u>\$ 56,092</u> | <u>\$510,424</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, 2015

Non-operating revenues:

| | |
|--|------------------|
| Operating transfers in - General Fund | \$ 94,357 |
| State of Michigan operating grants: | |
| Local Bus Operating Assistance - Act 51 | 152,683 |
| Reconciliation adjustments | (930) |
| Specialized Services - Contract 07-0226 | 62,559 |
| Federal Operating Grant - U.S. DOT Operating Grant - Section 5311 - Contract 07-0226 | 70,976 |
| Gain on sale of assets | 2,282 |
| Insurance reimbursement | 3,126 |
| Interest Income | <u>57</u> |
| TOTAL NON-OPERATING REVENUES | <u>\$385,110</u> |

Non-operating expenses:

| | |
|---|------------------|
| Specialized Services Grants - Contract 07-0226 | <u>\$ 62,559</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, 2015

| | 07-01-14 to <u>09-30-14</u> | 10-01-14 to <u>06-30-15</u> | <u>Total</u> |
|------------------------|-----------------------------------|-----------------------------------|------------------|
| Fare box | \$ 21,554 | \$ 56,179 | \$ 77,733 |
| Special contract fares | <u>8,528</u> | <u>21,621</u> | <u>30,149</u> |
| TOTAL REVENUES | <u>\$ 30,082</u> | <u>\$ 77,800</u> | <u>\$107,882</u> |

Based on a September 30, 2014 Year End

| | 10-01-13 to <u>06-30-14</u> | 07-01-14 to <u>09-30-14</u> | <u>Total</u> |
|------------------------|-----------------------------------|-----------------------------------|------------------|
| Fare box | \$ 56,148 | \$ 21,554 | \$ 77,702 |
| Special contract fares | <u>24,244</u> | <u>8,528</u> | <u>32,772</u> |
| TOTAL REVENUES | <u>\$ 80,392</u> | <u>\$ 30,082</u> | <u>\$110,474</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, 2015

| | 07-01-14 to <u>09-30-14</u> | 10-01-14 to <u>06-30-15</u> | <u>Total</u> |
|--|-----------------------------------|-----------------------------------|------------------|
| Michigan Department of Transportation Local Bus Operating (Act51) | \$ 29,429 | \$123,254 | \$152,683 |
| Federal Transit Administration Section 5311 | 12,956 | 58,020 | 70,976 |
| RTAP | <u>-</u> | <u>2,798</u> | <u>2,798</u> |
| TOTAL | <u>\$ 42,385</u> | <u>\$184,072</u> | <u>\$226,457</u> |

Based on a September 30, 2014 year end

| | 10-01-13 to <u>06-30-14</u> | 07-01-14 to <u>09-30-14</u> | <u>Total</u> |
|--|-----------------------------------|-----------------------------------|------------------|
| Michigan Department of Transportation Local Bus Operating (Act51) | \$124,583 | \$ 29,429 | \$154,012 |
| Federal Transit Administration Section 5311 | 54,967 | 12,956 | 67,923 |
| RTAP | <u>821</u> | <u>-</u> | <u>821</u> |
| TOTAL | <u>\$180,371</u> | <u>\$ 42,385</u> | <u>\$222,756</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, 2015

| <u>Federal and State Grantor/Pass-Through Grantor/Program Title</u> | <u>Grant No./ Authorization Number</u> |
|---|--|
| U.S. Department of Transportation: Passed through Michigan Department of Transportation Federal Transit Capital Grants: | |
| | 2007-0226/Z9 |
| | 2012-0099/P7/R1 |
| | 2012-0099/P6 |
| Operating Assistance: | |
| FY14 Section 5311 | 2012-0099/P9 |
| FY15 Section 5311 | 2012-0099/P11 |
| Michigan Department of Transportation: | |
| Operating Assistance - Act 51 - Nonurban | N/A |
| Specialized Services | 12-0099/P8 |
| Specialized Services | 12-0099/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 | | |
| \$ 130,467 | \$ 2,900 | \$ 2,320 | \$ 580 | \$ - | \$ 127,567 | \$ - |
| 12,500 | 12,500 | 10,000 | 2,500 | - | - | - |
| 178,912 | 105,807 | 84,645 | 21,162 | - | 67,964 | 5,141 |
| 12,956 | 12,956 | 12,956 | - | - | - | - |
| 58,020 | 58,020 | 58,020 | - | - | - | - |
| 152,683 | 152,683 | - | 152,683 | - | - | - |
| 23,986 | 23,986 | - | 23,986 | - | - | - |
| 38,573 | 38,573 | - | 38,573 | - | - | - |
| <u>\$ 608,097</u> | <u>\$407,425</u> | <u>\$ 167,941</u> | <u>\$ 239,484</u> | <u>\$ -</u> | <u>\$ 195,531</u> | <u>\$ 5,141</u> |

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 OPERATING AND CONTRACT EXPENSES
 Year ended June 30, 2015

| | <u>Nonurban</u> | <u>Specialized Services</u> | <u>Operating Contract</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------------------|-------------------------------|------------------|
| Expenses: | | | | |
| Labor | \$ 207,534 | \$ - | \$ - | \$207,534 |
| Fringe benefits | 75,781 | - | - | 75,781 |
| Pension | 13,550 | - | - | 13,550 |
| Services | 7,840 | - | - | 7,840 |
| Materials and supplies | 67,403 | - | - | 67,403 |
| Utilities | 14,227 | - | - | 14,227 |
| Casualty and liability costs | 9,983 | - | - | 9,983 |
| Purchased services | - | 62,559 | - | 62,559 |
| Miscellaneous expenses | 6,545 | - | - | 6,545 |
| Depreciation | <u>107,561</u> | <u>-</u> | <u>-</u> | <u>107,561</u> |
| TOTAL EXPENSES | <u>\$ 510,424</u> | <u>\$ 62,559</u> | <u>\$ -</u> | <u>\$572,983</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, 2015

| | <u>Federal Section 5311- Nonurban</u> | | |
|---|---------------------------------------|---------------------------|------------------|
| | 07-0226 | 07-0226 | |
| | <u>7-1-14 to 9-30-14</u> | <u>10-1-14 to 6-30-15</u> | <u>Total</u> |
| Expenses: | | | |
| Labor | \$ 40,609 | \$166,925 | \$207,534 |
| Fringe benefits | 17,061 | 72,271 | 89,332 |
| Services | 595 | 7,246 | 7,841 |
| Materials and supplies | 16,958 | 50,445 | 67,403 |
| Utilities | 2,069 | 12,158 | 14,227 |
| Casualty and liability costs | 2,496 | 7,487 | 9,983 |
| Miscellaneous expenses | 1,827 | 4,716 | 6,543 |
| Depreciation | <u>26,435</u> | <u>81,126</u> | <u>107,561</u> |
| TOTAL OPERATING EXPENSES | <u>\$108,050</u> | <u>\$402,374</u> | <u>\$510,424</u> |
| Less ineligible expenses: | | | |
| Audit | \$ 550 | \$ 1,650 | \$ 2,200 |
| RTAP reimbursements | - | 2,798 | 2,798 |
| Insurance reimbursements | - | 3,126 | 3,126 |
| Finance fees | - | 23 | 23 |
| Association dues | 89 | 28 | 117 |
| Depreciation | <u>26,435</u> | <u>81,126</u> | <u>107,561</u> |
| TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS | <u>\$ 27,074</u> | <u>\$ 88,751</u> | <u>\$115,825</u> |
| NET ELIGIBLE EXPENSES | <u>\$ 80,976</u> | <u>\$313,623</u> | <u>\$394,599</u> |

Maximum Section 5311 reimbursement:

| | | |
|--------|------------------|------------------|
| 16.00% | <u>\$ 12,956</u> | |
| 18.50% | | <u>\$ 58,020</u> |

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

36.3426% of eligible expenses for non-urbanized areas
(.363426 x \$80,976)

39.3% of eligible expenses for non-urbanized areas
(.393 x \$313,623)

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>7-1-14 to 9-30-14</u> | <u>10-1-14 to 6-30-15</u> | <u>Total</u> |
|--------------------------|---------------------------|------------------|
| \$ 40,609 | \$ 166,925 | \$ 207,534 |
| 17,061 | 72,271 | 89,332 |
| 595 | 7,246 | 7,841 |
| 16,958 | 50,445 | 67,403 |
| 2,069 | 12,158 | 14,227 |
| 2,496 | 7,487 | 9,983 |
| 1,827 | 4,716 | 6,543 |
| <u>26,435</u> | <u>81,126</u> | <u>107,561</u> |
| <u>\$108,050</u> | <u>\$402,374</u> | <u>\$510,424</u> |
| | | |
| \$ 550 | \$ 1,650 | \$ 2,200 |
| - | 2,798 | 2,798 |
| - | 3,126 | 3,126 |
| - | 23 | 23 |
| 89 | 28 | 117 |
| <u>26,435</u> | <u>81,126</u> | <u>107,561</u> |
| | | |
| <u>\$ 27,074</u> | <u>\$ 88,751</u> | <u>\$115,825</u> |
| <u>\$ 80,976</u> | <u>\$313,623</u> | <u>\$394,599</u> |

\$ 29,429

\$123,254

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2014 year end

| | <u>Federal Section 5311- Nonurban</u> | | |
|---|---------------------------------------|--------------------------|-------------------------|
| | 07-0226-Z4 | | |
| | <u>10-1-13 to 6-30-14</u> | <u>7-1-14 to 9-30-14</u> | <u>Total</u> |
| Expenses: | | | |
| Labor | \$166,681 | \$ 40,609 | \$207,290 |
| Fringe benefits | 75,188 | 17,061 | 92,249 |
| Services | 6,441 | 595 | 7,036 |
| Materials and supplies | 71,318 | 16,958 | 88,276 |
| Utilities | 13,940 | 2,069 | 16,009 |
| Casualty and liability costs | 7,187 | 2,496 | 9,683 |
| Miscellaneous expenses | 5,348 | 1,827 | 7,175 |
| Depreciation | <u>93,343</u> | <u>26,435</u> | <u>119,778</u> |
| TOTAL OPERATING EXPENSES | <u>\$439,446</u> | <u>\$108,050</u> | <u>\$547,496</u> |
| Less ineligible expenses: | | | |
| Audit | \$ 1,650 | \$ 550 | \$ 2,200 |
| RTAP reimbursements | 821 | - | 821 |
| Association dues | 89 | 89 | 178 |
| Depreciation | <u>93,343</u> | <u>26,435</u> | <u>119,778</u> |
| TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS | <u>\$ 95,903</u> | <u>\$ 27,074</u> | <u>\$122,977</u> |
| NET ELIGIBLE EXPENSES | <u><u>\$343,543</u></u> | <u><u>\$ 80,976</u></u> | <u><u>\$424,519</u></u> |
| Maximum Section 5311 reimbursement: | | | |
| 16.00% | <u>\$ 54,967</u> | | |
| 16.00% | | <u>\$ 12,956</u> | |

State Statutory Operating Assistance -

Reimbursement Amount:

36.2643% of eligible expenses for nonurbanized areas

36.3426% of eligible expenses for nonurbanized areas

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

Local Bus Operating Assistance

| <u>10-1-13 to 6-30-14</u> | <u>7-1-14 to 9-30-14</u> | <u>Total</u> |
|---------------------------|--------------------------|-------------------|
| \$166,681 | \$ 40,609 | \$ 207,290 |
| 75,188 | 17,061 | 92,249 |
| 6,441 | 595 | 7,036 |
| 71,318 | 16,958 | 88,276 |
| 13,940 | 2,069 | 16,009 |
| 7,187 | 2,496 | 9,683 |
| 5,348 | 1,827 | 7,175 |
| <u>93,343</u> | <u>26,435</u> | <u>119,778</u> |
| <u>\$439,446</u> | <u>\$108,050</u> | <u>\$ 547,496</u> |
| | | |
| \$ 1,650 | \$ 550 | \$ 2,200 |
| 821 | - | 821 |
| 89 | 89 | 178 |
| <u>93,343</u> | <u>26,435</u> | <u>119,778</u> |
| | | |
| <u>\$ 95,903</u> | <u>\$ 27,074</u> | <u>\$ 122,977</u> |
| <u>\$343,543</u> | <u>\$ 80,976</u> | <u>\$ 424,519</u> |

\$124,583

\$ 29,429

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN OPERATING EXPENSES
Year ended June 30, 2015

| | 07-01-14 to <u>09-30-14</u> | 10-01-14 to <u>06-30-15</u> | <u>Total</u> |
|------------------------------|-----------------------------------|-----------------------------------|------------------|
| Expenses: | | | |
| Labor | \$ 40,609 | \$166,925 | \$207,534 |
| Fringe benefits | 17,061 | 72,271 | 89,332 |
| Services | 595 | 7,246 | 7,841 |
| Materials and supplies | 16,958 | 50,445 | 67,403 |
| Utilities | 2,069 | 12,158 | 14,227 |
| Casualty and liability costs | 2,496 | 7,487 | 9,983 |
| Miscellaneous expenses | 1,827 | 4,716 | 6,543 |
| Depreciation | <u>26,435</u> | <u>81,126</u> | <u>107,561</u> |
| TOTAL OPERATING EXPENSES | <u>\$108,050</u> | <u>\$402,374</u> | <u>\$510,424</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, 2014

| | <u>Operations</u> | <u>Maintenance</u> | <u>General Administration</u> | <u>Total System</u> |
|----------------------------------|-------------------|--------------------|-----------------------------------|-------------------------|
| Labor: | | | | |
| Operators' salaries and wages | \$ 151,529 | \$ - | \$ - | \$151,529 |
| Other salaries and wages | - | 27,623 | 28,138 | 55,761 |
| Fringe benefits | 42,155 | 20,001 | 18,936 | 81,092 |
| Pension | 4,896 | 2,806 | 3,455 | 11,157 |
| Services: | | | | |
| Audit cost | - | - | 2,200 | 2,200 |
| Contracted services | - | - | 4,668 | 4,668 |
| Printing and publishing | - | - | 168 | 168 |
| Materials and supplies: | | | | |
| Fuel and lubricants | 48,195 | - | - | 48,195 |
| Tires and tubes | 5,947 | - | - | 5,947 |
| Other materials and supplies | 2,954 | 31,025 | 155 | 34,134 |
| Utilities | 1,496 | 14,513 | - | 16,009 |
| Casualty and liability insurance | - | 9,683 | - | 9,683 |
| Miscellaneous expenses: | | | | |
| Travel, meetings, and training | 585 | - | 1,859 | 2,444 |
| Other miscellaneous expenses | 1,029 | 2,852 | 850 | 4,731 |
| Depreciation | 95,997 | 15,629 | 8,152 | 119,778 |
| TOTAL EXPENSES | <u>\$ 354,783</u> | <u>\$ 124,132</u> | <u>\$ 68,581</u> | <u>\$547,496</u> |
| Ineligible expenses: | | | | |
| Audit cost | \$ - | \$ - | \$ 2,200 | \$ 2,200 |
| RTAP reimbursements | 821 | - | - | 821 |
| Association dues | - | - | 178 | 178 |
| Depreciation | <u>95,997</u> | <u>15,629</u> | <u>8,152</u> | <u>119,778</u> |
| TOTAL INELIGIBLE EXPENSES | <u>\$ 96,818</u> | <u>\$ 15,629</u> | <u>\$ 10,530</u> | <u>\$122,977</u> |
| TOTAL ELIGIBLE EXPENSES | <u>\$ 257,965</u> | <u>\$ 108,503</u> | <u>\$ 58,051</u> | <u>\$424,519</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, 2014

| | <u>Public Transportation Mileage</u> |
|--------------------------------------|--|
| <u>LINE HAUL AND DEMAND RESPONSE</u> | |
| First Quarter | 30,619 |
| Second Quarter | 30,381 |
| Third Quarter | 24,128 |
| Fourth Quarter | <u>23,771</u> |
| | <u>108,899</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, 2014 year end

| | |
|---|------------------|
| Farebox revenue: | |
| Passenger fares | \$ 77,702 |
| Contract fares | 32,772 |
| | |
| State formula and contracts - | |
| State operating assistance | 154,012 |
| | |
| Federal contracts - | |
| Section 5311 | <u>67,923</u> |
| | |
| TOTAL NONURBAN REGULAR SERVICE REVENUES | <u>\$332,409</u> |

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

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

December 29, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City of Houghton's basic financial statements and have issued our report thereon dated December 29, 2015.

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 questioned costs as items 2015-001, 2015-002, and 2015-003 that we consider to be significant deficiencies.

Compliance and Other Matters

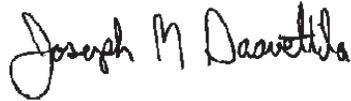
As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Item 2015-001, 2015-002, and 2015-003.

City of Houghton, Michigan's Response to Findings

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

Purpose of this Report

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



Certified Public Accountant, PLC
Houghton, Michigan

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

December 29, 2015

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the City of Houghton, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Houghton, Michigan's major federal programs for the year ended June 30, 2015. The City of Houghton, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Houghton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Houghton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Houghton's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Houghton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1, 2015-2, and 2015-3. Our opinion on each major federal program is not modified with respect to these matters.

The City of Houghton, Michigan's response to the noncompliance 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 compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Houghton, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Houghton, Michigan's internal control over compliance.

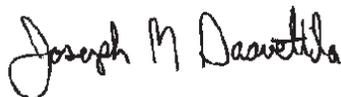
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each fund of the City of Houghton, Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Houghton, Michigan's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN

EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grant No./ Authorization Number</u> |
|---|------------------------|--|
| Community Development Block Grants: | | |
| Michigan Strategic Fund | 14.228 | MSC 213002-CDG |
| Michigan State Housing Development Authority | 14.228 | MSC 2013-0852-HO |
| U.S. Department of Transportation: | | |
| Passed through Michigan Department of Transportation | | |
| Federal Transit Capital Grants: | | |
| | 20.500 | 2007-0226/Z9 |
| | 20.500 | 2012-0099/P7 |
| | 20.500 | 2012-0099/P6 |
| Operating Assistance: | | |
| FY14 Section 5311 | 20.509 | 2012-0099/P9 |
| FY15 Section 5311 | 20.509 | 2012-0099/P11 |
| | | TOTAL EXPENDITURES OF FEDERAL AWARDS |

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

| <u>Program Award Amount</u> | <u>Current Year's Expenditures</u> | <u>Prior Year's Expenditures</u> |
|-------------------------------------|--|--|
| \$ 640,811 85,300 | \$ 474,039 85,300 | \$ 158,099 - |
| 130,467 | 2,900 | 127,567 |
| 12,500 | 12,500 | - |
| 178,912 | 105,807 | 67,964 |
| 12,956 | 12,956 | - |
| <u>58,020</u> | <u>58,020</u> | <u>-</u> |
| <u>\$1,118,966</u> | <u>\$ 751,522</u> | <u>\$ 353,630</u> |

CITY OF HOUGHTON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

1. Federal expenditures represent only the program expenditures that are eligible for federal participation.
2. This schedule is presented on the modified accrual basis of accounting. Please refer to Note A of the financial statements for other significant accounting policies.
3. Component unit excluded from Schedule of Expenditures of Federal Awards. Houghton Housing Commission, a component unit of the City of Houghton, Michigan, contracted to have its own audit for its year ended December 31, 2014. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Houghton Housing Commission.

CITY OF HOUGHTON, MICHIGAN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | | | | |
|---|-------|-----|-------|--------------------|
| Type of auditor's report issued: | | | | <u>Unqualified</u> |
| Internal control over financial reporting: Material weakness(es) identified? | _____ | Yes | _____ | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | _____ | Yes | _____ | None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____ | No |

Federal Awards

| | | | | |
|--|-------|-----|-------|--------------------|
| Internal control over major programs: Material weakness(es) identified? | _____ | Yes | _____ | No |
| Significant deficiencies identified that are not considered to be material weakness(es)? | _____ | Yes | _____ | None Reported |
| Type of auditor's report issued on compliance for major programs: | | | | <u>Unqualified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) Circular A-133? | _____ | Yes | _____ | No |

Identification of Major Programs:

CFDA Number

14.228

Name of Federal Program or Cluster

Community Development Block Grant/
States Program

Dollars threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk audited?

_____ Yes X No

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

SECTION I - FINANCIAL STATEMENT FINDINGS

2015-001 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.

2015-002 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.

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

2015-003 BUDGET NONCOMPLIANCE

Statement of Condition/Criteria:

Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2015, the City incurred expenditures in excess of amounts appropriated as follows:

| | Total | | Budget |
|--------------|----------------------|---------------------|-----------------|
| | <u>Appropriation</u> | <u>Expenditures</u> | <u>Variance</u> |
| General Fund | \$ 2,789,942 | \$ 2,802,168 | \$ 12,226 |

Effect:

The City has not complied with various State statutes.

Cause of Condition:

Budget amendments were not made prior to the expenditure of funds.

Recommendation:

Budget amendments should be made prior to the expenditure of funds.

Status:

Management will review budgets monthly and make amendments as deemed necessary.

SECTION II - FEDERAL AWARDS - FINDINGS AND QUESTIONED COSTS

None

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

December 29, 2015

City Council
City of Houghton
Houghton, MI 49931

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units of the City of Houghton, as of and for the year ended June 30, 2015. 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 September 17, 2015 and during our audit planning meetings with the Treasurer and City Manager.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

We reported three significant deficiencies in our "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*" and as described in the Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003 during the audit. We also issued a separate letter to management dated December , 2015.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Houghton, are described in Note A to the financial statements. The City implemented GASB #45 "Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions" during the year ended June 30, 2015. We noted no transactions entered into by the City of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Houghton's financial statements were recording of historical costs of fixed assets, setting of the useful lives of fixed assets, accumulated depreciation to date on the fixed assets, salvage values on fixed assets, the recording of accumulated compensated absences liabilities and the liability for other post-employment benefits payable.

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

Management's estimate for the accumulated compensated absences is based on the amount of hours accrued to June 30, 2015 for each employee times their current rate of pay and adjusting for any pay-out percentage determined by years of service as stated in employees contracts or as approved by the City Council.

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

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were contained in Note J - Other Post-employment Benefits Payable.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2015.

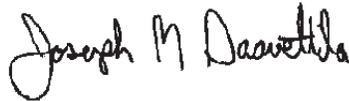
Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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, 2015

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

| | |
|---|------|
| Unadjusted audit differences | None |
| Prior year unadjusted audit differences | None |