

FINANCIAL STATEMENTS

CITY OF HOUGHTON, MICHIGAN

June 30, 2016

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CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
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December 27, 2016

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, 2016, 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 0 to the financial statements, the City of Houghton, Michigan implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

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

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

The Other Financial Information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information has been derived from the City's 2015 financial statements and, in our report dated December 29, 2015, 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 27, 2016, 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, 2016
(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, 2016. Please read this report in conjunction with the City's financial statements which begin on Page 15.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

THE CITY AS TRUSTEE

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

THE CITY AS A WHOLE

For the year ending June 30, 2016 the net position changed as follows:

Table 1
City of Houghton's Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,409,064	\$ 3,290,960	\$ 2,919,773	\$ 2,670,790
Capital assets	<u>9,103,136</u>	<u>9,112,578</u>	<u>17,397,351</u>	<u>17,858,829</u>
Total assets	<u>\$12,512,200</u>	<u>\$12,403,538</u>	<u>\$20,317,124</u>	<u>\$20,529,619</u>
Deferred outflows of resources	<u>\$ 377,743</u>	<u>\$ -</u>	<u>\$ 95,131</u>	<u>\$ -</u>
Long-term liabilities	\$ 2,561,919	\$ 2,127,713	\$10,781,884	\$10,893,000
Other liabilities	<u>456,780</u>	<u>638,229</u>	<u>430,482</u>	<u>549,494</u>
Total liabilities	<u>\$ 3,018,699</u>	<u>\$ 2,765,942</u>	<u>\$11,212,366</u>	<u>\$11,442,494</u>
Deferred inflows of resources	<u>\$ 76,152</u>	<u>\$ -</u>	<u>\$ 19,240</u>	<u>\$ -</u>
Net position:				
Invested in capital assets, net of related debt	\$ 7,090,768	\$ 6,967,845	\$ 6,504,351	\$ 6,730,829
Restricted	-	-	792,732	847,615
Unrestricted	<u>2,704,324</u>	<u>2,669,751</u>	<u>1,883,566</u>	<u>1,508,681</u>
Total net position	<u>\$ 9,795,092</u>	<u>\$ 9,637,596</u>	<u>\$ 9,180,649</u>	<u>\$ 9,087,125</u>

Total Primary
Government

<u>2016</u>	<u>2015</u>
\$ 6,328,837	\$ 5,961,750
<u>26,500,487</u>	<u>26,971,407</u>
<u>\$32,829,324</u>	<u>\$32,933,157</u>
\$ 472,874	\$ -
\$13,343,803	\$13,020,713
<u>887,262</u>	<u>1,187,723</u>
<u>\$14,231,065</u>	<u>\$14,208,436</u>
\$ 95,392	\$ -
\$13,595,119	\$13,698,674
792,732	847,615
<u>4,587,890</u>	<u>4,178,432</u>
<u>\$18,975,741</u>	<u>\$18,724,721</u>

Governmental Activities

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

Table 2
City of Houghton's Changes in Net Position

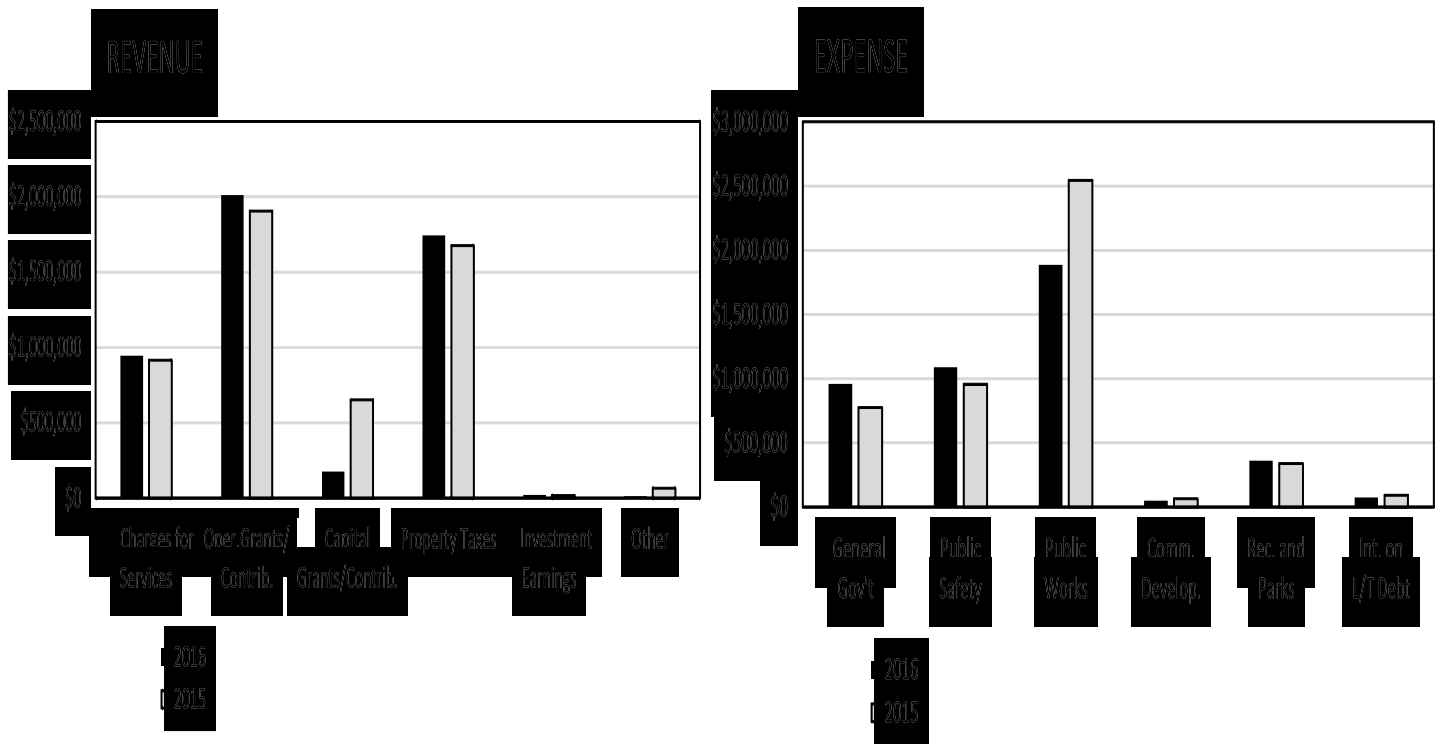
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:				
Program revenues:				
Charges for services	\$ 944,083	\$ 914,616	\$3,308,565	\$3,438,825
Operating grants and contributions	2,011,384	1,906,776	311,155	285,288
Capital grants and contributions	176,220	652,140	194,654	281,393
General revenues:				
Property taxes	1,744,584	1,676,558	-	-
Investment earnings	21,083	16,712	14,112	9,768
Gain (loss) on sale of assets	5,500	48,360	-	2,282
Miscellaneous	6,018	15,857	1,190	-
Total revenues	<u>\$4,908,872</u>	<u>\$5,231,019</u>	<u>\$3,829,676</u>	<u>\$4,017,556</u>
Expenses:				
General government	\$ 958,639	\$ 776,270	\$ -	\$ -
Public safety	1,090,446	956,697	-	-
Public works	1,887,942	2,545,413	-	-
Community development	50,071	65,571	-	-
Recreation and parks	361,005	339,082	-	-
Interest on long-term debt	76,548	94,291	-	-
Water	-	-	1,094,350	1,169,568
Sewer	-	-	1,842,096	1,764,598
Parking	-	-	319,682	302,788
Transit	-	-	612,712	567,709
Total expenses	<u>\$4,424,651</u>	<u>\$4,777,324</u>	<u>\$3,868,840</u>	<u>\$3,804,663</u>
Increase (decrease) in net position before transfers	\$ 484,221	\$ 453,695	(\$ 39,164)	\$ 212,893
Transfers	(163,842)	(376,670)	173,842	417,357
Increase in net position	\$ 320,379	\$ 77,025	\$ 134,678	\$ 630,250
Net position, beginning of year	<u>9,474,713</u>	<u>9,560,571</u>	<u>9,045,971</u>	<u>8,456,875</u>
Net position, end of year	<u>\$9,795,092</u>	<u>\$9,637,596</u>	<u>\$9,180,649</u>	<u>\$9,087,125</u>

Total Primary
Government

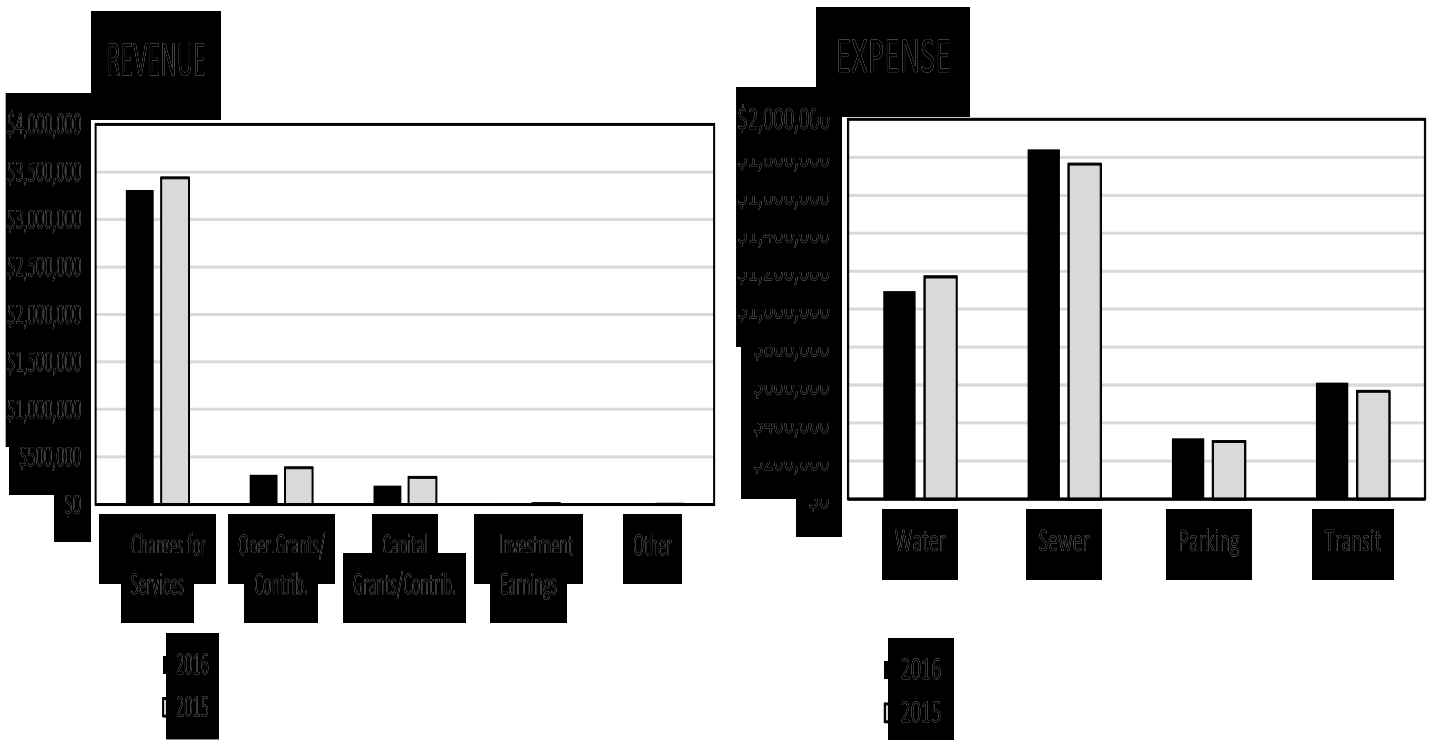
2016	2015
\$ 4,252,648	\$ 4,353,441
2,322,539	2,192,064
370,874	933,533
1,744,584	1,676,558
35,195	26,480
5,500	50,642
7,208	15,857
\$ 8,738,548	\$ 9,248,575
\$ 958,639	\$ 776,270
1,090,446	956,697
1,887,942	2,545,413
50,071	65,571
361,005	339,082
76,548	94,291
1,094,350	1,169,568
1,842,096	1,764,598
319,682	302,788
612,712	567,709
\$ 8,293,491	\$ 8,581,987
\$ 445,057	\$ 666,588
10,000	40,687
\$ 455,057	\$ 707,275
18,520,684	18,017,446
\$18,975,741	\$18,724,721

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities Comparison FY 2016 - FY 2015



Business-Type Activities Comparison FY 2016 - FY 2015



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

The City's total assets increased in FY 2016. Its total liabilities increased markedly with the long-term liabilities of workers' pension liabilities now counted because of the new GASB 68 auditing standards requiring post-employment pension liabilities be accounted for differently. Other liabilities decreased as more of them were paid within the yearly budget cycle. Overall Program revenues were down 6% overall due to the decrease in Capital Grant revenue when compared to 2015, when the City received and administrated over \$600,000 for downtown facade work. Real Property Tax revenue was steady, statistically equal to FY 2015. Personal Property Tax revenue decreased but was more than offset by Local Community Stabilization funds from the State. In total, the net position increased by about 1.6%.

Governmental Activities expenses decreased by over 7%; the bulk of that savings being the expense of the facade projects in FY 2015 accounted for under Public Works. The City did spend more on Parks and Recreation (+6%) and Public Safety (+14%). General Government expenses increased by 23% over FY 2015 as the aforementioned new GASB 68 rules now count pension related liabilities as an expense.

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

The City's total assets decreased slightly, by about 1% with depreciation, as there were no major City building projects in 2016. Overall liabilities decreased slightly as well with the regular payment of long-term debts. In total the net position increased by 1%. Again, the new GASB 68 reporting regulations had an overall negative effect on the 2016 Net Position, though the change was positive over the previous year.

Revenues for services saw a modest decrease which can be explained by regular fluctuations in water/sewer use, parking fines, and transit ridership. Operating grants increased while Capital grants decreased more than 30% with the MEDQ SAW Grant for study of the sewer nearing completion. Sewer expenses were up by 4% with repair work and the purchasing of stock materials needed for system maintenance. Water system expenses decreased as the previous winter was less severe than that before. Parking expenses were up slightly with snow removal and some limited deck work. Transit expenses were up almost 8% primarily due to the increase in fringe benefits as the drivers were added to the City's employee health insurance.

CITY FUNDS

General Fund

Overall Revenue increased in 2016 with the largest single revenue being the State's "new" Local Community Stabilization Share fund, which added 6% of the total revenue, with Charges for Services and Other Revenues up by slightly less. Two major retail construction projects, Keweenaw Chevrolet and Walgreens, both were finished and opened during the year as well as four new residential builds, though not all were on the rolls as of December 31. Overall home and business property tax values have increased by the still low inflation rate. Sales studies show that property values continue to increase slightly in the City of Houghton.

Overall Expenditures increased most notably in Public Safety where police hours increased and pieces of fire department equipment were replaced at the end of their useful life. Public Works and Recreation spending were also up with a continued increase in the number of projects to repair and improve many of the City's facilities used by the public.

Major Street Fund

State Act 51 money was up over 2015, which increased the overall revenue to the fund and was expected as the amount is derived from a formula. Slow Removal income and expense, a large portion of that being reimbursement, were both up from the previous year. Again significant resources were put into Street Preservation though much of that work was reimbursable work on State trunklines. Routine Maintenance expenses increased with limited sections of the major street system receiving pavement repairs to maintain traffic.

Local Street Fund

Like the General Fund, there was a slight increase in revenue. The State Grant Act 51 was increased from last year. Winter maintenance expenses increased over the previous year, though the expense is variable with the severity and duration of the winter. Street Preservation expenses were lower as some planned projects were held to be part of a larger project in the next FY where the funds could be leveraged to take advantage of economy of scale.

Revolving Loan Fund

Fund Balance increased only slightly. Revenue expected from loan repayments was lower than originally budgeted as some loans were not fully drawn during the FY and thus the payments had not begun.

Public Improvement Fund

The fund declined significantly after the completion of the 2015 round of facade grants and grantee contributions where this year the City received a much smaller MDNR grant, with match provided by Copper Country Audubon, for the acquisition of the Central Houghton Greenspace Nature Area. Expenses exceeded revenues due to new projects again repairing docks, adding new sidewalks, and improvements in the parks partially funded with cash from the previous year. A list of these projects is on page 78.

Debt Service Fund

This fund had no activity, and thus no changes, as the City did not incur any significant debt in 2016.

Water Fund

Overall Water revenue was down approximately 3% and is statistically unchanged from 2015 given the typical yearly variances in water sold. Source expense was up with work done to upgrade the pumps, electronics and controls. System Maintenance costs were down as the previous winter did not see the extreme freezing temperatures as in the past two years and thus the associated maintenance was less. The net position decreased by less than 1%, but revenues continue to cover operating expenses.

Sewer Fund

Sewer charges 5% from the previous year. The overall sewer system maintenance expense was up with additional work done to repair and improve the system to maintain efficiencies of lowered overall flow gained by the recent project work. The Portage Lake Water and Sewage Authority cost decreased by another 2.5% with the system maintenance keeping the Houghton flow percentage of total plant flow decreasing. The bulk of the MEDQ SAW Grant-related fieldwork was completed this year. Once the asset management program is completed and future maintenance needs are targeted the City will make further repairs and improvements to maintain or increase sewer system efficiency. That work will increase maintenance costs in coming years, but is necessary to keep the efficiencies gained in recent years by reinvesting revenues back into the system.

Overall the Net Position increased by over 5%.

Parking Fund

Parking system revenue was down less than 1% from 2015 due to a decrease in parking fines with a slightly smaller increase in permit fees; which could be connected. Overall expenses increased with further deck maintenance and an increase in winter snow removal over the previous year. The net position decreased by 3% this year as the transfer of other funds into Parking was significantly less this year due to the major deck resurfacing project being completed the previous year.

Transit Fund

Revenue was up approximately 12% from 2015. Operating expenses were up just over 10% with an increase in employee benefits to the full-time Transit drivers in an effort to attract and retain quality personnel. The overall Net Position decreased about 11% from last year which is in part due to Transit not purchasing a bus this year where the previous year's acquisition resulted in a net positive change with the associated large capital contribution.

Equipment Fund

Operating Revenue was stable in comparison to 2015 as the changes in operations and equipment use begun in 2015 were maintained as practice. Operating expenses decreased by about 4%. Overall Motor Vehicle Pool, the largest expense, differed by less than 1% from 2015. Wages, Benefits and Fuel were lower, though Repairs and Supplies were higher as some major maintenance items were completed and two new plow blades were purchased.

Employee Benefit Fund

Operating Revenue was up 20% with the increased rate to cover the budgeted increase in health insurance costs over the previous year. Health insurance costs increased by 36% due to the switch back to Blue Cross necessitated by the failure of Consumers Mutual Insurance. Employees received a 3.5% raise. Worker's Compensation Insurance increased by 41%, though it was less than 4% of the overall expenses. Sick pay was down 57% after the previous year's payout to departing employees and lower overall usage in FY 2016. Overall the net position increased by 3%.

General Fund Budgetary Highlights

Revenue

Revenue for Real Property Taxes was steady. The City continues to litigate "dark store" assessment adjustment requests and thus far any settlements, typically being less than current value, have been offset by growth in the City's tax base. Personal Property tax revenue was down with more taxpayers utilizing the exemption. The State grant for fire protection, based on a formula, decreased. Revenue sharing was at the expected level, though down slightly from the previous year. Contributions were up mostly due to a City Center tenant that partially funded a major building improvement. Charges for Services were up with increased revenue from the City RV Park and increased rentals at Dee Stadium. The rest of the General Fund revenue was about the same as previous years.

Expenses

General Fund:

- a. Overall expenses increased slightly with increases in Capital, community, and City Promotion Projects offset by lowered overall costs in administrative functions.
- b. Capital Outlay increased with work to the City Center with the addition of a standby emergency electric generator paid in part by a tenant.
- c. Public Works expenses decreased markedly because of the reduction in spending with the completion of the Facade Grant projects in 2015.
- d. Dee Stadium costs were up with increased employee benefits now offered to the two full-time employees.
- e. Street Lighting costs reflect increased electrical rates.
- f. Recreational spending was up with additional funds put into parks, docks, and beach.
- g. Debt Service spending decreased slightly with paydown of the refinanced bond payments.
- h. The Transit contribution increased by about \$19,000 to make up for lowered overall grant revenue.

Capital Asset and Debt Administration

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
CAPITAL ASSETS				
Land	\$ 655,759	\$ 655,759	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	2,583,696	2,651,932	113,112	119,949
Improvements	1,468,107	1,391,463	52,376	53,689
Equipment	757,550	853,142	431,791	519,515
Infrastructure	<u>3,638,024</u>	<u>3,560,282</u>	<u>15,858,759</u>	<u>16,224,363</u>
Total	<u>\$ 9,103,136</u>	<u>\$ 9,112,578</u>	<u>\$17,397,351</u>	<u>\$17,858,829</u>
DEBT				
General Obligation Bonds	\$ 1,670,000	\$ 1,745,000	\$ -	\$ -
Revenue Bonds	-	-	10,893,000	11,128,000
Installment Purchase Contracts	250,368	294,732	-	-
Limited Tax Investment Notes	<u>92,000</u>	<u>105,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,012,368</u>	<u>\$ 2,144,732</u>	<u>\$10,893,000</u>	<u>\$11,128,000</u>

Overall Capital Assets decreased less than 1% with depreciation of building and equipment and a few minor infrastructure projects done in FY 2016. 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 Shelden Avenue, Houghton, Michigan 49931

Total Primary
Government

<u>2016</u>	<u>2015</u>
\$ 655,759	\$ 655,759
941,313	941,313
2,696,808	2,771,881
1,520,483	1,445,152
1,189,341	1,372,657
<u>19,496,783</u>	<u>19,784,645</u>
<u>\$26,500,487</u>	<u>\$26,971,407</u>
\$ 1,670,000	\$ 1,745,000
10,893,000	11,128,000
250,368	294,732
<u>92,000</u>	<u>105,000</u>
<u>\$12,905,368</u>	<u>\$13,272,732</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2016

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Cash	\$ 3,028,188	\$ 1,606,164	\$ 4,634,352	\$ 483,849
Accounts receivable	75,980	218,294	294,274	-
Taxes receivable	12,824	-	12,824	3,335
Due from other governmental units	182,092	148,870	330,962	-
Due from component unit	298	-	298	-
Internal balances	(48,045)	48,045	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	898,400	898,400	-
Investments	11,165	-	11,165	-
Long-term loans	141,008	-	141,008	-
Capital assets - net	<u>9,103,136</u>	<u>17,397,351</u>	<u>26,500,487</u>	<u>5,605,162</u>
TOTAL ASSETS	<u>\$ 12,512,200</u>	<u>\$20,317,124</u>	<u>\$32,829,324</u>	<u>\$6,092,346</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	<u>\$ 377,743</u>	<u>\$ 95,131</u>	<u>\$ 472,874</u>	<u>\$ 23,495</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 185,667	\$ 41,192	\$ 226,859	\$ 28,694
Accrued expenses	43,270	120,372	163,642	3,081
Due to other governmental units	-	30,918	30,918	-
Due to component unit	13,175	-	13,175	(13,244)
Noncurrent liabilities:				
Due within one year	214,668	238,000	452,668	140,000
Due in more than one year	2,057,479	10,655,000	12,712,479	210,000
Net pension liability	<u>504,440</u>	<u>126,884</u>	<u>631,324</u>	<u>30,727</u>
TOTAL LIABILITIES	<u>\$ 3,018,699</u>	<u>\$11,212,366</u>	<u>\$14,231,065</u>	<u>\$ 399,258</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pension	<u>\$ 76,152</u>	<u>\$ 19,240</u>	<u>\$ 95,392</u>	<u>\$ 4,997</u>
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	\$ 7,090,768	\$ 6,504,351	\$13,595,119	\$5,455,162
Restricted for debt service	-	792,732	792,732	-
Unrestricted	<u>2,704,324</u>	<u>1,883,566</u>	<u>4,587,890</u>	<u>256,424</u>
TOTAL NET POSITION	<u>\$ 9,795,092</u>	<u>\$ 9,180,649</u>	<u>\$18,975,741</u>	<u>\$5,711,586</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, 2016

	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	\$ 958,639	\$ 328,973	\$ 840,891	\$ 68,951
Public safety	1,090,446	125,380	22,751	6,416
Public works	1,887,942	338,066	1,147,742	100,853
Community development	50,071	-	-	-
Recreation and parks	361,005	151,664	-	-
Interest on long-term debt	76,548	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$4,424,651	\$ 944,083	\$ 2,011,384	\$ 176,220
Business-type activities:				
Water	\$1,094,350	\$1,085,693	\$ -	\$ -
Sewer	1,842,096	1,903,332	-	191,704
Parking	319,682	196,220	-	-
Transit	612,712	123,320	311,155	2,950
TOTAL BUSINESS-TYPE ACTIVITIES	\$3,868,840	\$3,308,565	\$ 311,155	\$ 194,654
TOTAL PRIMARY GOVERNMENT	\$8,293,491	\$4,252,648	\$ 2,322,539	\$ 370,874
Component Units:				
DDA	\$ 111,954	\$ -	\$ 4,550	\$ -
TIFA	489,272	-	-	-
TOTAL COMPONENT UNITS	\$ 601,226	\$ -	\$ 4,550	\$ -

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 originally stated

Adoption of GASB 68 and 71:

Net pension liability

Deferred outflows

Net position, beginning of year, as restated

Net position, end of year

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

Net (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>
\$ 280,176	\$ -	\$ 280,176	
(935,899)	-	(935,899)	
(301,281)	-	(301,281)	
(50,071)	-	(50,071)	
(209,341)	-	(209,341)	
(76,548)	-	(76,548)	
<u>(\$1,292,964)</u>	<u>\$ -</u>	<u>(\$ 1,292,964)</u>	
\$ -	(\$ 8,657)	(\$ 8,657)	
-	252,940	252,940	
-	(123,462)	(123,462)	
<u>-</u>	<u>(175,287)</u>	<u>(175,287)</u>	
<u>\$ -</u>	<u>(\$ 54,466)</u>	<u>(\$ 54,466)</u>	
<u>(\$1,292,964)</u>	<u>(\$ 54,466)</u>	<u>(\$ 1,347,430)</u>	
\$ -	\$ -	\$ -	(\$ 107,404)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(489,272)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 596,676)</u>
\$1,744,584	\$ -	\$ 1,744,584	\$ 930,518
21,083	14,112	35,195	3,968
6,018	1,190	7,208	-
5,500	-	5,500	-
<u>(163,842)</u>	<u>173,842</u>	<u>10,000</u>	<u>(10,000)</u>
<u>\$1,613,343</u>	<u>\$ 189,144</u>	<u>\$ 1,802,487</u>	<u>\$ 924,486</u>
<u>\$ 320,379</u>	<u>\$ 134,678</u>	<u>\$ 455,057</u>	<u>\$ 327,810</u>
\$9,637,596	\$9,087,125	\$18,724,721	\$5,394,466
(216,616)	(54,729)	(271,345)	(14,217)
<u>53,733</u>	<u>13,575</u>	<u>67,308</u>	<u>3,527</u>
<u>\$9,474,713</u>	<u>\$9,045,971</u>	<u>\$18,520,684</u>	<u>\$5,383,776</u>
<u>\$9,795,092</u>	<u>\$9,180,649</u>	<u>\$18,975,741</u>	<u>\$5,711,586</u>

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2016

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$1,229,833	\$ 240,937	\$ 336,526
Accounts receivable	75,980	-	-
Taxes receivable	12,824	-	-
Inventories	5,554	-	-
Due from other funds	6,077	-	1,167
Due from other governmental units	-	60,491	43,848
Long-term loan	-	-	-
Investments	<u>11,165</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$1,341,433</u>	<u>\$ 301,428</u>	<u>\$ 381,541</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 70,097	\$ 13,188	\$ 13,545
Accrued expenses	24,456	1,101	1,728
Due to other funds	<u>6,658</u>	<u>10,339</u>	<u>10,223</u>
TOTAL LIABILITIES	<u>\$ 101,211</u>	<u>\$ 24,628</u>	<u>\$ 25,496</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes and other	<u>\$ 12,824</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCES</u>			
Assigned for inventory	\$ 5,554	\$ -	\$ -
Unassigned, reported in:			
General fund	1,221,844	-	-
Special revenue funds	-	276,800	356,045
Capital project fund	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>\$1,227,398</u>	<u>\$ 276,800</u>	<u>\$ 356,045</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,341,433</u>	<u>\$ 301,428</u>	<u>\$ 381,541</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>
\$ 228,186	\$ 4,089	\$ 134	\$2,039,705
-	-	-	75,980
-	-	-	12,824
-	-	-	5,554
-	-	-	7,244
-	77,753	-	182,092
141,008	-	-	141,008
-	-	-	11,165
<u>\$ 369,194</u>	<u>\$ 81,842</u>	<u>\$ 134</u>	<u>\$2,475,572</u>

\$ -	\$ 6,400	\$ -	\$ 103,230
-	-	-	27,285
-	214	-	27,434
<u>\$ -</u>	<u>\$ 6,614</u>	<u>\$ -</u>	<u>\$ 157,949</u>
<u>\$ 141,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,832</u>

\$ -	\$ -	\$ -	\$ 5,554
-	-	-	1,221,844
228,186	-	-	861,031
-	75,228	-	75,228
-	-	134	134
<u>\$ 228,186</u>	<u>\$ 75,228</u>	<u>\$ 134</u>	<u>\$2,163,791</u>
<u>\$ 369,194</u>	<u>\$ 81,842</u>	<u>\$ 134</u>	<u>\$2,475,572</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balance - total governmental funds	\$ 2,163,791
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.	8,578,612
Deferred outflow of resources - related to pension	341,697
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	153,832
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.	1,369,338
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.	(14,807)
Net pension liability	(456,362)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(2,272,147)
Deferred inflow of resources - related to pension	(<u>68,862</u>)
Net position of governmental activities	<u>\$ 9,795,092</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, 2016

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,600,229	\$ -	\$ 145,778
License and permits	4,805	-	-
State and federal grants	811,232	844,658	283,857
Charges for services	814,830	-	-
Interest and rents	10,169	1,482	2,924
Other revenue	<u>258,892</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$3,500,157</u>	<u>\$ 846,140</u>	<u>\$ 432,559</u>
EXPENDITURES:			
General government	\$ 664,097	\$ 23,891	\$ 21,519
Public safety	1,026,533	-	-
Public works	550,362	855,322	421,511
Recreation and parks	333,008	-	-
Other expenditures	134,266	-	-
Capital outlay	219,452	-	-
Debt service:			
Principal	117,365	-	-
Interest and other charges	<u>74,441</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$3,119,524</u>	<u>\$ 879,213</u>	<u>\$ 443,030</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 380,633</u>	<u>(\$ 33,073)</u>	<u>(\$ 10,471)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,700	\$ -	\$ 120,000
Transfers out	<u>(381,455)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 375,755)</u>	<u>\$ -</u>	<u>\$ 120,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 4,878</u>	<u>(\$ 33,073)</u>	<u>\$ 109,529</u>
Fund balances, beginning of year	<u>\$1,222,520</u>	<u>\$ 309,873</u>	<u>\$ 246,516</u>
Fund balances, end of year	<u>\$1,227,398</u>	<u>\$ 276,800</u>	<u>\$ 356,045</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>
\$ -	\$ -	\$ -	\$1,746,007
-	-	-	4,805
-	100,853	-	2,040,600
-	-	-	814,830
2,671	680	-	17,926
<u>26,186</u>	<u>19,227</u>	<u>-</u>	<u>304,305</u>
<u>\$ 28,857</u>	<u>\$ 120,760</u>	<u>\$ -</u>	<u>\$4,928,473</u>
\$ 900	\$ -	\$ -	\$ 710,407
-	-	-	1,026,533
-	-	-	1,827,195
-	-	-	333,008
9,993	-	-	144,179
-	184,549	-	404,001
-	-	15,000	132,365
-	-	<u>2,613</u>	<u>77,054</u>
<u>\$ 10,813</u>	<u>\$ 184,549</u>	<u>\$ 17,613</u>	<u>\$4,654,742</u>
<u>\$ 18,044</u>	<u>(\$ 63,789)</u>	<u>(\$ 17,613)</u>	<u>\$ 273,731</u>
\$ -	\$ 80,000	\$ 17,613	\$ 223,313
-	-	-	(381,455)
<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 17,613</u>	<u>(\$ 158,142)</u>
<u>\$ 18,044</u>	<u>\$ 16,211</u>	<u>\$ -</u>	<u>\$ 115,589</u>
<u>\$ 210,142</u>	<u>\$ 59,017</u>	<u>\$ 134</u>	<u>\$2,048,202</u>
<u><u>\$ 228,186</u></u>	<u><u>\$ 75,228</u></u>	<u><u>\$ 134</u></u>	<u><u>\$2,163,791</u></u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2016

Net change in fund balances - total governmental funds		\$ 115,589
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.		404,001
Pension liability not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year. The net change from beginning to end of year does not affect the Governmental Funds Statement of Revenues, Expenditures and Changes in fund Balance.	(38,984)
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 \$185,769.	(525,074)
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.		115,038
Repayments of revolving loan fund loan principal, in the amount of \$26,305 are recorded as revenue in the governmental funds. Issuance of revolving fund loans in the amount of \$9,193 is recorded as an expenditure in the governmental funds. These amounts are not recorded in the statement of activities.	(17,112)
Some property taxes will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.	(1,423)
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.		506
In the statement of activities, an expense is recorded for other post-employment benefits (OPEB) to adjust the net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.	(43,668)
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	\$	165,946
Pension adjustment		2,747
Net of amount allocated to business-type and component unit activities	(42,956)
Depreciation expense	185,769	<u>311,506</u>
Change in net position of governmental activities		<u>\$ 320,379</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, 2016

		<u>Business-Type Activities - Enterprise Funds</u>			
		<u>Water</u>	<u>Sewer</u>	<u>Parking</u>	<u>Transit</u>
		<u>Supply</u>	<u>Disposal</u>	<u>System</u>	<u>System</u>
		<u>Fund</u>	<u>System</u>	<u>Fund</u>	<u>Fund</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash		\$ 285,196	\$1,084,209	\$ 146,489	\$ 90,270
Accounts receivable		77,359	135,917	-	5,018
Due from other funds		-	28,277	-	-
Due from component units		-	-	-	-
Due from other governmental units		-	139,453	-	9,417
	TOTAL CURRENT ASSETS	<u>\$ 362,555</u>	<u>\$1,387,856</u>	<u>\$ 146,489</u>	<u>\$ 104,705</u>
<u>NONCURRENT ASSETS</u>					
Restricted assets		\$ 541,547	\$ 356,853	\$ -	\$ -
Capital assets:					
Property and equipment		13,975,029	9,787,571	5,939,583	1,508,611
Less accumulated depreciation		(5,600,911)	(4,630,097)	(3,496,366)	(1,027,382)
Investment in Portage Lake Water and Sewer Authority		-	941,313	-	-
	TOTAL NONCURRENT ASSETS	<u>\$ 8,915,665</u>	<u>\$6,455,640</u>	<u>\$2,443,217</u>	<u>\$ 481,229</u>
	TOTAL ASSETS	<u>\$ 9,278,220</u>	<u>\$7,843,496</u>	<u>\$2,589,706</u>	<u>\$ 585,934</u>
Deferred outflows of resources - related to pensions		<u>\$ 30,379</u>	<u>\$ 26,508</u>	<u>\$ 11,109</u>	<u>\$ 27,135</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable		\$ 13,191	\$ 23,136	\$ 503	\$ 4,362
Accrued wages and benefits		2,842	6,307	249	5,306
Accrued expenses		67,317	38,351	-	-
Due to other funds		39,864	11,521	356	3,949
Due to other governmental units		-	-	-	30,918
Current maturities on long-term debt		191,000	47,000	-	-
	TOTAL CURRENT LIABILITIES	<u>\$ 314,214</u>	<u>\$ 126,315</u>	<u>\$ 1,108</u>	<u>\$ 44,535</u>
<u>NONCURRENT LIABILITIES</u>					
Bonds payable		\$ 7,568,000	\$3,325,000	\$ -	\$ -
Less current maturities		191,000	47,000	-	-
Net pension liability		40,520	35,355	14,816	36,193
	TOTAL NONCURRENT LIABILITIES	<u>\$ 7,417,520</u>	<u>\$3,313,355</u>	<u>\$ 14,816</u>	<u>\$ 36,193</u>
	TOTAL LIABILITIES	<u>\$ 7,731,734</u>	<u>\$3,439,670</u>	<u>\$ 15,924</u>	<u>\$ 80,728</u>
Deferred inflows of resources - related to pensions		<u>\$ 6,144</u>	<u>\$ 5,361</u>	<u>\$ 2,247</u>	<u>\$ 5,488</u>
<u>NET POSITION</u>					
Invested in capital assets - net of related debt		\$ 806,118	\$2,773,787	\$2,443,217	\$ 481,229
Restricted for debt service		474,230	318,502	-	-
Unrestricted		290,373	1,332,684	139,427	45,624
	TOTAL NET POSITION	<u>\$ 1,570,721</u>	<u>\$4,424,973</u>	<u>\$2,582,644</u>	<u>\$ 526,853</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
\$ 1,606,164	\$ 988,483
218,294	-
28,277	47,603
-	298
<u>148,870</u>	<u>-</u>
<u>\$ 2,001,605</u>	<u>\$ 1,036,384</u>
\$ 898,400	\$ -
31,210,794	3,497,793
(14,754,756)	(2,973,269)
<u>941,313</u>	<u>-</u>
<u>\$18,295,751</u>	<u>\$ 524,524</u>
<u>\$20,297,356</u>	<u>\$ 1,560,908</u>
<u>\$ 95,131</u>	<u>\$ 36,046</u>
\$ 41,192	\$ 82,437
14,704	1,178
105,668	-
55,690	-
30,918	-
238,000	-
<u>\$ 486,172</u>	<u>\$ 83,615</u>
\$10,893,000	\$ -
238,000	-
<u>126,884</u>	<u>48,078</u>
<u>\$10,781,884</u>	<u>\$ 48,078</u>
<u>\$11,268,056</u>	<u>\$ 131,693</u>
<u>\$ 19,240</u>	<u>\$ 7,290</u>
\$ 6,504,351	\$ 524,524
792,732	-
<u>1,808,108</u>	<u>933,447</u>
<u>\$ 9,105,191</u>	<u>\$ 1,457,971</u>
<u>75,458</u>	
<u>\$ 9,180,649</u>	

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$1,044,776	\$1,900,226	\$ -	\$ -
Parking revenues	-	-	196,220	-
Transit fares	-	-	-	123,320
Rents and other revenues	<u>40,917</u>	<u>3,106</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$1,085,693</u>	<u>\$1,903,332</u>	<u>\$ 196,220</u>	<u>\$123,320</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 617,702	\$1,589,673	\$ 183,865	\$477,108
Depreciation	<u>273,096</u>	<u>174,911</u>	<u>146,213</u>	<u>88,646</u>
TOTAL OPERATING EXPENSES	<u>\$ 890,798</u>	<u>\$1,764,584</u>	<u>\$ 330,078</u>	<u>\$565,754</u>
OPERATING INCOME (LOSS)	<u>\$ 194,895</u>	<u>\$ 138,748</u>	<u>(\$ 133,858)</u>	<u>(\$442,434)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 5,154	\$ 7,791	\$ 705	\$ 462
Gain on sale of equipment	-	-	-	-
Miscellaneous	-	-	-	1,190
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,155</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 5,154</u>	<u>\$ 7,791</u>	<u>\$ 705</u>	<u>\$312,807</u>
Non-operating expenses:				
Interest	\$ 214,494	\$ 91,540	\$ -	\$ -
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,454</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 214,494</u>	<u>\$ 91,540</u>	<u>\$ -</u>	<u>\$ 51,454</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(\$ 14,445)	\$ 54,999	(\$ 133,153)	(\$181,081)
Capital contributions	-	191,704	-	2,950
Transfers in (out)	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>113,842</u>
CHANGE IN NET POSITION	<u>(\$ 14,445)</u>	<u>\$ 246,703</u>	<u>(\$ 73,153)</u>	<u>(\$ 64,289)</u>
Net position at July 1, 2015, as previously stated	\$1,598,308	\$4,189,737	\$2,660,603	\$602,881
Adoption of GASB 68 and 71:				
Net pension liability	(17,477)	(15,250)	(6,691)	(15,611)
Deferred outflows	<u>4,335</u>	<u>3,783</u>	<u>1,585</u>	<u>3,872</u>
Net position at July 1, 2015, as restated	<u>\$1,585,166</u>	<u>\$4,178,270</u>	<u>\$2,655,797</u>	<u>\$591,142</u>
Net position at June 30, 2016	<u><u>\$1,570,721</u></u>	<u><u>\$4,424,973</u></u>	<u><u>\$2,582,644</u></u>	<u><u>\$526,853</u></u>

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

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

Change in net position of business-type activities.

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

<u>Totals</u>	<u>Governmental Activities- Internal Service Fund</u>
\$2,945,002	\$ -
196,220	-
123,320	-
<u>44,023</u>	<u>932,255</u>
<u>\$3,308,565</u>	<u>\$ 932,255</u>
\$2,868,348	\$ 583,497
<u>682,866</u>	<u>185,769</u>
<u>\$3,551,214</u>	<u>\$ 769,266</u>
<u>(\$ 242,649)</u>	<u>\$ 162,989</u>
\$ 14,112	\$ 3,157
-	5,500
1,190	-
<u>311,155</u>	<u>-</u>
<u>\$ 326,457</u>	<u>\$ 8,657</u>
\$ 306,034	\$ -
<u>51,454</u>	<u>-</u>
<u>\$ 357,488</u>	<u>\$ -</u>
<u>(\$ 273,680)</u>	<u>\$ 171,646</u>
194,654	-
<u>173,842</u>	<u>(5,700)</u>
<u>\$ 94,816</u>	<u>\$ 165,946</u>
	\$ 1,307,618
	(20,737)
	<u>\$ 5,144</u>
	<u>\$ 1,292,025</u>
	<u><u>\$ 1,457,971</u></u>
<u>39,862</u>	
<u><u>\$ 134,678</u></u>	

CITY OF HOUGHTON, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2016

	<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	\$1,093,696	\$1,922,737	\$196,220
Payments to suppliers	(458,161)	(1,394,763)	(112,741)
Payments to employees	(184,930)	(259,291)	(71,413)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 450,605</u>	<u>\$ 268,683</u>	<u>\$ 12,066</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ -	\$ 5,591	\$ -
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	(14,147)	3,713	(29,375)
Increase (decrease) in due to other governmental units	-	-	-
Transfers (to) from other funds and component units	-	-	60,000
Insurance proceeds	-	-	-
Proceeds from grants	-	-	-
Specialized services grants paid	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(\$ 14,147)</u>	<u>\$ 9,304</u>	<u>\$ 30,625</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ 191,704	\$ -
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(6,485)	(197,903)	(14,050)
Reduction of long-term debt	(190,000)	(45,000)	-
(Increase) decrease in due from other governmental units	-	109,492	-
(Increase) decrease in restricted assets	86,921	(30,214)	-
Interest paid on long-term debt	(215,902)	(91,540)	-
Net cash provided (used) by capital and related financing activities	<u>(\$ 325,466)</u>	<u>(\$ 63,461)</u>	<u>(\$ 14,050)</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>
\$ 122,824	\$3,335,477	\$ 1,103,089
(101,488)	(2,067,153)	(406,973)
(383,024)	(898,658)	(109,721)
-	-	14,255
(\$ 361,688)	\$ 369,666	\$ 600,650
\$ -	\$ 5,591	\$ -
(1,977)	(1,977)	-
557	(39,252)	-
(21,866)	(21,866)	-
113,842	173,842	(5,700)
1,190	1,190	-
311,155	311,155	-
(51,454)	(51,454)	-
\$ 351,447	\$ 377,229	(\$ 5,700)
\$ 2,950	\$ 194,654	\$ -
-	-	5,500
(2,950)	(221,388)	(111,631)
-	(235,000)	-
-	109,492	-
-	56,707	-
-	(307,442)	-
\$ -	(\$ 402,977)	(\$ 106,131)

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2016

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
	Cash flows from investing activities - Interest received	\$ 5,154	\$ 7,275
Net increase (decrease) in cash and cash equivalents	\$ 116,146	\$ 221,801	\$ 29,346
Cash - beginning of year	<u>169,050</u>	<u>862,408</u>	<u>117,143</u>
Cash - end of year	<u>\$ 285,196</u>	<u>\$ 1,084,209</u>	<u>\$ 146,489</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 194,895	\$ 138,748	(\$ 133,858)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	273,096	174,911	146,213
Changes in assets and liabilities:			
Receivables	8,003	19,405	-
Due from other funds and component units	-	-	-
Accounts and other payables	(15,531)	(50,271)	403
Accrued expenses	(13,001)	(7,771)	(1,840)
Due to other governmental units	-	(9,080)	-
Net pension liability	<u>3,143</u>	<u>2,741</u>	<u>1,148</u>
Net cash provided by operating activities	<u>\$ 450,605</u>	<u>\$ 268,683</u>	<u>\$ 12,066</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>
\$ 462	\$ 13,596	\$ 3,157
(\$ 9,779)	\$ 357,514	\$ 491,976
<u>100,049</u>	<u>1,248,650</u>	<u>496,507</u>
<u>\$ 90,270</u>	<u>\$1,606,164</u>	<u>\$ 988,483</u>
(\$ 442,434)	(\$ 242,649)	\$ 162,989
88,646	682,866	185,769
(496)	26,912	-
-	-	185,089
2,133	(63,266)	67,054
(12,344)	(34,956)	(3,980)
-	(9,080)	-
<u>2,807</u>	<u>9,839</u>	<u>3,729</u>
<u>(\$ 361,688)</u>	<u>\$ 369,666</u>	<u>\$ 600,650</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET POSITION
June 30, 2016

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ 17,097	\$ 975,310	\$ 21,776
Accounts receivable	-	1,899	-
Investments - at fair value	1,085,823	-	-
Prepaid expenses	-	34,930	-
Loans to retirement plan participants	<u>44,210</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,147,130</u>	<u>\$1,012,139</u>	<u>\$ 21,776</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 8,702	\$ -
Due to other governmental units	-	-	21,370
Due to component units	-	-	406
Accumulated employee sick leave	-	79,209	-
Accumulated employee vacation	<u>-</u>	<u>120,443</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 208,354</u>	<u>\$ 21,776</u>
<u>NET POSITION</u>			
Held in trust for pension benefits	\$1,147,130	\$ -	\$ -
Restricted for employee benefits	<u>-</u>	<u>803,785</u>	<u>-</u>
TOTAL NET POSITION	<u>\$1,147,130</u>	<u>\$ 803,785</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, 2016

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 59,230	\$ -
Investment income (loss)	85,100	-
Charges for services	-	1,260,098
Other revenue	-	9,193
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	\$ <u>144,330</u>	\$ <u>1,269,291</u>
Operating expenses:		
Plan distributions	\$ 275,859	\$ -
Payroll taxes - employer share	-	145,994
Hospitalization insurance	-	504,704
Sick pay	-	50,502
Vacation pay	-	110,048
Holiday pay	-	52,902
Funeral leave	-	2,487
Longevity pay	-	8,975
Workers' compensation insurance	-	48,657
Unemployment insurance	-	15,244
Retirement contributions	-	223,919
Life insurance	-	32,044
Disability insurance	-	7,005
Other	-	41,909
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	\$ <u>275,859</u>	\$ <u>1,244,390</u>
OPERATING INCOME (LOSS)	(\$ 131,529)	\$ 24,901
Nonoperating revenues (expenses) -		
Net appreciation (depreciation) in fair value of investments	(55,982)	-
Changes in net position	(\$ 187,511)	\$ 24,901
Net position, beginning of year	<u>1,334,641</u>	<u>778,884</u>
Net position, end of year	<u>\$1,147,130</u>	<u>\$ 803,785</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, 2016

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 169,745	\$ 314,104	\$ 483,849
Taxes receivable	2,292	1,043	3,335
Due from primary government	6,892	6,650	13,542
Capital assets-net	<u>770,233</u>	<u>4,834,929</u>	<u>5,605,162</u>
TOTAL ASSETS	\$ <u>949,162</u>	\$ <u>5,156,726</u>	\$ <u>6,105,888</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pension	\$ <u>3,730</u>	\$ <u>19,765</u>	\$ <u>23,495</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 3,560	\$ 25,134	\$ 28,694
Accrued expenses	1,518	1,563	3,081
Due to primary government	-	298	298
Noncurrent liabilities:			
Due within one year	95,000	45,000	140,000
Due in more than one year	105,000	105,000	210,000
Net pension liability	<u>4,364</u>	<u>26,363</u>	<u>30,727</u>
TOTAL LIABILITIES	\$ <u>209,442</u>	\$ <u>203,358</u>	\$ <u>412,800</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pension	\$ <u>1,000</u>	\$ <u>3,997</u>	\$ <u>4,997</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 770,233	\$4,684,929	\$5,455,162
Unrestricted	<u>(27,783)</u>	<u>284,207</u>	<u>256,424</u>
TOTAL NET POSITION	\$ <u>742,450</u>	\$ <u>4,969,136</u>	\$ <u>5,711,586</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, 2016

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs			
Downtown Development			
Authority:			
General government	\$ 29,730	\$ -	\$ -
Parks and recreation	52,078	-	4,550
Public works	30,146	-	-
TOTAL DOWNTOWN DEVELOPMENT AUTHORITY	\$ 111,954	\$ -	\$ 4,550
Tax Increment			
Finance Authority:			
General government	\$ 239,538	\$ -	\$ -
Public safety	120,000	-	-
Public works	129,734	-	-
TOTAL TAX INCREMENT FINANCE AUTHORITY	\$ 489,272	\$ -	\$ -

General revenues:

Property taxes, levied for general purposes
 Unrestricted investment earnings
 Transfers

Change in net position

Net position, beginning of year, as originally stated

Adoption of GASB 68 and 71:

Net pension liability
 Deferred outflows

Net position, beginning of year, as restated

Net position, end of year

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

Net (Expenses) Revenues
and Changes in Net Assets

Downtown Development Authority	Tax Increment Finance Authority	Total
(\$ 29,730)	\$ -	(\$ 29,730)
(47,528)	-	(47,528)
(30,146)	-	(30,146)
(\$ 107,404)	\$ -	(\$ 107,404)
\$ -	(\$ 239,538)	(\$ 239,538)
-	(120,000)	(120,000)
-	(129,734)	(129,434)
\$ -	(\$ 489,272)	(\$ 489,272)
\$ 262,916	\$ 667,602	\$ 930,518
1,324	2,644	3,968
(10,000)	-	(10,000)
\$ 254,240	\$ 670,246	\$ 924,486
\$ 146,836	\$ 180,974	\$ 327,810
\$ 597,754	\$ 4,796,712	\$5,394,466
(2,846)	(11,371)	(14,217)
706	2,821	3,527
\$ 595,614	\$ 4,788,162	\$5,383,776
\$ 742,450	\$ 4,969,136	\$5,711,586

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2016

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, 2015, is as follows:

Assets:	
Current assets	\$ 300,526
Net capital assets	<u>3,589,846</u>
Total Assets	<u>\$3,890,372</u>
Liabilities:	
Current liabilities	\$ 74,115
Other	<u>7,605</u>
Total Liabilities	<u>\$ 81,720</u>
Net Assets:	
Net investment in capital assets	\$3,589,846
Restricted	-
Unrestricted net assets	<u>218,806</u>
Total Net Assets	<u>\$3,808,652</u>
Operating Revenues:	
Tenant revenue	\$ 285,187
Program grants - subsidies	115,530
Other	<u>141,798</u>
Total Operating Revenues	<u>\$ 542,515</u>
Operating Expenses:	
General operations	\$ 511,531
Depreciation	<u>224,145</u>
Total Operating Expenses	<u>\$ 735,676</u>
Operating Income (Loss)	(<u>\$ 193,161</u>)
Nonoperating Revenues (Expenses)	<u>\$ 8,334</u>
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital grant contributions	<u>\$ 56,399</u>
Change in Net Position	(<u>\$ 128,428</u>)
Net Position, beginning of period	<u>3,937,080</u>
Net Position, end of period	<u>\$3,808,652</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, 2016:

Total Assets	<u>\$13,577,367</u>
Liabilities:	
Current liabilities	\$ 1,012,461
Non-current liabilities	<u>4,539,372</u>
	<u>\$ 5,551,833</u>
Net Position:	
Net investment in capital assets	\$ 6,753,627
Unrestricted	<u>1,271,907</u>
Total net position	<u>\$ 8,025,534</u>
Total revenues	\$ 2,077,426
Total expenditures	<u>2,067,159</u>
Change in net assets	\$ 10,267
Net assets, beginning of the year	<u>8,015,267</u>
Net assets, end of year	<u>\$ 8,025,534</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 2015 was \$15.00 on each 1,000.00 of tax valuation.

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

GRANTING OF CREDIT

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

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

BANK DEPOSITS AND INVESTMENTS

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

BANK DEPOSITS AND INVESTMENTS (CONTINUED)

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

RECEIVABLES AND PAYABLES

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

INVENTORIES AND PREPAID ITEMS

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

DEFINED BENEFIT PENSION PLAN

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

LONG-TERM OBLIGATIONS

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

FUND EQUITY

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

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

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

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

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

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

RESTATEMENT OF NET POSITION

Net position at July 1, 2015 for the governmental activities, business-type activities, enterprise funds and internal service funds was restated due to a change in accounting principles related to pensions.

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, 2016, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 3,028,188	\$1,606,164	\$1,014,183	\$5,648,535	\$ 483,849
Investments	11,165	-	1,085,823	1,096,988	-
Restricted assets	<u>-</u>	<u>898,400</u>	<u>-</u>	<u>898,400</u>	<u>-</u>
Total	<u>\$ 3,039,353</u>	<u>\$2,504,564</u>	<u>\$2,100,006</u>	<u>\$7,643,923</u>	<u>\$ 483,849</u>

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

<u>Deposits</u>	<u>Bank Balances</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Unit</u>	
Insured or collateralized	\$ 6,715,740	\$ 489,928	\$ 7,205,668
Uninsured	<u>-</u>	<u>-</u>	<u>-</u>
Total Deposits	<u>\$ 6,715,740</u>	<u>\$ 489,928</u>	<u>\$ 7,205,668</u>

At year end, the carrying amount of cash was \$5,631,438 and \$483,849 for the primary government and component units respectively. Deposits totaling \$898,399 are included with Restricted Assets and deposits of \$17,097 are classified as Retirement Account-Cash. Included with Cash was petty cash of \$2,160. The total carrying amount of deposits in these accounts is \$6,546,934 and \$483,849 for the primary government and component units respectively.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$ 11,165	\$ -	\$ -	\$ 11,165	\$ 11,165
Stocks, bonds and secure mortgages	<u>161,645</u>	<u>-</u>	<u>-</u>	<u>161,645</u>	<u>161,645</u>
	<u>\$172,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,810</u>	<u>\$ 172,810</u>
Nonrisk-Categorized					
Mutual funds				<u>\$ 924,178</u>	<u>\$ 924,178</u>
Total investments				<u>\$1,096,988</u>	<u>\$1,096,988</u>

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

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

NOTE D - RECEIVABLES

Receivables as of June 30, 2016 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	\$ 12,824	\$ -	\$ -	\$ -	\$ -
Accounts	75,980	-	-	77,359	135,917
Long-term loans	-	141,008	-	-	-
Intergovernmental	<u>-</u>	<u>104,339</u>	<u>77,753</u>	<u>-</u>	<u>139,453</u>
Total receivables	<u>\$ 88,804</u>	<u>\$245,347</u>	<u>\$ 77,753</u>	<u>\$ 77,359</u>	<u>\$ 275,370</u>

	<u>Transit Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 12,824
Accounts	5,018	1,899	296,173
Long-term loans	-	44,210	185,218
Intergovernmental	<u>9,417</u>	<u>-</u>	<u>330,962</u>
Total receivables	<u>\$ 14,435</u>	<u>\$ 46,109</u>	<u>\$ 825,177</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	\$ 12,824
Long-term loans receivable	<u>141,008</u>
Total	<u>\$ 153,832</u>

LONG-TERM LOANS RECEIVABLE

Long-term loans receivable in the Revolving Fund, totaling \$141,008 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, 2016. 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	(15,226)
2014-15	(6,533)
2015-16	<u>2,937</u>
	<u>(\$ 30,918)</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, 2016. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable (Payable)</u>
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	8
2006-07	(3,223)
2007-08	2,663
2009-10	(9,825)
2010-11	(493)
2011-12	(443)
2012-13	(88)
2013-14	1,053
2014-15	(263)
2015-16	<u>26,282</u>
	<u>\$ 9,417</u>

c. The amount of the 2015-16 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	\$ 136,200	\$ 70,469
2015-16 receipts	(133,263)	(44,187)
Amount receivable (payable)	<u>\$ 2,937</u>	<u>\$ 26,282</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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	163,578
Equipment	4,217,545	167,504
Infrastructure	<u>5,987,216</u>	<u>184,549</u>
Total capital assets being depreciated	<u>\$18,389,092</u>	<u>\$ 515,631</u>
Less accumulated depreciation for:		
Buildings	(\$ 1,222,043)	(\$ 68,236)
Improvements	(2,918,893)	(86,934)
Equipment	(3,364,403)	(263,096)
Infrastructure	<u>(2,426,934)</u>	<u>(106,807)</u>
Total accumulated depreciation	<u>(\$ 9,932,273)</u>	<u>(\$ 525,073)</u>
Total capital assets, being depreciated, net	<u>\$ 8,456,819</u>	<u>(\$ 9,442)</u>
Governmental activities capital assets, net	<u>\$ 9,112,578</u>	<u>(\$ 9,442)</u>
Business-type activities:		
Capital assets not being depreciated - PLWSA	\$ 941,313	\$ -
Capital assets being depreciated:		
Buildings	\$ 276,443	\$ -
Improvements	74,334	-
Equipment	1,641,628	13,593
Infrastructure	<u>28,996,999</u>	<u>207,794</u>
Total capital assets being depreciated	<u>\$30,989,404</u>	<u>\$ 221,387</u>
Less accumulated depreciation for:		
Buildings	(\$ 156,494)	(\$ 6,837)
Improvements	(20,645)	(1,313)
Equipment	(1,122,113)	(101,317)
Infrastructure	<u>(12,772,636)</u>	<u>(573,398)</u>
Total accumulated depreciation	<u>(\$14,071,888)</u>	<u>(\$ 682,865)</u>
Total capital assets being depreciated, net	<u>\$16,917,516</u>	<u>(\$ 461,478)</u>
Business-type activities capital assets, net	<u>\$17,858,829</u>	<u>(\$ 461,478)</u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>6,685,456</u>	<u>420,788</u>
Total capital assets being depreciated	<u>\$ 7,321,026</u>	<u>\$ 420,788</u>
Less accumulated depreciation for:		
Buildings	(\$ 230,174)	(\$ 12,631)
Infrastructure	<u>(1,804,277)</u>	<u>(141,681)</u>
Total accumulated depreciation	<u>(\$ 2,034,451)</u>	<u>(\$ 154,312)</u>
Total capital assets being depreciated, net	<u>\$ 5,286,575</u>	<u>\$ 266,476</u>
Component unit activities capital assets, net	<u>\$ 5,338,686</u>	<u>\$ 266,476</u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	<u>\$ 655,759</u>
\$ -	\$ 3,873,975
-	4,473,934
-	4,385,049
-	<u>6,171,765</u>
\$ -	<u>\$18,904,723</u>
\$ -	(\$ 1,290,279)
-	(3,005,827)
-	(3,627,499)
-	<u>(2,533,741)</u>
\$ -	<u>(\$10,457,346)</u>
\$ -	<u>\$ 8,447,377</u>
\$ -	<u>\$ 9,103,136</u>
\$ -	<u>\$ 941,313</u>
\$ -	\$ 276,443
-	74,334
-	1,655,221
-	<u>29,204,793</u>
-	<u>\$31,210,791</u>
\$ -	(\$ 163,331)
-	(21,958)
-	(1,223,430)
-	<u>(13,346,034)</u>
\$ -	<u>(\$14,754,753)</u>
\$ -	<u>\$16,456,038</u>
\$ -	<u>\$17,397,351</u>
\$ -	<u>\$ 52,111</u>
\$ -	\$ 635,570
-	<u>7,106,244</u>
\$ -	<u>\$ 7,741,814</u>
\$ -	(\$ 242,805)
-	<u>(1,945,958)</u>
\$ -	<u>(\$ 2,188,763)</u>
\$ -	<u>\$ 5,553,051</u>
\$ -	<u>\$ 5,605,162</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	\$ 108,608
Public works	150,878
Public safety	61,577
Recreation and parks	<u>18,242</u>
Total depreciation expense - Governmental activities	<u>\$ 339,305</u>
Business-type activities:	
Water	\$ 273,096
Sewer	174,911
Parking	146,213
Transit	<u>88,646</u>
Total depreciation expense - Business-type activities	<u>\$ 682,866</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2016 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ <u>6,077</u>	Water	\$ <u>6,077</u>
Local Street	\$ <u>1,167</u>	Major Street	\$ <u>1,167</u>
Sewer Disposal	\$ <u>28,277</u>	Water	\$ <u>28,277</u>
Equipment	\$ 47,603	General	\$ 6,658
		Major Street	9,172
		Local Street	10,223
		Public Improvement	214
		Water	5,510
		Sewer	11,521
		Transit	3,949
		Parking System	<u>356</u>
SUBTOTAL	\$ <u>47,603</u>	SUBTOTAL	\$ <u>47,603</u>
TOTALS	\$ <u>83,124</u>	TOTALS	\$ <u>83,124</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, 2016 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	\$ 406	\$ -	Tax Collection	\$ -	\$ 406
Tax Increment Finance Authority - General	\$ -	\$ 298	Equipment	\$ 298	\$ -
TTOTALS	<u>\$ 406</u>	<u>\$ 298</u>	TOTALS	<u>\$ 298</u>	<u>\$ 406</u>

NOTE G - LONG-TERM DEBT

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

	<u>Governmental</u>	<u>Business- Type</u>
At June 30, 2016 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 2017, with interest at 5.00% per annum	\$ -	\$ 10,000
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2017 through May 1, 2019, with interest at 5.00 % per annum.	-	48,000
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.	-	3,925,000
Water supply and sewage disposal system revenue bonds dated August 13, 2012, mature annually on August 1, 2016 through August 1, 2052 with interest at 2.75% per annum.	-	3,325,000
Limited Tax General Obligation Refunding Bonds, Series 2013 dated June 20, 2013, mature annually on October 1, 2016 through October 1, 2035 with interest ranging from 2.0% to 4.0%	1,630,000	3,585,000
Limited tax general obligation bonds dated July 19, 2005, mature annually on November 1, 2016 through November 1, 2034, with interest at 4.25% per annum.	<u>40,000</u>	<u>-</u>
Total bonds payable	<u>\$ 1,670,000</u>	<u>\$10,893,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

INSTALLMENT NOTE

2006 Rural Development Service Installment note, matures annually on July 1, 2016 through July 1, 2021 with interest at 4.25% per annum.

\$ 92,000 \$ -

INSTALLMENT PURCHASE CONTRACTS

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

\$ 250,368 \$ -

The long-term portion of employee compensated absences, totaling \$170,874, other post-retirement benefits payable of \$88,906 are paid through the Employee Benefits Fund, and reported as governmental activity in the Government-wide Statement of Net Position.

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016, 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>
2017	\$ 135,449	\$ 61,737	\$ 243,000	\$ 304,655
2018	142,631	58,892	237,000	298,611
2019	125,916	56,526	257,000	292,795
2020	134,308	54,292	243,000	286,082
2021	132,064	51,662	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	247,865
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	218,680
2029	85,000	30,300	354,000	207,389
2030	90,000	26,800	363,000	195,672
2031-2053	<u>625,000</u>	<u>77,700</u>	<u>6,771,000</u>	<u>1,910,963</u>
	<u>\$2,012,368</u>	<u>\$ 710,358</u>	<u>\$10,893,000</u>	<u>\$5,502,457</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

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

	<u>Balance</u> <u>06-30-15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-16</u>
<u>PROPRIETARY ACTIVITIES</u>				
REVENUE BONDS				
Water Supply and Sewage Disposal System Bonds(1978)	\$ 20,000	\$ -	\$ 10,000	\$ 10,000
Water Supply and Sewage Disposal System Bonds (1980)	63,000	-	15,000	48,000
Construction Bonds (2012)	3,990,000	-	65,000	3,925,000
Junior Lien Sewage Disposal System Construction Bonds (2012)	3,370,000	-	45,000	3,325,000
2013 Refunding Bonds	<u>3,685,000</u>	<u>-</u>	<u>100,000</u>	<u>3,585,000</u>
	<u>\$11,128,000</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$10,893,000</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
GENERAL OBLIGATION BONDS				
Building Authority Bonds (1997)	\$ 55,000	\$ -	\$ 15,000	\$ 40,000
INSTALLMENT PURCHASE CONTRACTS				
Building Improvements	294,732	-	44,364	250,368
INSTALLMENT NOTE				
2006 Rural Development Loan	105,000	-	13,000	92,000
LIMITED TAX GENERAL OBLIGATION BONDS				
2013 Refunding Bonds	<u>1,690,000</u>	<u>-</u>	<u>60,000</u>	<u>1,630,000</u>
	\$ 2,144,732	\$ -	\$ 132,364	\$ 2,012,368
Accrued compensated absences payable	363,151	7,374	-	370,525
Less current portion, included in Employee Benefit Fund	209,794	-	10,142	199,652
Other post-employment benefits payable	<u>45,238</u>	<u>43,668</u>	<u>-</u>	<u>88,906</u>
	<u>\$ 2,343,327</u>	<u>\$ 51,042</u>	<u>\$ 122,222</u>	<u>\$ 2,272,147</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
LIMITED TAX DEVELOPMENT BONDS				
1999 Tax Increment Bond	\$ 190,000	\$ -	\$ 40,000	\$ 150,000
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
LIMITED TAX DEVELOPMENT BONDS				
2011 Refunding Bonds	\$ 295,000	\$ -	\$ 95,000	\$ 200,000
	<u>\$13,956,327</u>	<u>\$ 51,042</u>	<u>\$ 492,222</u>	<u>\$13,515,147</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, \$10,000 outstanding) dated March 9, 1978, on February 1, 2017, with interest at 5.00% per annum.

Year Ended	August 1	February 1		
<u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 250</u>	<u>\$ 10,000</u>	<u>\$ 250</u>	<u>\$ 10,500</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, \$48,000 outstanding) dated March 6, 1980, mature annually on May 1, 2017 through May 1, 2019, with interest at 5.00% per annum.

Year Ended	November 1	May 1		
<u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,200	\$ 15,000	\$ 1,200	\$ 17,400
2018	825	16,000	825	17,650
2019	<u>425</u>	<u>17,000</u>	<u>425</u>	<u>17,850</u>
	<u>\$ 2,450</u>	<u>\$ 48,000</u>	<u>\$ 2,450</u>	<u>\$ 52,900</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 \$3,925,000 outstanding), dated August 13, 2012, mature annually on August 1, 2016 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>	
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>\$3,925,000</u>	<u>\$915,547</u>	<u>\$ 915,548</u>	<u>\$5,756,095</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 \$3,325,000 outstanding), dated August 13, 2012, mature annually on August 1, 2016 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>
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>\$3,325,000</u>	<u>\$1,045,027</u>	<u>\$1,045,028</u>	<u>\$5,415,055</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 \$5,215,000 outstanding), dated June 20, 2013, mature annually on October 1, 2016 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	Total
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
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>\$5,215,000</u>	<u>\$1,181,855</u>	<u>\$1,090,015</u>	<u>\$7,486,870</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 \$40,000 outstanding), dated September 1, 1997, mature annually on October 1, 2016 through October 1, 2017.

Year Ended <u>June 30</u>	Interest <u>Rate</u>	October 1		April 1	Total
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2017	5.50	\$ 20,000	\$ 1,100	\$ 550	\$ 21,650
2018	5.50	<u>20,000</u>	<u>550</u>	<u>-</u>	<u>20,550</u>
		<u>\$ 40,000</u>	<u>\$ 1,650</u>	<u>\$ 550</u>	<u>\$ 42,200</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 \$200,000 outstanding) dated August 2, 2011, mature annually on May 1, 2017, 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>
2017	\$ 3,500	\$ 100,000	\$ 3,500	\$ 107,000
2018	1,750	100,000	1,750	103,500
	<u>\$ 5,250</u>	<u>\$ 200,000</u>	<u>\$ 5,250</u>	<u>\$ 210,500</u>

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1999 LIMITED TAX GENERAL OBLIGATION BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$150,000 outstanding) dated October 1, 1999, mature annually on May 1, 2017 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>
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>\$ 9,300</u>	<u>\$ 150,000</u>	<u>\$ 9,300</u>	<u>\$ 168,600</u>

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

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$92,000 outstanding) matures annually on July 1, 2016 through July 1, 2021 with interest at the rate of 4.25% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>July 1</u>		<u>January 1</u> <u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
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>\$ 92,000</u>	<u>\$ 7,075</u>	<u>\$ 5,120</u>	<u>\$ 104,195</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - RISK MANAGEMENT

RISKS OF LOSS

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

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

SHARE OF LOSSES

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

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

NOTE I - PENSION - MONEY PURCHASE PLAN

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

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

The City's total payroll in fiscal year ending June 30, 2016 was \$1,908,419. The City's contributions to the money purchase plan were calculated using the base salary amount of \$393,450. The City made the required contribution of \$59,230.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN

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

PLAN DESCRIPTION

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

BENEFITS PROVIDED

01 - All Full Time Employees: Open Division

	<u>2015 Valuation</u>	<u>2014 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	5 years	5 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced)	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0.97%	0.84%
Act 88:	Yes (Adopted 3/8/2010)	Yes (Adopted 3/8/2010)

EMPLOYEES COVERED BY BENEFIT TERMS

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>19</u> <u>25</u>

CONTRIBUTIONS

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions as of the valuation date December 31, 2015 were 15.06% for Division 01 - All Full Time Employees.

NET PENSION LIABILITY

The employer's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

DISCOUNT RATE

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN NET PENSION LIABILITY

Calculating the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 12/31/14	\$ 3,487,543	\$ 3,201,983	\$ 285,560
Changes for the year			
Service cost	106,558	-	106,558
Interest on total pension liability	283,264	-	283,264
Changes in benefits	(700)	-	(700)
Difference between expected and actual experience	(114,732)	-	(114,732)
Changes in assumptions	189,760	-	189,760
Employer contributions	-	141,688	(141,688)
Net investment income	-	(47,007)	47,007
Benefit payments, including employee refunds	(214,647)	(214,647)	-
Administrative expense	-	(7,018)	7,018
Net changes	<u>\$ 249,503</u>	<u>(\$ 126,984)</u>	<u>\$ 376,487</u>
Balances as of 12/31/15	<u>\$ 3,737,046</u>	<u>\$ 3,074,999</u>	<u>\$ 662,047</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - MERS RETIREMENT PLAN (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY

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

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Change in net pension Liability as of 12/31/15	\$ 547,736	\$ -	(\$ 443,723)

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

For the year ended June 30, 2016 the employer recognized pension expense of \$206,227. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences in experience	\$ -	\$ 100,390
Differences in assumptions	166,040	-
Excess (deficit) investment returns	246,297	-
Contribution subsequent to the measurement date*	<u>84,030</u>	<u>-</u>
Total	<u>\$ 496,367</u>	<u>\$ 100,390</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2017.

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

Year ended June 30, 2017	\$ 70,953
2018	70,953
2019	70,953
2020	70,950
2021	9,378
Thereafter	<u>18,760</u>
Total	<u>\$311,947</u>

NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Houghton Retirement Hospitalization Benefit Plan is a single-employer plan administered by the City and can be amended at its discretion. The plan provides a defined benefit to eligible retirees and their spouses. At June 30, 2016, membership of the plan consisted of 23 active plan members, and 19 retirees and beneficiaries receiving benefits. This benefit covers employees that were employed full-time by the City as of March 15, 2015. It discontinues for employees hired on or after March 16, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

FUNDING POLICY

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

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

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

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

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

FUNDED STATUS AND FUNDING PROGRESS

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

ALTERNATIVE MEASUREMENT METHOD AND ASSUMPTIONS

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

NOTE L - DEFERRED COMPENSATION PLAN

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

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

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

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

NOTE N - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
COMPLIANCE WITH BOND COVENANTS

Revenue bond ordinances issued by the Water and Sewer Funds require the City to segregate receipts to establish several reserve accounts. Following is a summary of required reserves and funding levels at June 30, 2016.

	<u>June 30,</u>	
	<u>Required</u>	<u>Reserve</u>
	<u>Reserve</u>	<u>Balance</u>
Water Fund:		
Junior Lien Bond Redemption	\$ 83,666	\$ 118,851
Junior Lien Bond Reserve	72,250	79,993
Water Bond Reserve	<u>29,700</u>	<u>30,635</u>
	<u>\$ 185,616</u>	<u>\$ 229,479</u>
Sewer Fund:		
Junior Lien Bond Redemption	\$ 69,766	\$ 141,159
Junior Lien Bond Reserve	<u>60,000</u>	<u>79,069</u>
	<u>\$ 129,766</u>	<u>\$ 220,228</u>
	<u>\$ 315,382</u>	<u>\$ 449,707</u>

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

NOTE O - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2016 the City implemented the following new pronouncements: GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O - NEW ACCOUNTING STANDARDS (CONTINUED)

Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. 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. The statement 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 also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of beginning of the year net position is shown on the Statement of Activities.

NOTE P - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN

MERS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS

A 10 year schedule will be displayed prospectively from 2015.

	<u>2015</u>
Actuarially determined contribution	\$122,591
Contribution made	<u>141,688</u>
Contribution deficiency (excess)	<u>\$ 19,097</u>
Covered Employee Payroll	\$989 398
Contributions as a percentage of covered employee payroll	14%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male with a blend of the following RP-2014 Tables: Healthy Annuitant Mortality, Employee Mortality, Juvenile mortality

CITY OF HOUGHTON, MICHIGAN

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

A 10 year schedule will be displayed prospectively from 2015.

	<u>Plan year ending December 31, 2015</u>
Total pension liability	
Service cost	\$ 106,558
Interest	283,264
Benefit changes	(700)
Difference between expected and actual experience	(114,732)
Changes of assumptions	189,760
Benefits paid and refunds	(214,647)
Net change in total pension liability	<u>\$ 249,503</u>
Total pension liability - Beginning	<u>\$ 3,487,543</u>
Total pension liability - Ending	<u>\$ 3,737,046</u>
Plan fiduciary net position	
Contributions - employer	\$ 141,688
Net investment income	(47,007)
Benefit payments including employee refunds	(214,647)
Administrative expense	(7,018)
Net change in plan fiduciary net position	<u>(\$ 126,984)</u>
Plan fiduciary net position - Beginning	<u>\$ 3,201,983</u>
Plan fiduciary net position - Ending	<u>\$ 3,074,999</u>
Employer net pension liability	<u>\$ 662,047</u>
Plan fiduciary net position as a percentage of total pension liability	82%
Covered employee payroll	\$ 989,398
Employer's net pension liability as a percentage of covered employee payroll	67%

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,495,440	\$1,574,507	\$1,600,229	\$ 25,722
Licenses and permits	3,300	4,510	4,805	295
State grants	845,020	841,920	811,232	(30,688)
Interest	10,000	10,000	10,169	169
Charges for services	796,800	805,260	814,830	9,570
Other revenues	<u>135,500</u>	<u>253,200</u>	<u>258,892</u>	<u>5,692</u>
TOTAL REVENUES	<u>\$3,286,060</u>	<u>\$3,489,397</u>	<u>\$3,500,157</u>	<u>\$ 10,760</u>
Expenditures:				
General government administration	\$ 789,450	\$ 869,315	\$ 812,764	\$ 56,551
Public safety	976,500	1,087,550	1,074,918	12,632
Public works	439,650	568,250	550,362	17,888
Recreation and parks	348,600	364,100	355,408	8,692
Debt service	191,811	192,461	191,806	655
Other expenditures	<u>164,294</u>	<u>134,500</u>	<u>134,266</u>	<u>234</u>
TOTAL EXPENDITURES	<u>\$2,910,305</u>	<u>\$3,216,176</u>	<u>\$3,119,524</u>	<u>\$ 96,652</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 375,755</u>	<u>\$ 273,221</u>	<u>\$ 380,633</u>	<u>\$ 107,412</u>
Other financing sources(uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Operating transfers out	(381,455)	(381,455)	(381,455)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 375,755)</u>	<u>(\$ 375,755)</u>	<u>(\$ 375,755)</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 102,534)	\$ 4,878	\$ 107,412
Fund balance, beginning of year	<u>1,222,520</u>	<u>1,222,520</u>	<u>1,222,520</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$1,222,520</u></u>	<u><u>\$1,119,986</u></u>	<u><u>\$1,227,398</u></u>	<u><u>\$ 107,412</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, 2016

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
State grants	\$ 407,854	\$ 428,841	\$ 431,970	\$ 3,129
Interest and rents	<u>1,500</u>	<u>1,500</u>	<u>1,482</u>	(<u>18</u>)
TOTAL REVENUES	<u>\$ 409,354</u>	<u>\$ 430,341</u>	<u>\$ 433,452</u>	<u>\$ 3,111</u>
Expenditures:				
General government administration	\$ 36,900	\$ 23,950	\$ 23,891	\$ 59
Public works:				
Street preservation	32,500	83,500	73,401	10,099
Routine maintenance	86,400	88,400	85,736	2,664
Traffic services	15,800	20,850	20,645	205
Snow and ice control	232,700	253,600	251,077	2,523
Roadway inspections	21,000	21,000	17,354	3,646
Contingency	<u>12,454</u>	<u>6,600</u>	<u>-</u>	<u>6,600</u>
TOTAL EXPENDITURES	<u>\$ 437,754</u>	<u>\$ 497,900</u>	<u>\$ 472,104</u>	<u>\$ 25,796</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 28,400)</u>	<u>(\$ 67,559)</u>	<u>(\$ 38,652)</u>	<u>\$ 28,907</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 28,400</u>	<u>(\$ 18,200)</u>	<u>\$ 5,579</u>	<u>\$ 23,779</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 85,759)</u>	<u>(\$ 33,073)</u>	<u>\$ 52,686</u>
Fund balance, beginning of year	<u>309,873</u>	<u>309,873</u>	<u>309,873</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 309,873</u></u>	<u><u>\$ 224,114</u></u>	<u><u>\$ 276,800</u></u>	<u><u>\$ 52,686</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 LOCAL STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$140,000	\$145,778	\$145,778	\$ -
State grants	237,484	296,284	283,857	(12,427)
Interest and rents	<u>1,000</u>	<u>1,600</u>	<u>2,924</u>	<u>1,324</u>
TOTAL REVENUES	<u>\$378,484</u>	<u>\$443,662</u>	<u>\$432,559</u>	(\$ <u>11,103</u>)
Expenditures:				
General government administration	\$ 24,675	\$ 24,675	\$ 21,519	\$ 3,156
Public works:				
Street preservation	125,960	125,960	74,938	51,022
Routine maintenance	59,975	68,975	67,077	1,898
Traffic services	12,825	12,825	11,943	882
Snow and ice removal	256,950	268,750	267,553	1,197
Contingency	<u>18,099</u>	<u>8,399</u>	<u>-</u>	<u>8,399</u>
TOTAL EXPENDITURES	<u>\$498,484</u>	<u>\$509,584</u>	<u>\$443,030</u>	\$ <u>66,554</u>
EXCESS OF REVENUES (EXPENDITURES)	(<u>\$120,000</u>)	(<u>\$ 65,922</u>)	(<u>\$ 10,471</u>)	\$ <u>55,451</u>
Other financing sources (uses)-				
Operating transfers in	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>	\$ -
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 54,078	\$109,529	\$ 55,451
Fund balance, beginning of year	<u>246,516</u>	<u>246,516</u>	<u>246,516</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$246,516</u>	<u>\$300,594</u>	<u>\$356,045</u>	\$ <u>55,451</u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 1,000	\$ 1,000	\$ 2,671	\$ 1,671
Other revenue -				
Loan repayments	<u>40,016</u>	<u>40,016</u>	<u>26,186</u>	(<u>13,830</u>)
TOTAL REVENUES	<u>\$ 41,016</u>	<u>\$ 41,016</u>	<u>\$ 28,857</u>	(<u>\$ 12,159</u>)
Expenditures -				
General government administration	\$ 900	\$ 900	\$ 900	\$ -
Loans and contingencies	<u>-</u>	<u>9,913</u>	<u>9,913</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 900</u>	<u>\$ 10,813</u>	<u>\$ 10,813</u>	<u>\$ -</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 40,116	\$ 30,203	\$ 18,044	(\$ 12,159)
Fund balance, beginning of year	<u>210,142</u>	<u>210,142</u>	<u>210,142</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$250,258</u></u>	<u><u>\$240,345</u></u>	<u><u>\$228,186</u></u>	<u><u>(\$ 12,159)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2016

BUDGETARY INFORMATION

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

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

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$1,229,833	\$1,401,344
Accounts receivable		75,980	80,448
Inventory		5,554	5,554
Taxes receivable		12,824	14,247
Due from other governmental units		-	2,677
Due from other funds		<u>6,077</u>	<u>5,875</u>
	TOTAL CURRENT ASSETS	<u>\$1,330,268</u>	<u>\$1,510,145</u>
<u>OTHER ASSETS</u>			
Investments		<u>\$ 11,165</u>	<u>\$ 10,710</u>
		<u>\$1,341,433</u>	<u>\$1,520,855</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 70,097	\$ 127,667
Accrued wages and benefits		24,456	79,527
Due to other funds		<u>6,658</u>	<u>76,894</u>
	TOTAL CURRENT LIABILITIES	\$ 101,211	\$ 284,088
<u>OTHER LIABILITIES</u>			
Deferred revenues		<u>12,824</u>	<u>14,247</u>
	TOTAL LIABILITIES	<u>\$ 114,035</u>	<u>\$ 298,335</u>
<u>FUND BALANCE</u>			
Unreserved		\$1,221,844	\$1,216,966
Reserved		<u>5,554</u>	<u>5,554</u>
	TOTAL FUND BALANCE	<u>\$1,227,398</u>	<u>\$1,222,520</u>
		<u>\$1,341,433</u>	<u>\$1,520,855</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, 2016
 With Actual Amounts for Year Ended June 30, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$1,574,507	\$1,600,229	\$ 25,722	\$1,554,450
Licenses and permits	4,510	4,805	295	8,460
State grants	841,920	811,232	(30,688)	818,470
Interest	10,000	10,169	169	7,920
Charges for services	805,260	814,830	9,570	781,313
Other revenues	<u>253,200</u>	<u>258,892</u>	<u>5,692</u>	<u>216,959</u>
TOTAL REVENUES	<u>\$3,489,397</u>	<u>\$3,500,157</u>	<u>\$ 10,760</u>	<u>\$3,387,572</u>
Expenditures:				
General government administration	\$ 869,315	\$ 812,764	\$ 56,551	\$ 792,376
Public safety	1,087,550	1,074,918	12,632	958,565
Public works	568,250	550,362	17,888	456,327
Recreation and parks	364,100	355,408	8,692	322,576
Debt service	192,461	191,806	655	198,308
Other expenditures	<u>134,500</u>	<u>134,266</u>	<u>234</u>	<u>74,016</u>
TOTAL EXPENDITURES	<u>\$3,216,176</u>	<u>\$3,119,524</u>	<u>\$ 96,652</u>	<u>\$2,802,168</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 273,221</u>	<u>\$ 380,633</u>	<u>\$ 107,412</u>	<u>\$ 585,404</u>
Other financing sources (uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ -	\$ 5,700
Operating transfers out	(381,455)	(381,455)	-	(520,824)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 375,755)</u>	<u>(\$ 375,755)</u>	<u>\$ -</u>	<u>(\$ 515,124)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 102,534)</u>	<u>\$ 4,878</u>	<u>\$ 107,412</u>	<u>\$ 70,280</u>
Fund balance, beginning of year	<u>1,222,520</u>	<u>1,222,520</u>	<u>-</u>	<u>1,152,240</u>
FUND BALANCE, END OF YEAR	<u><u>\$1,119,986</u></u>	<u><u>\$1,227,398</u></u>	<u><u>\$ 107,412</u></u>	<u><u>\$1,222,520</u></u>

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

CITY OF HOUGHTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2016
With Totals for June 30, 2015

	<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>2016</u>	<u>2015</u>			
<u>ASSETS</u>					
Cash	\$ 805,649	\$ 806,278	\$240,937	\$336,526	\$ 228,186
Due from other governmental units	104,339	114,085	60,491	43,848	-
Due from other funds	1,167	66,335	-	1,167	-
Long-term loans	<u>141,008</u>	<u>158,120</u>	<u>-</u>	<u>-</u>	<u>141,008</u>
	<u>\$1,052,163</u>	<u>\$1,144,818</u>	<u>\$301,428</u>	<u>\$381,541</u>	<u>\$ 369,194</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 26,733	\$ 85,495	\$ 13,188	\$ 13,545	\$ -
Accrued wages and benefits	2,829	6,859	1,101	1,728	-
Due to other funds	20,562	127,813	10,339	10,223	-
Deferred revenue	<u>141,008</u>	<u>158,120</u>	<u>-</u>	<u>-</u>	<u>141,008</u>
TOTAL LIABILITIES	\$ 191,132	\$ 378,287	\$ 24,628	\$ 25,496	\$ 141,008
<u>FUND BALANCE</u>	<u>861,031</u>	<u>766,531</u>	<u>276,800</u>	<u>356,045</u>	<u>228,186</u>
	<u>\$1,052,163</u>	<u>\$1,144,818</u>	<u>\$301,428</u>	<u>\$381,541</u>	<u>\$ 369,194</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, 2016

With Totals for June 30, 2015

	<u>Totals</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>(Memorandum Only)</u>				
	<u>2016</u>	<u>2015</u>			
Revenues:					
Taxes	\$ 145,778	\$ 143,783	\$ -	\$145,778	\$ -
State grants	1,128,515	1,078,326	844,658	283,857	-
Interest and rents	7,077	6,925	1,482	2,924	2,671
Other revenue	<u>26,186</u>	<u>37,852</u>	<u>-</u>	<u>-</u>	<u>26,186</u>
TOTAL REVENUES	<u>\$1,307,556</u>	<u>\$1,266,886</u>	<u>\$846,140</u>	<u>\$432,559</u>	<u>\$ 28,857</u>
Expenditures:					
General government administration	\$ 46,310	\$ 42,942	\$ 23,891	\$ 21,519	\$ 900
Public works	1,276,833	1,254,436	855,322	421,511	-
Loans and contingencies	<u>9,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,913</u>
TOTAL EXPENDITURES	<u>\$1,333,056</u>	<u>\$1,297,378</u>	<u>\$879,213</u>	<u>\$443,030</u>	<u>\$ 10,813</u>
EXCESS OF REVENUES (EXPENDITURES)	(<u>\$ 25,500</u>)	(<u>\$ 30,492</u>)	(<u>\$ 33,073</u>)	(<u>\$ 10,471</u>)	<u>\$ 18,044</u>
Other financing sources (uses)- Operating transfers from other funds	<u>\$ 120,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$120,000</u>	<u>\$ -</u>
	\$ 94,500	\$ 109,508	(\$ 33,073)	\$109,529	\$ 18,044
Fund balance, beginning of year	<u>766,531</u>	<u>657,023</u>	<u>309,873</u>	<u>246,516</u>	<u>210,142</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 861,031</u></u>	<u><u>\$ 766,531</u></u>	<u><u>\$276,800</u></u>	<u><u>\$356,045</u></u>	<u><u>\$ 228,186</u></u>

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

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

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash		\$240,937	\$303,833
Due from other governmental units		<u>60,491</u>	<u>60,939</u>
		<u>\$301,428</u>	<u>\$364,772</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 13,188	\$ 43,477
Accrued wages and benefits		1,101	2,931
Due to other funds		<u>10,339</u>	<u>8,491</u>
	TOTAL LIABILITIES	\$ 24,628	\$ 54,899
<u>FUND BALANCE</u>		<u>276,800</u>	<u>309,873</u>
		<u>\$301,428</u>	<u>\$364,772</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, 2016
With Actual Amounts for Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Revenues:				
State grants	\$428,841	\$431,970	\$ 3,129	\$402,033
Interest and rents	<u>1,500</u>	<u>1,482</u>	(18)	<u>1,572</u>
TOTAL REVENUES	<u>\$430,341</u>	<u>\$433,452</u>	<u>\$ 3,111</u>	<u>\$403,605</u>
Expenditures:				
General government administration	\$ 23,950	\$ 23,891	\$ 59	\$ 25,798
Public works:				
Street preservation	83,500	73,401	10,099	96,147
Routine maintenance	88,400	85,736	2,664	43,002
Traffic services	20,850	20,645	205	12,793
Snow and ice control	253,600	251,077	2,523	227,094
Roadway inspection	21,000	17,354	3,646	18,918
Contingency	<u>6,600</u>	<u>-</u>	<u>6,600</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$497,900</u>	<u>\$472,104</u>	<u>\$ 25,796</u>	<u>\$423,752</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	(\$ 67,559)	(\$ 38,652)	\$ 28,907	(\$ 20,147)
State trunkline maintenance -				
Excess of revenues (expenditures)	(\$ 18,200)	\$ 5,579	\$ 23,779	(\$ 13,395)
Other financing sources (uses)-				
Operating transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 85,759)	(\$ 33,073)	\$ 52,686	\$ 16,458
Fund balance, beginning of year	<u>309,873</u>	<u>309,873</u>	<u>-</u>	<u>293,415</u>
FUND BALANCE, END OF YEAR	<u><u>\$224,114</u></u>	<u><u>\$276,800</u></u>	<u><u>\$ 52,686</u></u>	<u><u>\$309,873</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>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$336,526	\$353,666
Due from other funds	1,167	4,972
Due from other governmental units	<u>43,848</u>	<u>53,146</u>
	<u>\$381,541</u>	<u>\$411,784</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 13,545	\$ 42,018
Accrued wages and benefits	1,728	3,928
Due to other funds	<u>10,223</u>	<u>119,322</u>
	TOTAL LIABILITIES \$ 25,496	\$165,268
<u>FUND BALANCE</u>	<u>356,045</u>	<u>246,516</u>
	<u>\$381,541</u>	<u>\$411,784</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, 2016
 With Actual Amounts for Year Ended June 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$145,778	\$145,778	\$ -	\$143,783
State grants	296,284	283,857	(12,427)	265,660
Interest and rents	<u>1,600</u>	<u>2,924</u>	<u>1,324</u>	<u>2,056</u>
TOTAL REVENUES	<u>\$443,662</u>	<u>\$432,559</u>	<u>(\$ 11,103)</u>	<u>\$411,499</u>
Expenditures:				
General government administration	\$ 24,675	\$ 21,519	\$ 3,156	\$ 16,244
Public works:				
Street preservation	125,960	74,938	51,022	104,729
Routine maintenance	68,975	67,077	1,898	64,925
Traffic services	12,825	11,943	882	8,624
Snow and ice control	268,750	267,553	1,197	254,176
Contingency	<u>8,399</u>	<u>-</u>	<u>8,399</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$509,584</u>	<u>\$443,030</u>	<u>\$ 66,554</u>	<u>\$448,698</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 65,922)</u>	<u>(\$ 10,471)</u>	<u>\$ 55,451</u>	<u>(\$ 37,199)</u>
Other financing sources(uses) -				
Operating transfers in	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 54,078</u>	<u>\$109,529</u>	<u>\$ 55,451</u>	<u>\$ 52,801</u>
Fund balance, beginning of year	<u>246,516</u>	<u>246,516</u>	<u>-</u>	<u>193,715</u>
FUND BALANCE, END OF YEAR	<u><u>\$300,594</u></u>	<u><u>\$356,045</u></u>	<u><u>\$ 55,451</u></u>	<u><u>\$246,516</u></u>

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

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 228,186	\$ 148,779
Due from other funds	-	61,363
Long-term loans	<u>141,008</u>	<u>158,120</u>
	<u>\$ 369,194</u>	<u>\$ 368,262</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 141,008	\$ 158,120
<u>FUND BALANCE</u>	<u>228,186</u>	<u>210,142</u>
	<u>\$ 369,194</u>	<u>\$ 368,262</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, 2016
 With Actual Amounts for Year Ended June 30, 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Revenues:				
Interest and rents	\$ 1,000	\$ 2,671	\$ 1,671	\$ 3,297
Other revenue - Loan repayments	40,016	26,186	(13,830)	37,852
TOTAL REVENUES	\$ 41,016	\$ 28,857	(\$ 12,159)	\$ 41,149
Expenditures:				
General government administration	\$ 900	\$ 900	\$ -	\$ 900
Loans and contingencies	9,913	9,913	-	-
TOTAL EXPENDITURES	\$ 10,813	\$ 10,813	\$ -	\$ 900
EXCESS OF REVENUES (EXPENDITURES)	\$ 30,203	\$ 18,044	(\$ 12,159)	\$ 40,249
Fund Balance, beginning of year	210,142	210,142	-	169,893
FUND BALANCE, END OF YEAR	\$240,345	\$228,186	(\$ 12,159)	\$210,142

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

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

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash		\$ 4,089	\$ 173,395
Grants receivable		77,753	-
Accounts receivable		-	1,900
Due from other funds		-	29,000
		<u>\$ 81,842</u>	<u>\$ 204,295</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 6,400	\$ 7,132
Due to other funds		214	68,146
Due to component units		-	70,000
	TOTAL LIABILITIES	<u>\$ 6,614</u>	<u>\$ 145,278</u>
<u>FUND BALANCE</u>		<u>\$ 75,228</u>	<u>\$ 59,017</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 81,842</u>	<u>\$ 204,295</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>2016</u>	<u>2015</u>
Fund balance, July 1	\$ 59,017	\$ 35,700
Revenues for Capital Outlay:		
Grants	100,853	559,339
Private Contributions	-	206,018
Copper Country Audubon Contributions	19,227	-
Interest	<u>680</u>	<u>280</u>
 TOTAL AVAILABLE FOR CAPITAL OUTLAY	 <u>\$ 179,777</u>	 <u>\$ 801,337</u>
 Expenditures for Capital Outlay:		
Downtown Facade	\$ -	\$ 632,706
Dock Repair	7,055	25,410
Nara Park Culvert	-	1,651
Signs	-	1,102
Roy's Pasty & Bakery	-	118,389
Street Lighting	-	2,207
Central Houghton Nature Park	104,330	110
Nara	6,316	-
Park Improvement	34,165	25,219
Sidewalks and Curbs	32,683	-
General Administration	<u>-</u>	<u>15,526</u>
 TOTAL EXPENDITURES	 <u>\$ 184,549</u>	 <u>\$ 822,320</u>
	(\$ 4,772)	(\$ 20,983)
Other financing sources (uses)-		
Operating transfers from other funds	<u>80,000</u>	<u>80,000</u>
 FUND BALANCE, JUNE 30	 <u>\$ 75,228</u>	 <u>\$ 59,017</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>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	<u>\$ 134</u>	<u>\$ 134</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities	\$ -	\$ -
Fund Balance	<u>134</u>	<u>134</u>
	<u>\$ 134</u>	<u>\$ 134</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, 2016
With Actual Amounts for Year Ended June 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Contributions from other funds	\$ 17,613	\$ 17,613	\$ -	\$ 18,467
Contributions from component units	-	-	-	25,687
Interest	-	-	-	2
TOTAL REVENUES	<u>\$ 17,613</u>	<u>\$ 17,613</u>	<u>\$ -</u>	<u>\$ 44,156</u>
Expenditures:				
Redemption of serial bonds	\$ 15,000	\$ 15,000	\$ -	\$ 40,000
Bond issuance expense	-	-	-	29
Interest on bonds	<u>2,613</u>	<u>2,613</u>	-	<u>4,125</u>
TOTAL EXPENDITURES	<u>\$ 17,613</u>	<u>\$ 17,613</u>	<u>\$ -</u>	<u>\$ 44,154</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Fund balance, beginning of year	<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 132</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 134</u></u>	<u><u>\$ 134</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 134</u></u>

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

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 285,196	\$ 169,050
Accounts receivable	77,359	85,362
	<u>\$ 362,555</u>	<u>\$ 254,412</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water distribution system	\$13,975,029	\$13,968,544
Less accumulated depreciation	5,600,911	5,327,815
	<u>\$ 8,374,118</u>	<u>\$ 8,640,729</u>
<u>OTHER ASSETS</u>		
Restricted assets:		
1978 Bond and Interest Redemption Account	\$ -	\$ 68,746
1980 Bond and Interest Redemption Account	22,678	27,856
1978 Water Bond Reserve Account	10,315	10,000
1980 Water Bond Reserve Account	30,635	29,700
1978 Water/Sewer Revenue Bonds - Debt Service Account	501	2,783
1980 Water/Sewer Revenue Bonds - Debt Service Account	510	8,160
2012 Water/Sewer Construction:		
Bond and Interest Redemption Account	69,905	57,332
Junior Lien Bond Reserve Account	118,350	125,082
Repair, Replacement and Improvement Account	128,868	143,337
2013 Refinancing Bond - Debt Service Account	501	1,407
2013 Refinancing Bond Account	159,284	154,065
	<u>\$ 541,547</u>	<u>\$ 628,468</u>
	<u>\$ 9,278,220</u>	<u>\$ 9,523,609</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 30,379	\$ -
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 13,191	\$ 28,722
Accrued wages and benefits	2,842	15,843
Accrued interest expense	67,317	68,725
Due to other funds	39,864	54,011
Current maturities on long-term debt	191,000	190,000
	<u>\$ 314,214</u>	<u>\$ 357,301</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$ 7,568,000	\$ 7,758,000
Less current maturities	191,000	190,000
Net pension liability	40,520	-
	<u>\$ 7,417,520</u>	<u>\$ 7,568,000</u>
	<u>\$ 7,731,734</u>	<u>\$ 7,925,301</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 6,144	\$ -
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 806,118	\$ 882,729
Restricted for debt service	474,230	559,743
Unrestricted	290,373	155,836
	<u>\$ 1,570,721</u>	<u>\$ 1,598,308</u>

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water sales	\$1,038,671	\$1,073,586
Repairs and new customer installations	6,105	13,510
Other revenue	40,917	35,276
TOTAL OPERATING REVENUES	<u>\$1,085,693</u>	<u>\$1,122,372</u>
Operating expenses:		
Source of water	\$ 340,474	\$ 307,410
Meter expenses	4,223	3,751
Customer installations	12,613	4,035
Maintenance of the water supply system, hydrants, and structure	159,188	275,370
Laboratory and office expense	48,629	43,437
Meter reading	20,056	20,369
Engineering and supervision	28,017	27,770
Other	4,502	4,614
Depreciation expense	\$ 617,702	\$ 686,756
	273,096	272,576
TOTAL OPERATING EXPENSES	<u>\$ 890,798</u>	<u>\$ 959,332</u>
NET OPERATING INCOME (LOSS)	<u>\$ 194,895</u>	<u>\$ 163,040</u>
Non-operating revenues - Interest	<u>\$ 5,154</u>	<u>\$ 3,329</u>
Non-operating expenses - Interest	<u>\$ 214,494</u>	<u>\$ 219,201</u>
CHANGES IN NET POSITION	(\$ 14,445)	(\$ 52,832)
Net position, beginning of year	<u>1,585,166</u>	<u>1,651,140</u>
Net position, end of year	<u><u>\$1,570,721</u></u>	<u><u>\$1,598,308</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>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$1,093,696	\$1,133,515
Payments to suppliers	(458,161)	(471,663)
Payments to employees	(184,930)	(176,001)
Net cash provided (used) by operating activities	<u>\$ 450,605</u>	<u>\$ 485,851</u>
Cash flows from noncapital financing activities -		
Increase (decrease) in due to other funds	(\$ 14,147)	\$ 23,327
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 6,485)	(\$ 64,497)
Issuance of long-term debt	-	87,000
Reduction of long-term debt	(190,000)	(220,000)
(Increase) decrease in restricted assets	86,921	(161,436)
Interest paid on long-term debt	(215,902)	(219,766)
Net cash provided (used) by capital and related financing activities	<u>(\$ 325,466)</u>	<u>(\$ 578,699)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 5,154</u>	<u>\$ 3,329</u>
Net increase (decrease) in cash and cash equivalents	\$ 116,146	(\$ 66,192)
Cash - beginning of year	<u>169,050</u>	<u>235,242</u>
Cash - end of year	<u><u>\$ 285,196</u></u>	<u><u>\$ 169,050</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 194,895	\$ 163,040
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	273,096	272,576
Changes in assets and liabilities:		
Receivables	8,003	11,143
Accounts and other payables	(15,531)	24,776
Accrued expenses	(13,001)	14,316
Net pension liability	<u>3,143</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 450,605</u></u>	<u><u>\$ 485,851</u></u>

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

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

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$1,084,209	\$ 862,408
Accounts receivable		135,917	163,920
Due from other governmental units		139,453	231,267
Due from other funds and component units		<u>28,277</u>	<u>33,868</u>
	TOTAL CURRENT ASSETS	<u>\$1,387,856</u>	<u>\$1,291,463</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Underground sewage collection system		\$9,787,571	\$9,589,668
Less accumulated depreciation		<u>4,630,097</u>	<u>4,455,186</u>
		\$5,157,474	\$5,134,482
Original investment in Portage Lake Water and Sewer Authority		<u>941,313</u>	<u>941,313</u>
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$6,098,787</u>	<u>\$6,075,795</u>
<u>OTHER ASSETS</u>			
Restricted cash:			
2012 Water/Sewer Construction:			
Junior Lien Bond Reserve Account		\$ 221,464	\$ 215,087
Repair, Replacement and Improvement Account		<u>135,389</u>	<u>111,552</u>
	TOTAL OTHER ASSETS	<u>\$ 356,853</u>	<u>\$ 326,639</u>
	TOTAL ASSETS	<u>\$7,843,496</u>	<u>\$7,693,897</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions		\$ 26,508	\$ -
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 23,136	\$ 73,407
Accrued interest expense		38,351	38,867
Accrued wages and benefits		6,307	14,078
Due to other funds		11,521	7,808
Current maturities on long-term debt		<u>47,000</u>	<u>45,000</u>
	TOTAL CURRENT LIABILITIES	<u>\$ 126,315</u>	<u>\$ 179,160</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$3,325,000	\$3,370,000
Less current maturities		47,000	45,000
Net pension liability		<u>35,355</u>	<u>-</u>
	TOTAL LONG-TERM DEBT	<u>\$3,313,355</u>	<u>\$3,325,000</u>
	TOTAL LIABILITIES	<u>\$3,439,670</u>	<u>\$3,504,160</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions		\$ 5,361	\$ -
<u>NET POSITION</u>			
Invested in net assets - net of related debt		\$2,773,787	\$2,705,795
Restricted for debt service		318,502	287,872
Unrestricted		<u>1,332,684</u>	<u>1,196,070</u>
	TOTAL NET POSITION	<u>\$4,424,973</u>	<u>\$4,189,737</u>

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

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

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenues:		
Sewer charges	\$1,897,426	\$2,000,673
Repairs and new customer installations	2,800	3,600
Other revenue	<u>3,106</u>	<u>451</u>
TOTAL OPERATING REVENUES	<u>\$1,903,332</u>	<u>\$2,004,724</u>
Operating expenses:		
Customer installations	\$ 9,257	\$ 1,373
Maintenance of the sewage disposal system and structure	305,587	214,655
Laboratory and office expense	50,204	49,684
Engineering and supervision	78,371	65,983
City share of Portage Lake Water and Sewer Authority expense	1,142,277	1,171,994
Other	<u>3,977</u>	<u>4,089</u>
	\$1,589,673	\$1,507,778
Depreciation expense	<u>174,911</u>	<u>170,417</u>
TOTAL OPERATING EXPENSES	<u>\$1,764,584</u>	<u>\$1,678,195</u>
NET OPERATING INCOME (LOSS)	<u>\$ 138,748</u>	<u>\$ 326,529</u>
Non-operating revenues - Interest	<u>\$ 7,791</u>	<u>\$ 5,686</u>
Non-operating expenses - Interest	<u>\$ 91,540</u>	<u>\$ 92,617</u>
Other financing sources (uses)- State grant	<u>\$ 191,704</u>	<u>\$ 160,186</u>
CHANGES IN NET POSITION	<u>\$ 246,703</u>	<u>\$ 399,784</u>
Net position, beginning of year	<u>4,178,270</u>	<u>3,789,953</u>
Net position, end of year	<u><u>\$4,424,973</u></u>	<u><u>\$4,189,737</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>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$1,922,737	\$2,042,463
Payments to suppliers	(1,394,763)	(1,247,318)
Payments to employees	(259,291)	(201,931)
Net cash provided (used) by operating activities	<u>\$ 268,683</u>	<u>\$ 593,214</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	\$ 5,591	(\$ 6,224)
Increase (decrease) in due to other funds and component units	<u>3,713</u>	<u>(3,645)</u>
Net cash flows from noncapital financing activities	<u>\$ 9,304</u>	<u>(\$ 9,869)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 197,903)	(\$ 232,443)
Issuance of long-term debt	-	93,000
Reduction of long-term debt	(45,000)	(66,000)
(Increase) decrease in due from other governmental units	109,492	(131,571)
Grant Income	191,704	160,186
(Increase) decrease in restricted assets	(30,214)	(49,616)
Interest paid on long-term debt	<u>(91,540)</u>	<u>(92,004)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$ 63,461)</u>	<u>(\$ 318,448)</u>
Cash flows from investing activities - Interest received	<u>\$ 7,275</u>	<u>\$ 5,686</u>
Increase (decrease) in cash and cash equivalents	\$ 221,801	\$ 270,583
Cash - beginning of year	<u>862,408</u>	<u>591,825</u>
Cash - end of year	<u><u>\$1,084,209</u></u>	<u><u>\$ 862,408</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 138,748	\$ 326,529
Adjustments to reconcile operating income to net cash provided (used) by operating activities - Depreciation expense	174,911	170,417
Changes in assets and liabilities:		
Receivables	19,405	37,739
Accounts and other payables	(50,271)	67,787
Accrued expenses	(7,771)	(5,339)
Due from other governmental units	(9,080)	(3,919)
Net pension liability	<u>2,741</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 268,683</u></u>	<u><u>\$ 593,214</u></u>

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 146,489	\$ 117,143
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$5,939,583	\$5,925,533
Less accumulated depreciation	<u>3,496,366</u>	<u>3,350,153</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$2,443,217	\$2,575,380
TOTAL ASSETS	<u>\$2,589,706</u>	<u>\$2,692,523</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 11,109	\$ -
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 503	\$ 100
Accrued wages and benefits	249	2,089
Due to other funds	<u>356</u>	<u>29,731</u>
TOTAL CURRENT LIABILITIES	\$ 1,108	\$ 31,920
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	<u>\$ 14,816</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 15,924</u>	<u>\$ 31,920</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 2,247</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$2,443,217	\$2,575,380
Unrestricted	<u>139,427</u>	<u>85,223</u>
TOTAL NET POSITION	<u>\$2,582,644</u>	<u>\$2,660,603</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>2016</u>	<u>2015</u>
Operating revenues:		
Parking fees - Meters	\$ 1,474	\$ 1,417
Parking space permits	102,072	90,725
Parking easement	55,002	55,000
Parking fines	32,900	45,779
Towing fees	<u>4,772</u>	<u>5,002</u>
TOTAL OPERATING REVENUES	<u>\$ 196,220</u>	<u>\$ 197,923</u>
Operating expenses:		
Parking system maintenance	\$ 62,664	\$ 47,235
Parking law enforcement	23,210	30,578
Winter maintenance	93,819	87,759
Insurance	1,805	1,892
Miscellaneous	<u>2,367</u>	<u>2,054</u>
Depreciation expense	<u>\$ 183,865</u>	<u>\$ 169,518</u>
TOTAL OPERATING EXPENSES	<u>\$ 330,078</u>	<u>\$ 311,716</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 133,858)</u>	<u>(\$ 113,793)</u>
Non-operating revenues-		
Interest	<u>\$ 705</u>	<u>\$ 696</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(\$ 133,153)</u>	<u>(\$ 113,097)</u>
Other financing sources (uses)-		
Operating transfers from other funds and component units	<u>\$ 60,000</u>	<u>\$ 323,000</u>
CHANGES IN NET POSITION	<u>(\$ 73,153)</u>	<u>\$ 209,903</u>
Net position, beginning of year	<u>2,655,797</u>	<u>2,450,700</u>
Net position, end of year	<u><u>\$2,582,644</u></u>	<u><u>\$2,660,603</u></u>

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

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

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$196,220	\$197,923
Payment to suppliers	(112,741)	(104,650)
Payments to employees	(71,413)	(64,241)
Net cash provided (used) by operating activities	<u>\$ 12,066</u>	<u>\$ 29,032</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 60,000	\$323,000
(Increase) decrease in due from other funds	-	206
Increase (decrease) in due to other funds	(29,375)	(21,402)
Net cash provided (used) by noncapital financing activities	<u>\$ 30,625</u>	<u>\$301,804</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 14,050)	(\$321,206)
Cash flows from investment activities -		
Interest received	\$ 705	\$ 696
Net increase (decrease) in cash and cash equivalents	\$ 29,346	\$ 10,326
Cash - beginning of year	<u>117,143</u>	<u>106,817</u>
Cash - end of year	<u>\$146,489</u>	<u>\$117,143</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$133,858)	(\$113,793)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	146,213	142,198
Changes in assets and liabilities:		
Accounts and other payables	403	(64)
Accrued expenses	(1,840)	691
Net pension liability	<u>1,148</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 12,066</u>	<u>\$ 29,032</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,	
	2016	2015
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 90,270	\$ 100,049
Accounts receivable	5,018	4,522
Due from federal government	9,417	7,440
TOTAL CURRENT ASSETS	\$ 104,705	\$ 112,011
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,508,611	\$1,505,661
Less accumulated depreciation	1,027,382	938,736
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 481,229	\$ 566,925
TOTAL ASSETS	\$ 585,934	\$ 678,936
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 27,135	\$ -
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 4,362	\$ 2,229
Accrued wages and benefits	5,306	17,650
Due to state - state operating assistance	30,918	52,784
Due to other funds	3,949	3,392
TOTAL CURRENT LIABILITIES	\$ 44,535	\$ 76,055
<u>LONG-TERM LIABILITIES</u>		
Net pension liability	\$ 36,193	\$ -
TOTAL LIABILITIES	\$ 80,728	\$ 76,055
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 5,488	\$ -
<u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 481,229	\$ 566,925
Unrestricted	45,624	35,956
TOTAL NET POSITION	\$ 526,853	\$ 602,881

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>2016</u>	<u>2015</u>
Operating revenues	\$ 123,320	\$ 110,680
Operating expenses	<u>565,754</u>	<u>510,424</u>
OPERATING INCOME (LOSS)	(\$ 442,434)	(\$ 399,744)
Non-operating revenues	426,649	385,110
Non-operating expenses	<u>51,454</u>	<u>62,559</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(\$ 67,239)	(\$ 77,193)
Capital contributions	<u>2,950</u>	<u>121,207</u>
CHANGES IN NET POSITION	(\$ 64,289)	\$ 44,014
Net position, beginning of year	<u>\$ 591,142</u>	<u>\$ 558,867</u>
Net position, end of year	<u><u>\$ 526,853</u></u>	<u><u>\$ 602,881</u></u>

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

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$ 122,824	\$ 110,043
Payments to suppliers	(101,488)	(107,613)
Payments to employees	(383,024)	(291,153)
Net cash provided (used) by operating activities	<u>(\$ 361,688)</u>	<u>(\$ 288,723)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 113,842	\$ 94,357
(Increase) decrease in due from other funds and component units	-	521
(Increase) decrease in due from other governmental units	(1,977)	9,074
Increase (decrease) in due to other funds and component units	557	(16,995)
Increase (decrease) in due to other governmental units	(21,866)	43,862
Proceeds from grants	311,155	285,288
Insurance and other refunds	1,190	3,126
Specialized services grants paid	(51,454)	(62,559)
Net cash provided (used) by noncapital financing activities	<u>\$ 351,447</u>	<u>\$ 356,674</u>
Cash flows from capital and related financing activities:		
Capital contributions	\$ 2,950	\$ 121,207
Acquisition of property, plant, and equipment	(2,950)	(121,207)
Proceeds from sale of assets	-	5,726
Increase (decrease) in deferred revenue	-	(2,900)
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ 2,826</u>
Cash flows from investing activities - Interest received	<u>\$ 462</u>	<u>\$ 57</u>
Net increase (decrease) in cash and cash equivalents	(\$ 9,779)	\$ 70,834
Cash - beginning of year	<u>100,049</u>	<u>29,215</u>
Cash - end of year	<u>\$ 90,270</u>	<u>\$ 100,049</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 442,434)	(\$ 399,744)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	88,646	107,561
Changes in assets and liabilities:		
Receivables	(496)	(637)
Accounts and other payables	2,133	(1,615)
Accrued expenses	(12,344)	5,712
Net pension liability	<u>2,807</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(\$ 361,688)</u>	<u>(\$ 288,723)</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>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 988,483	\$ 496,507
Due from other funds	47,603	232,718
Due from component units	<u>298</u>	<u>272</u>
TOTAL CURRENT ASSETS	<u>\$1,036,384</u>	<u>\$ 729,497</u>
 <u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 328,229	\$ 328,229
Equipment	<u>3,169,564</u>	<u>3,057,933</u>
	\$3,497,793	\$3,386,162
Less accumulated depreciation	<u>2,973,269</u>	<u>2,787,500</u>
TOTAL LAND, BUILDINGS, AND EQUIPMENT	<u>\$ 524,524</u>	<u>\$ 598,662</u>
TOTAL ASSETS	<u>\$1,560,908</u>	<u>\$1,328,159</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	\$ 36,046	\$ -
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 82,437	\$ 15,383
Accrued wages and benefits	<u>1,178</u>	<u>5,158</u>
TOTAL CURRENT LIABILITIES	<u>\$ 83,615</u>	<u>\$ 20,541</u>
 <u>LONG-TERM LIABILITIES</u>		
Net pension liability	<u>\$ 48,078</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 131,693</u>	<u>\$ 20,541</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	\$ 7,290	\$ -
 <u>NET POSITION</u>		
Invested in capital assets - net of related debt	\$ 524,524	\$ 598,662
Unrestricted	<u>933,447</u>	<u>708,956</u>
TOTAL NET POSITION	<u>\$1,457,971</u>	<u>\$1,307,618</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>2016</u>	<u>2015</u>
Operating revenues:		
Charges for services	\$ 918,000	\$ 920,982
Other revenue	<u>14,255</u>	<u>8,624</u>
TOTAL OPERATING REVENUES	<u>\$ 932,255</u>	<u>\$ 929,606</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 501,198	\$ 485,899
Insurance on equipment and garage	32,366	33,917
Employee benefits	<u>49,933</u>	<u>59,415</u>
	\$ 583,497	\$ 579,231
Depreciation expense	<u>185,769</u>	<u>218,345</u>
TOTAL OPERATING EXPENSES	<u>\$ 769,266</u>	<u>\$ 797,576</u>
NET INCOME FROM OPERATIONS	<u>\$ 162,989</u>	<u>\$ 132,030</u>
Non-operating income:		
Interest	\$ 3,157	\$ 1,586
Gain on sale of equipment	<u>5,500</u>	<u>33,860</u>
	<u>\$ 8,657</u>	<u>\$ 35,446</u>
Other financing sources (uses):		
Operating transfers to other funds	(<u>5,700</u>)	(<u>125,700</u>)
CHANGES IN NET POSITION	<u>\$ 165,946</u>	<u>\$ 41,776</u>
Net position, beginning of year	<u>1,292,025</u>	<u>1,265,842</u>
Net position, end of year	<u><u>\$1,457,971</u></u>	<u><u>\$1,307,618</u></u>

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

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$1,103,089	\$ 909,320
Payments to suppliers	(406,973)	(448,049)
Payments to employees	(109,721)	(130,162)
Other receipts (payments)	14,255	8,624
Net cash provided (used) by operating activities	\$ 600,650	\$ 339,733
Cash flows from noncapital financing activities:		
Transfers to other funds and component units	(\$ 5,700)	(\$ 125,700)
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	\$ 5,500	\$ 33,860
Acquisition of property, plant and equipment	(111,631)	(164,146)
Net cash provided (used) by capital and related financing activities	(\$ 106,131)	(\$ 130,286)
Cash flows from investing activities -		
Interest received	\$ 3,157	\$ 1,586
Net increase (decrease) in cash and cash equivalents	\$ 491,976	\$ 85,333
Cash - beginning of year	496,507	411,174
Cash - end of year	\$ 988,483	\$ 496,507
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 162,989	\$ 132,030
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	185,769	218,345
Changes in assets and liabilities:		
Accounts and other payables	67,054	539
Due from other funds and component units	185,089	(11,662)
Accrued expenses	(3,980)	481
Net pension liability	3,729	-
Net cash provided by operating activities	\$ 600,650	\$ 339,733

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

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

	June 30,	
	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 17,097	\$ 6,811
Investments	1,085,823	1,273,670
Loans to participants	44,210	54,160
	<u>\$1,147,130</u>	<u>\$1,334,641</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
<u>NET POSITION</u>	<u>\$1,147,130</u>	<u>\$1,334,641</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>2016</u>	<u>2015</u>
Operating revenues:		
Employer contributions	\$ 59,230	\$ 61,826
Investment income	<u>85,100</u>	<u>99,214</u>
TOTAL OPERATING REVENUES	<u>\$ 144,330</u>	<u>\$ 161,040</u>
Operating expenses - Plan distributions	<u>\$ 275,859</u>	<u>\$ -</u>
NET OPERATING INCOME (LOSS)	(\$ 131,529)	\$ 161,040
Net appreciation (depreciation) in fair value of investments	(<u>55,982</u>)	(<u>50,421</u>)
CHANGES IN NET POSITION	(\$ 187,511)	\$ 110,619
Net position, beginning of year	<u>1,334,641</u>	<u>1,224,022</u>
Net position, end of year	<u><u>\$1,147,130</u></u>	<u><u>\$1,334,641</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>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash		\$ 975,310	\$ 959,105
Accounts receivable		1,899	93
Prepaid expense		<u>34,930</u>	<u>31,270</u>
	TOTAL ASSETS	<u>\$1,012,139</u>	<u>\$ 990,468</u>
<u>LIABILITIES</u>			
Accounts payable		\$ 8,702	\$ 1,790
Accumulated employee sick leave		79,209	83,249
Accumulated employee vacation		<u>120,443</u>	<u>126,545</u>
	TOTAL LIABILITIES	<u>\$ 208,354</u>	<u>\$ 211,584</u>
<u>NET POSITION</u>			
Restricted		<u>\$ 803,785</u>	<u>\$ 778,884</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>2016</u>	<u>2015</u>
Operating revenues:		
Charges for services	\$1,260,098	\$1,050,204
Other revenue	<u>9,193</u>	<u>12,487</u>
TOTAL OPERATING REVENUES	<u>\$1,269,291</u>	<u>\$1,062,691</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 145,994	\$ 141,679
Hospitalization insurance	504,704	368,240
Sick pay	50,502	118,765
Vacation pay	110,048	117,956
Holiday pay	52,902	47,499
Funeral leave	2,487	3,524
Longevity pay	8,975	8,625
Workers' compensation insurance	48,657	34,205
Unemployment insurance	15,244	16,790
Retirement contributions	223,919	172,727
Life insurance	32,044	37,208
Disability insurance	7,005	6,998
Other	<u>41,909</u>	<u>24,426</u>
TOTAL OPERATING EXPENSES	<u>\$1,244,390</u>	<u>\$1,098,642</u>
CHANGES IN NET POSITION	\$ 24,901	(\$ 35,951)
Net position, beginning of year	<u>778,884</u>	<u>814,835</u>
Net position, end of year	<u>\$ 803,785</u>	<u>\$ 778,884</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>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$1,260,098	\$1,050,204
Payments to suppliers	(41,909)	(24,426)
Payments to employees	(1,192,791)	(1,063,102)
Other receipts	(9,193)	12,487
Cash flows provided (used) by operating activities	\$ 16,205	(\$ 24,837)
Cash, beginning of year	<u>959,105</u>	<u>983,942</u>
Cash, end of year	<u>\$ 975,310</u>	<u>\$ 959,105</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 24,901	(\$ 35,951)
Changes in assets and liabilities:		
Accounts receivable	(1,806)	(93)
Prepaid expense	(3,660)	(4,711)
Accounts payable	6,912	(13,250)
Accumulated employee sick leave	(4,040)	17,411
Accumulated employee vacation	(6,102)	11,757
Net cash provided (used) by operating activities	<u>(\$ 16,205)</u>	<u>(\$ 24,837)</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, 2016

	<u>Balance</u> <u>07-01-15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-16</u>
<u>ASSETS</u>				
Cash	<u>\$ 84,065</u>	<u>\$5,613,565</u>	<u>\$5,675,854</u>	<u>\$ 21,776</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 24,057	\$ 263,940	\$ 287,591	\$ 406
Tax Increment Finance Authority	27,014	647,743	674,757	-
Due to other governmental units	<u>32,994</u>	<u>4,701,882</u>	<u>4,713,506</u>	<u>21,370</u>
TOTAL LIABILITIES	<u>\$ 84,065</u>	<u>\$5,613,565</u>	<u>\$5,675,854</u>	<u>\$ 21,776</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, 2016

	Totals (Memorandum Only)		General	Debt	Long-Term
	<u>2016</u>	<u>2015</u>	<u>Fund</u>	<u>Service</u>	<u>Debt</u>
				<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 169,745	\$ 116,837	\$ 169,620	\$ 125	\$ -
Taxes receivable	2,292	2,353	2,292	-	-
Due from primary government	406	24,057	406	-	-
Amount to be provided for retirement of long-term debt	<u>200,000</u>	<u>295,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 372,443</u>	<u>\$ 438,247</u>	<u>\$ 172,318</u>	<u>\$ 125</u>	<u>\$ 200,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 3,560	\$ 3,190	\$ 3,560	\$ -	\$ -
Accrued wages and benefits	350	1,184	350	-	-
Deferred revenue	2,292	2,353	2,292	-	-
Due to primary government	-	13	-	-	-
Long-term debt	<u>200,000</u>	<u>295,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
TOTAL LIABILITIES	\$ 206,202	\$ 301,740	\$ 6,202	\$ -	\$ 200,000
<u>FUND BALANCE (DEFICIT)</u>	<u>166,241</u>	<u>136,507</u>	<u>166,116</u>	<u>125</u>	<u>-</u>
	<u>\$ 372,443</u>	<u>\$ 438,247</u>	<u>\$ 172,318</u>	<u>\$ 125</u>	<u>\$ 200,000</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, 2016

	<u>Totals</u>		<u>General</u>	<u>Debt</u>
	<u>(Memorandum Only)</u>			
	<u>2016</u>	<u>2015</u>		
Revenues:				
Taxes	\$262,977	\$288,136	\$262,977	\$ -
Grants	4,550	500	4,550	-
Interest and rents	1,324	1,056	1,311	13
Miscellaneous	<u>-</u>	<u>20,936</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$268,851</u>	<u>\$310,628</u>	<u>\$268,838</u>	<u>\$ 13</u>
Expenditures:				
Administration	\$ 22,084	\$ 35,363	\$ 22,084	\$ -
Public works	49,235	40,233	49,235	-
Recreation and parks	52,473	57,438	52,473	-
Debt service:				
Principal	95,000	90,000	-	95,000
Interest	<u>10,325</u>	<u>13,475</u>	<u>-</u>	<u>10,325</u>
TOTAL EXPENDITURES	<u>\$229,117</u>	<u>\$236,509</u>	<u>\$123,792</u>	<u>\$105,325</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 39,734</u>	<u>\$ 74,119</u>	<u>\$145,046</u>	<u>(\$105,312)</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 10,000)	(\$ 40,687)	(\$ 10,000)	\$ -
Operating transfers from other funds	105,325	103,475	-	105,325
Operating transfers to other funds	<u>(105,325)</u>	<u>(103,475)</u>	<u>(105,325)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 10,000)</u>	<u>(\$ 40,687)</u>	<u>(\$115,325)</u>	<u>(\$105,312)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 29,734	\$ 33,432	\$ 29,721	\$ 13
Fund balance (deficit), beginning of year	<u>136,507</u>	<u>103,075</u>	<u>136,395</u>	<u>112</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$166,241</u>	<u>\$ 136,507</u>	<u>\$166,116</u>	<u>\$ 125</u>

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

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

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 169,620	\$ 116,725
Taxes receivable		2,292	2,353
Due from primary government		<u>406</u>	<u>24,057</u>
		<u>\$ 172,318</u>	<u>\$ 143,135</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 3,560	\$ 3,190
Accrued wages and benefits		350	1,184
Due to primary government		-	13
Deferred revenue		<u>2,292</u>	<u>2,353</u>
	TOTAL LIABILITIES	\$ 6,202	\$ 6,740
<u>FUND BALANCE</u>		<u>166,116</u>	<u>136,395</u>
		<u>\$ 172,318</u>	<u>\$ 143,135</u>

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

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2016
 With Actual Amounts for Year Ended June 30, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$276,820	\$262,977	(\$ 13,843)	\$288,136
Interest and rents	1,200	1,311	111	1,053
Grants	5,000	4,550	(450)	500
Miscellaneous	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>20,936</u>
TOTAL REVENUES	<u>\$293,020</u>	<u>\$268,838</u>	<u>(\$ 24,182)</u>	<u>\$310,625</u>
Expenditures:				
General government administration	\$ 24,900	\$ 22,084	\$ 2,816	\$ 35,363
Public works	78,100	49,235	28,865	40,233
Recreation and parks	55,410	52,473	2,937	57,438
Contingency	<u>19,285</u>	<u>-</u>	<u>19,285</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$177,695</u>	<u>\$123,792</u>	<u>\$ 53,903</u>	<u>\$133,034</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$115,325</u>	<u>\$145,046</u>	<u>\$ 29,721</u>	<u>\$177,591</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 10,000)	(\$ 10,000)	\$ -	(\$ 40,687)
Operating transfers to other funds	<u>(105,325)</u>	<u>(105,325)</u>	<u>-</u>	<u>(103,475)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$115,325)</u>	<u>(\$115,325)</u>	<u>\$ -</u>	<u>(\$144,162)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 29,721	\$ 29,721	\$ 33,429
Fund balance (deficit), beginning of year	<u>134,255</u>	<u>136,395</u>	<u>-</u>	<u>102,966</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$134,255</u>	<u>\$166,116</u>	<u>\$ 29,721</u>	<u>\$136,395</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,	
	2016	2015
<u>ASSETS</u>		
Cash	\$ 125	\$ 112
Investments	-	-
	\$ 125	\$ 112
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities	\$ -	\$ -
Fund Equity	125	112
	\$ 125	\$ 112

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,	
	2016	2015
Revenues:		
Interest and rents	\$ 13	\$ 3
Contributions from other funds	<u>105,325</u>	<u>103,475</u>
TOTAL REVENUES	<u>\$105,338</u>	<u>\$103,478</u>
Expenditures:		
Debt service:		
Redemption of serial bonds	\$ 95,000	\$ -
Interest on bonds	<u>10,325</u>	<u>103,475</u>
TOTAL EXPENDITURES	<u>\$105,325</u>	<u>\$103,475</u>
EXCESS OF REVENUES	\$ 13	\$ 3
Fund equity, beginning of year	<u>112</u>	<u>109</u>
FUND EQUITY, END OF YEAR	<u><u>\$ 125</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
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30,	
	2016	2015

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

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

	\$ 200,000	\$ 295,000
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GENERAL LONG-TERM DEBT PAYABLE

2011 Refunding Bonds

	\$ 200,000	\$ 295,000
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2016

	<u>Totals</u>			<u>Debt</u>	<u>Long-Term</u>
	<u>(Memorandum Only)</u>		<u>General</u>	<u>Service</u>	<u>Debt</u>
	<u>2016</u>	<u>2015</u>	<u>Fund</u>	<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 314,104	\$ 316,658	\$ 314,030	\$ 74	\$ -
Taxes receivable	1,043	1,023	1,043	-	-
Due from primary government	-	97,014	-	-	-
Amount to be provided for retirement of long-term debt	<u>150,000</u>	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
	<u>\$ 465,147</u>	<u>\$ 604,695</u>	<u>\$ 315,073</u>	<u>\$ 74</u>	<u>\$ 150,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 25,134	\$ 12,748	\$ 25,134	\$ -	\$ -
Accrued wages and benefits	1,063	3,473	1,063	-	-
Due to primary government	298	259	298	-	-
Deferred revenue	1,043	1,023	1,043	-	-
Long-term debt	<u>150,000</u>	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
TOTAL LIABILITIES	\$ 177,538	\$ 207,503	\$ 27,538	\$ -	\$ 150,000
<u>FUND BALANCE</u>	<u>287,609</u>	<u>397,192</u>	<u>287,535</u>	<u>74</u>	<u>-</u>
	<u>\$ 465,147</u>	<u>\$ 604,695</u>	<u>\$ 315,073</u>	<u>\$ 74</u>	<u>\$ 150,000</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, 2016

	Totals (Memorandum Only)		General Fund	Debt Service Funds
	2016	2015		
Revenues:				
Taxes	\$ 647,743	\$ 715,506	\$ 647,743	-
Miscellaneous	19,839	-	19,839	-
Interest and rents	2,644	5,481	2,638	6
TOTAL REVENUES	\$ 670,226	\$ 720,987	\$ 670,220	\$ 6
Expenditures:				
General government administration	\$ 231,622	\$ 177,920	\$ 231,555	\$ 67
Public safety	120,000	120,000	120,000	-
Capital outlay	376,787	98,674	376,787	-
Debt Service:				
Principal	40,000	165,000	-	40,000
Interest	11,400	16,979	-	11,400
TOTAL EXPENDITURES	\$ 779,809	\$ 578,573	\$ 728,342	\$ 51,467
EXCESS OF REVENUES (EXPENDITURES)	(\$ 109,583)	\$ 142,414	(\$ 58,122)	(\$ 51,461)
Other financing sources (uses):				
Operating transfers from other funds	\$ 51,400	\$ 181,979	\$ -	\$ 51,400
Operating transfers to other funds	(51,400)	(181,979)	(51,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	(\$ 51,400)	\$ 51,400
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 109,583)	\$ 142,414	(\$ 109,522)	(\$ 61)
Fund balance (deficit), beginning of year	397,192	254,778	397,057	135
FUND BALANCE (DEFICIT), END OF YEAR	\$ 287,609	\$ 397,192	\$ 287,535	\$ 74

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

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

		<u>June 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$314,030	\$316,523
Taxes receivable		1,043	1,023
Due from primary government		-	97,014
		<u>\$315,073</u>	<u>\$414,560</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 25,134	\$ 12,748
Accrued wages and benefits		1,063	3,473
Due to primary government		298	259
Deferred revenue		<u>1,043</u>	<u>1,023</u>
	TOTAL LIABILITIES	\$ 27,538	\$ 17,503
<u>FUND BALANCE</u>		<u>287,535</u>	<u>397,057</u>
		<u>\$315,073</u>	<u>\$414,560</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, 2016

With Actual Amounts for Year Ended June 30, 2015

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 646,612	\$ 647,743	\$ 1,131	\$ 715,506
Miscellaneous	19,772	19,839	67	-
Interest and rents	<u>3,000</u>	<u>2,638</u>	<u>(362)</u>	<u>5,477</u>
TOTAL REVENUES	<u>\$ 669,384</u>	<u>\$ 670,220</u>	<u>\$ 836</u>	<u>\$ 720,983</u>
Expenditures:				
General government administration	\$ 249,400	\$ 231,555	\$ 17,845	\$ 177,920
Public safety	120,000	120,000	-	120,000
Capital outlay	<u>434,305</u>	<u>376,787</u>	<u>57,518</u>	<u>98,674</u>
TOTAL EXPENDITURES	<u>\$ 803,705</u>	<u>\$ 728,342</u>	<u>\$ 75,363</u>	<u>\$ 396,594</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 134,321)	(\$ 58,122)	\$ 76,199	\$ 324,389
Other financing sources (uses) -				
Operating transfers to other fund	<u>(51,400)</u>	<u>(51,400)</u>	<u>-</u>	<u>(181,979)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 185,721)</u>	<u>(\$ 109,522)</u>	<u>\$ 76,199</u>	<u>\$ 142,410</u>
Fund balance (deficit), beginning of year	<u>397,057</u>	<u>397,057</u>	<u>-</u>	<u>254,647</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 211,336</u></u>	<u><u>\$ 287,535</u></u>	<u><u>\$ 76,199</u></u>	<u><u>\$ 397,057</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
 DEBT SERVICE FUNDS
 COMBINING BALANCE SHEETS
 Year ended June 30, 2016
 With totals for June 30, 2015

	Totals (Memorandum Only)		Tax Increment Revenue Bonds	
	2016	2015	1998 LTD Refunding Bonds	1999 Bluffs Bond Debt
<u>ASSETS</u>				
Cash	\$ 74	\$ 135	\$ -	\$ 74
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	74	135	-	74
	\$ 74	\$ 135	\$ -	\$ 74

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2016

With totals for June 30, 2015

	Totals		Tax Increment Revenue Bonds	
	(Memorandum Only)		1998	1999
	2016	2015	LTD Refunding Bonds	Bluffs Bond Debt
Revenues:				
Interest and rents	\$ 6	\$ 4	\$ -	\$ 6
Contributions from other funds	51,400	181,979	-	51,400
TOTAL REVENUES	\$ 51,406	\$181,983	\$ -	\$ 51,406
Expenditures:				
Redemption of serial bonds	\$ 40,000	\$165,000	\$ -	\$ 40,000
Interest on bonds	11,400	16,979	-	11,400
General administration	67	-	67	-
TOTAL EXPENDITURES	\$ 51,467	\$181,979	\$ 67	\$ 51,400
EXCESS OF REVENUES	(\$ 61)	\$ 4	(\$ 67)	\$ 6
Fund equity, beginning of year	135	131	67	68
FUND EQUITY, END OF YEAR	\$ 74	\$ 135	\$ -	\$ 74

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

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

	June 30,	
	2016	2015
<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>\$ 150,000</u>	<u>\$ 190,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
1999 Bluffs Project Bonds	<u>\$ 150,000</u>	<u>\$ 190,000</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>2016</u>	<u>2015</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,370,743	\$1,370,762
Personal property taxes	49,778	73,142
Payments in lieu of taxes	31,632	31,532
Local Community Stabilization Share Tax	94,981	-
Previously written off	3,350	7,225
Administration fees and interest	49,745	71,789
	<u>\$ 1,600,229</u>	<u>\$1,554,450</u>
	TOTAL TAXES	
Licenses and permits	\$ 4,805	\$ 8,460
State grants:		
Sales and use tax	\$ 771,584	\$ 778,029
Liquor licenses	10,481	10,283
Fire protection	17,000	22,930
Other	12,167	7,228
	<u>\$ 811,232</u>	<u>\$ 818,470</u>
	TOTAL STATE GRANTS	
Charges for service:		
Accident reports	\$ 760	\$ 1,562
Lighting - MTU	4,371	4,371
Dee Stadium	146,827	143,033
Sanitation	286,034	283,601
Charges to users	376,838	348,746
	<u>\$ 814,830</u>	<u>\$ 781,313</u>
	TOTAL CHARGES FOR SERVICES	
Interest and rents		
Interest income	\$ 10,169	\$ 7,920
Other revenue:		
Sale of assets	\$ -	\$ 14,500
Fines and forfeits	4,981	2,962
Public safety	120,000	120,000
Grants	71,292	-
Contributions	51,680	59,980
Miscellaneous	10,939	19,517
	<u>\$ 258,892</u>	<u>\$ 216,959</u>
	TOTAL OTHER REVENUE	
	<u>\$ 3,500,157</u>	<u>\$3,387,572</u>
	TOTAL REVENUES	
EXPENDITURES:		
General government administration:		
Legislative	\$ 25,878	\$ 24,430
City manager	111,531	129,162
Elections	7,267	9,922
Assessor	25,645	39,012
Planning and professional services	31,634	48,995
Clerk	131,812	150,472
Treasurer	60,255	62,630
Accounting and auditing	20,500	18,500
Building and grounds	199,633	150,687
Community promotion	49,942	44,514
Capital outlay	148,667	114,052
	<u>\$ 812,764</u>	<u>\$ 792,376</u>
	TOTAL GENERAL GOVERNMENT ADMINISTRATION	

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

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

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Public safety:		
Police	\$ 919,749	\$ 828,376
Fire	106,784	100,743
Capital outlay	<u>48,385</u>	<u>29,446</u>
	TOTAL PUBLIC SAFETY	\$ 958,565
Public works:		
Department of public works	\$ 53,570	\$ 25,429
Building inspection	85,760	85,608
Sidewalks and curbs	23,845	11,425
Street lighting	122,259	115,453
Tree trimming	13,252	261
Security cameras	48,467	11,927
Signs	514	11,599
Refuse collections	<u>202,695</u>	<u>194,625</u>
	TOTAL PUBLIC WORKS	\$ 456,327
Recreation and parks:		
Beach	\$ 45,137	\$ 63,720
Dee Stadium	152,416	119,953
Parks	135,455	137,820
Capital outlay	<u>22,400</u>	<u>1,083</u>
	TOTAL RECREATION AND PARKS	\$ 322,576
Debt service:		
Principal	\$ 117,365	\$ 113,812
Interest	<u>74,441</u>	<u>84,496</u>
	TOTAL DEBT SERVICE	\$ 198,308
Other expenditures:		
City beautification	\$ 29,413	\$ 21,057
Insurance and bonds	51,283	49,013
Refunds and rebates	49,798	-
Miscellaneous	<u>3,772</u>	<u>3,946</u>
	TOTAL OTHER EXPENDITURES	\$ 74,016
	TOTAL EXPENDITURES	\$ 2,802,168
	EXCESS REVENUES OVER EXPENDITURES	\$ 585,404
Other financing sources (uses):		
Operating transfers in	\$ 5,700	\$ 5,700
Operating transfers out	(<u>381,455</u>)	(<u>520,824</u>)
	TOTAL OTHER FINANCING SOURCES (USES)	(\$ 515,124)
	EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 70,280
Fund balance, beginning of year	<u>1,222,520</u>	<u>1,152,240</u>
	FUND BALANCE, END OF YEAR	<u>\$ 1,222,520</u>

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

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
SCHEDULES OF EXPENDITURES AND REIMBURSEMENTS FOR STATE TRUNKLINE MAINTENANCE

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Expenditures:		
Traffic signals	\$ 11,009	\$ 11,281
Surface maintenance	28,641	18,515
Culvert/underdrain	24,735	12,160
Catch basins	-	2,070
Snow and ice control	336,923	371,391
Other	<u>5,801</u>	<u>8,611</u>
	\$407,109	\$424,028
Reimbursements -		
Michigan Department of Highways and Transportation	<u>412,688</u>	<u>410,633</u>
	<u>\$ 5,579</u>	<u>(\$ 13,395)</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, 2016

	07-01-15 to <u>09-30-15</u>	10-01-15 to <u>06-30-16</u>	<u>Total</u>
Fare box	\$ 27,378	\$ 61,942	\$ 89,320
Special contract fares	5,955	26,067	32,022
RTAP reimbursement	<u>-</u>	<u>1,978</u>	<u>1,978</u>
TOTAL OPERATING REVENUES	<u>\$ 33,333</u>	<u>\$ 89,987</u>	<u>\$123,320</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, 2016

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 159,923	\$ -	\$ -	\$159,923
Other salaries and wages	-	32,931	28,582	61,513
Fringe benefits	90,757	27,885	18,402	137,044
Pension	7,901	-	4,298	12,199
Services:				
Contracted services	4,800	2,165	-	6,965
Printing and publishing	-	-	892	892
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	25,093	-	-	25,093
Other materials and supplies	6,682	32,782	-	39,464
Utilities	831	12,554	-	13,385
Casualty and liability cost - Premiums for public liability and property damage insurance	-	9,526	-	9,526
Miscellaneous expenses	4,623	868	3,113	8,604
Depreciation	<u>65,077</u>	<u>15,419</u>	<u>8,150</u>	<u>88,646</u>
TOTAL OPERATING EXPENSES	<u>\$ 365,687</u>	<u>\$ 134,130</u>	<u>\$ 65,937</u>	<u>\$565,754</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, 2016

Non-operating revenues:

Operating transfers in - General Fund	\$113,842
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	172,265
Specialized Services - Contract 07-0226	51,454
Federal Operating Grant - U.S. DOT Operating Grant - Section 5311 - Contract 07-0226	87,436
Miscellaneous	1,190
Interest Income	<u>462</u>
TOTAL NON-OPERATING REVENUES	<u>\$426,649</u>

Non-operating expenses:

Specialized Services Grants - Contract 07-0226	<u>\$ 51,454</u>
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2016

	07-01-15 to <u>09-30-15</u>	10-01-15 to <u>06-30-16</u>	<u>Total</u>
Fare box	\$ 27,378	\$ 61,942	\$ 89,320
Special contract fares	<u>5,955</u>	<u>26,067</u>	<u>32,022</u>
TOTAL REVENUES	<u>\$ 33,333</u>	<u>\$ 88,009</u>	<u>\$121,342</u>

Based on a September 30, 2015 Year End

	10-01-14 to <u>06-30-15</u>	07-01-15 to <u>09-30-15</u>	<u>Total</u>
Fare box	\$ 56,179	\$ 27,378	\$ 83,557
Special contract fares	<u>21,621</u>	<u>5,955</u>	<u>27,576</u>
TOTAL REVENUES	<u>\$ 77,800</u>	<u>\$ 33,333</u>	<u>\$111,133</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, 2016

	07-01-15 to <u>09-30-15</u>	10-01-15 to <u>06-30-16</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 36,065	\$136,200	\$172,265
Federal Transit Administration Section 5311	16,967	70,469	87,436
RTAP	<u>-</u>	<u>1,978</u>	<u>1,978</u>
TOTAL	<u>\$ 53,032</u>	<u>\$208,647</u>	<u>\$261,679</u>

Based on a September 30, 2015 year end

	10-01-14 to <u>06-30-15</u>	07-01-15 to <u>09-30-15</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$123,254	\$ 36,065	\$159,319
Federal Transit Administration Section 5311	58,020	16,967	74,987
RTAP	<u>2,798</u>	<u>-</u>	<u>2,798</u>
TOTAL	<u>\$184,072</u>	<u>\$ 53,032</u>	<u>\$237,104</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, 2016

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant No./ Authorization Number</u>
U.S. Department of Transportation: Passed through Michigan Department of Transportation Federal Transit Capital Grants:	
Operating Assistance:	
FY15 Section 5311	2012-0099/P6
FY16 Section 5311	2012-0099/P11 2012-0099/P13
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		
\$ 178,912	\$ 3,317	\$ 2,654	\$ 663	\$ -	\$ 173,771	\$ 1,824
				-	-	-
				-	-	-
16,967	16,967	16,967	-	-	-	-
70,469	70,469	70,469	-	-	-	-
172,265	172,265	-	172,265	-	-	-
18,473	18,473	-	18,473	-	-	-
32,981	32,981	-	32,981	-	-	-
<u>\$ 490,067</u>	<u>\$314,472</u>	<u>\$ 90,090</u>	<u>\$ 224,382</u>	<u>\$ -</u>	<u>\$ 173,771</u>	<u>\$ 1,824</u>

CITY OF HOUGHTON, MICHIGAN
 TRANSIT FUND
 OPERATING AND CONTRACT EXPENSES
 Year ended June 30, 2016

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 221,436	\$ -	\$ -	\$221,436
Fringe benefits	137,044	-	-	137,044
Pension	12,199	-	-	12,199
Services	10,357	-	-	10,357
Materials and supplies	64,557	-	-	64,557
Utilities	13,385	-	-	13,385
Casualty and liability costs	9,526	-	-	9,526
Purchased services	-	51,454	-	51,454
Miscellaneous expenses	8,604	-	-	8,604
Depreciation	88,646	-	-	88,646
TOTAL EXPENSES	<u>\$ 565,754</u>	<u>\$ 51,454</u>	<u>\$ -</u>	<u>\$617,208</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, 2016

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	
	<u>7-1-15 to 9-30-15</u>	<u>10-1-15 to 6-30-16</u>	<u>Total</u>
Expenses:			
Labor	\$ 41,651	\$179,785	\$221,436
Fringe benefits	22,727	126,516	149,243
Services	1,284	9,073	10,357
Materials and supplies	18,295	46,262	64,557
Utilities	2,851	10,534	13,385
Casualty and liability costs	2,381	7,145	9,526
Miscellaneous expenses	3,151	5,453	8,604
Depreciation	<u>22,162</u>	<u>66,484</u>	<u>88,646</u>
TOTAL OPERATING EXPENSES	<u>\$114,502</u>	<u>\$451,252</u>	<u>\$565,754</u>
Less ineligible expenses:			
Audit	\$ 625	\$ 1,875	\$ 2,500
RTAP reimbursements	-	1,978	1,978
Depreciation	<u>22,162</u>	<u>66,484</u>	<u>88,646</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 22,787</u>	<u>\$ 70,337</u>	<u>\$ 93,124</u>
NET ELIGIBLE EXPENSES	<u>\$ 91,715</u>	<u>\$380,915</u>	<u>\$472,630</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 16,967</u>		
18.50%		<u>\$ 70,469</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

39.3228% of eligible expenses for non-urbanized areas
 (.393228 x \$91,715)

35.756% of eligible expenses for non-urbanized areas
 (.35756 x \$380,915)

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>7-1-15 to 9-30-15</u>	<u>10-1-15 to 6-30-16</u>	<u>Total</u>
\$ 41,651	\$179,785	\$221,436
22,727	126,516	149,243
1,284	9,073	10,357
18,295	46,262	64,557
2,851	10,534	13,385
2,381	7,145	9,526
3,151	5,453	8,604
<u>22,162</u>	<u>66,484</u>	<u>88,646</u>
<u>\$114,502</u>	<u>\$451,252</u>	<u>\$565,754</u>
\$ 625	\$ 1,875	\$ 2,500
-	1,978	1,978
<u>22,162</u>	<u>66,484</u>	<u>88,646</u>
<u>\$ 22,787</u>	<u>\$ 70,337</u>	<u>\$ 93,124</u>
<u>\$ 91,715</u>	<u>\$380,915</u>	<u>\$472,630</u>

\$ 36,065

\$136,200

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2015 year end

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z4		
	<u>10-1-14 to 6-30-15</u>	<u>7-1-15 to 9-30-15</u>	<u>Total</u>
Expenses:			
Labor	\$166,925	\$ 41,651	\$208,576
Fringe benefits	72,271	22,727	94,998
Services	7,246	1,284	8,530
Materials and supplies	50,445	18,295	68,740
Utilities	12,158	2,851	15,009
Casualty and liability costs	7,487	2,381	9,868
Miscellaneous expenses	4,716	3,151	7,867
Depreciation	<u>81,126</u>	<u>22,162</u>	<u>103,288</u>
TOTAL OPERATING EXPENSES	<u>\$402,374</u>	<u>\$114,502</u>	<u>\$516,876</u>
Less ineligible expenses:			
Audit	\$ 1,650	\$ 625	\$ 2,275
RTAP reimbursements	2,798	-	2,798
Insurance reimbursements	3,126	-	3,126
Finance fees	23	-	23
Association dues	28	-	28
Depreciation	<u>81,126</u>	<u>22,162</u>	<u>103,288</u>
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	<u>\$ 88,751</u>	<u>\$ 22,787</u>	<u>\$111,538</u>
NET ELIGIBLE EXPENSES	<u>\$313,623</u>	<u>\$ 91,715</u>	<u>\$405,338</u>
Maximum Section 5311 reimbursement:			
18.50%	<u>\$ 58,020</u>		
18.50%		<u>\$ 16,967</u>	

State Statutory Operating Assistance -

Reimbursement Amount:

39.3% of eligible expenses for nonurbanized areas

39.3228% of eligible expenses for nonurbanized areas

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

Local Bus Operating Assistance

<u>10-1-14 to 6-30-15</u>	<u>7-1-15 to 9-30-15</u>	<u>Total</u>
\$166,925	\$ 41,651	\$ 208,576
72,271	22,727	94,998
7,246	1,284	8,530
50,445	18,295	68,740
12,158	2,851	15,009
7,487	2,381	9,868
4,716	3,151	7,867
<u>81,126</u>	<u>22,162</u>	<u>103,288</u>
<u>\$402,374</u>	<u>\$114,502</u>	<u>\$ 516,876</u>
\$ 1,650	\$ 625	\$ 2,275
2,798	-	2,798
3,126	-	3,126
23	-	23
28	-	28
<u>81,126</u>	<u>22,162</u>	<u>103,288</u>
<u>\$ 88,751</u>	<u>\$ 22,787</u>	<u>\$ 111,538</u>
<u>\$313,623</u>	<u>\$ 91,715</u>	<u>\$ 405,338</u>

\$123,254

\$ 36,065

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN OPERATING EXPENSES
Year ended June 30, 2016

	07-01-15 to 09-30-15	10-01-15 to 06-30-16	<u>Total</u>
Expenses:			
Labor	\$ 41,651	\$179,785	\$221,436
Fringe benefits	22,727	126,516	149,243
Services	1,284	9,073	10,357
Materials and supplies	18,295	46,262	64,557
Utilities	2,851	10,534	13,385
Casualty and liability costs	2,381	7,145	9,526
Miscellaneous expenses	3,151	5,453	8,604
Depreciation	<u>22,162</u>	<u>66,484</u>	<u>88,646</u>
TOTAL OPERATING EXPENSES	<u>\$114,502</u>	<u>\$451,252</u>	<u>\$565,754</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, 2015

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 152,767	\$ -	\$ -	\$152,767
Other salaries and wages	-	31,482	24,327	55,809
Fringe benefits	41,762	23,964	14,981	80,707
Pension	6,907	2,806	4,578	14,291
Services:				
Audit cost	-	-	2,275	2,275
Contracted services	4,840	187	-	5,027
Printing and publishing	-	-	1,228	1,228
Materials and supplies:				
Fuel and lubricants	36,462	-	-	36,462
Tires and tubes	4,247	-	-	4,247
Other materials and supplies	1,299	26,732	-	28,031
Utilities	1,314	13,695	-	15,009
Casualty and liability insurance	-	9,868	-	9,868
Miscellaneous expenses:				
Travel, meetings, and training	1,952	-	2,569	4,521
Other miscellaneous expenses	1,713	777	856	3,346
Depreciation	80,545	14,590	8,153	103,288
TOTAL EXPENSES	<u>\$ 333,808</u>	<u>\$ 124,101</u>	<u>\$ 58,967</u>	<u>\$516,876</u>
Ineligible expenses:				
Audit cost	\$ -	\$ -	\$ 2,275	\$ 2,275
RTAP reimbursements	2,798	-	-	2,798
Insurance reimbursement	-	3,126	-	3,126
Finance fees	-	-	23	23
Association dues	-	-	28	28
Depreciation	<u>80,545</u>	<u>14,590</u>	<u>8,153</u>	<u>103,288</u>
TOTAL INELIGIBLE EXPENSES	<u>\$ 83,343</u>	<u>\$ 17,716</u>	<u>\$ 10,479</u>	<u>\$111,538</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 250,465</u>	<u>\$ 106,385</u>	<u>\$ 48,488</u>	<u>\$405,338</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, 2015

	<u>Public Transportation Mileage</u>
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	26,676
Second Quarter	27,420
Third Quarter	25,049
Fourth Quarter	<u>24,320</u>
	<u>103,465</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, 2015 year end

Farebox revenue:	
Passenger fares	\$ 83,557
Contract fares	27,576
State formula and contracts -	
State operating assistance	159,319
Federal contracts -	
Section 5311	<u>74,987</u>
TOTAL NONURBAN REGULAR SERVICE REVENUES	<u>\$345,439</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 27, 2016

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, 2016, 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 27, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

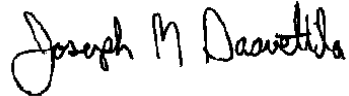
As part of obtaining reasonable assurance about whether the City of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

City of Houghton, Michigan's Response to Findings

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

Purpose of this Report

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



Certified Public Accountant, PLC
Houghton, Michigan

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016

SECTION I - FINANCIAL STATEMENT FINDINGS

2016-001 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.

2016-002 AUDIT ADJUSTMENTS

Statement of Condition/Criteria:

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

Response/Status:

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

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

December 27, 2016

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, 2016. 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 12, 2016 and during our audit planning meetings with the Treasurer and City Manager.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

We reported two significant deficiencies in our "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*" and as described in the Schedule of Findings and Responses as items 2016-001 and 2016-002 during the audit. We also issued a separate letter to management dated December 27, 2016.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Houghton are described in Note B to the financial statements. The City of Houghton changed accounting policies related to pension liabilities by adopting Statement of Government Accounting Standards (GASB) Statements No. 68 and 71, during the year ended June 30, 2016. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. We noted no transactions entered into by City of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Management's estimate for the accumulated compensated absences is based on the amount of hours accrued to June 30, 2016 for each employee times their current rate of pay and adjusting for any pay-out percentage determined by years of service as stated in employees contracts or as approved by the City Council.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

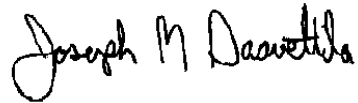
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City of Houghton's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were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

Other Matters

We adopted certain limited procedures to the required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

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

Certified Public Accountant, PLC
Houghton, Michigan